Prospectus of Tanmiah Food Company

A Saudi closed joint stock company pursuant to Ministerial Resolution No. Q/148, dated 26/06/1440H (corresponding to 3 March 2019G), and with commercial registration No. 1010087483, dated 06/04/1412H (corresponding to 15 October 1991G).

Offering of six million (6,000,000) Shares representing thirty percent (30%) of the share capital of Tanmiah Food Company through an initial public offering at an offer price of SAR Sixty Seven (67) per Share.

Offering Period: One (1) day, Tuesday 17/12/1442H (Corresponding to 27/07/2021G).

Tanmiah Food Company (hereinafter referred to as the "**Company**" or "**Issuer**") is a Saudi closed joint stock company incorporated by virtue of Ministerial Resolution No. Q/148, dated 26/06/1440H (corresponding to 3 March 2019G), and registered under Commercial Registration No. 1010087483, dated 06/04/1412H (corresponding to 15 October 1991G) issued in Riyadh, Kingdom of Saudi Arabia (the "**Kingdom**"). The current share capital of the Company is two hundred million Saudi Arabian Riyals (SAR 200,000,000), consisting of twenty million (20,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (the "**Shares**"). The Company's head and registered office is located in AlRabwa District, Omar bin Abdulaziz Road, P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia.

The legal predecessor entity of the Company was established as a proprietorship under the name of "Agricultural Development Establishment Owned by Abdullah Mohammad Ali Abu Al-Qasim Al-Dabbagh" (the "**Establishment**") registered in Jeddah under Commercial Registration No. 4030009579 dated 27/01/1396H (corresponding to 29 January 1976G), under which it operated five branches, one in each of Jeddah, Dammam and Madinah and two in Riyadh. On 01/06/1412H (corresponding to 7 December 1991G), Hussein Abdullah Al-Dabbagh, Jamal Abdullah Al-Dabbagh, Amr Abdullah Al-Dabbagh and Tanmiah Commercial Group Company entered as shareholders in the Establishment, which was converted into a new company in which the shareholders contributed in proportion to their respective shareholding. The Company was divided into two limited liability companies, one under the name of "**Supreme Foods Company Limited**" and the other under the name of the Agricultural Development Company (for more details, see Section 4.3.2.1 (**Agricultural Development Company**)). As a result, Supreme Foods Company Limited was established as a limited liability company registered in the city of Riyadh under Commercial Registration No. 1010087483, dated 06/04/1412H (corresponding to 15 October 1991G), with a capital of three million Saudi Arabian Riyals (SAR 3,000,000) divided into three thousand (3,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share. On 02/07/1413H (corresponding to 26 December 1992G), Abdullah Mohammad Al-Dabbagh, Hussein Abdullah Al-Dabbagh, Jamal Abdullah Al-Dabbagh and Amr Abdullah Al-Dabbagh transferred all of their shares in the Company to Al-Dabbagh Group Holding Company as a new shareholder in the Company. Simultaneously, Tanmiah Commercial Group Company transferred a part of its shares in the Company to Al-Dabbagh Group Holding Company. Pursuant to Shareholders' resolution dated 22/07/1425H (corresponding to 7 September 2004G), the capital of the Company was increased from three million Saudi Arabian Riyals (SAR 3,000,000) divided into three thousand (3,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, to fifty million Saudi Arabian Riyals (SAR 50,000,000) divided into fifty thousand (50,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, through capitalizing forty-seven million Saudi Arabian Riyals (SAR 47,000,000) of debts owed to the shareholders. Subsequently, on 11/09/1430H (corresponding to 1 September 2009G), the Company further increased its capital to one hundred million Saudi Arabian Riyals (SAR 100,000,000), divided into one hundred thousand (100,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, through capitalizing fifty million Saudi Arabian Riyals (SAR 50,000,000) of retained earnings. On 26/06/1440H (corresponding to 3 March 2019G), the Company was converted into a closed joint stock company under the name of Tanmiah Food Trading Company pursuant to Ministerial Resolution No. Q/148 dated 26/06/1440H (corresponding to 3 March 2019G). Pursuant to the Extraordinary General Assembly Resolution dated on 12/08/1440H (corresponding to 17 April 2019G), the Company's share capital was increased to two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) Shares, with an equal nominal value of ten Saudi Arabian Riyals (SAR 10) each, by capitalizing SAR 50,000,000 of the reserve capital, SAR 21,216,697 of the statutory reserve and SAR 28,783,303 of the retained earnings. The Company's name was changed to "**Tanmiah Food Company**".

The Company's current capital is two hundred million (200,000,000) Saudi Arabian Riyals, divided into twenty million (20,000,000) ordinary Shares with a fully paid nominal value of ten (10) Saudi Arabian Riyals per Share.

The initial public offering of the Company's Shares (the "**Offering**") will be for six million (6,000,000) Shares (collectively, the "**Offer Shares**" and each an "Offer Share)". The Offering price will be Sixty Seven Saudi Arabian Riyals (SAR (67)) per Offer Share (the "**Offer Price**"), with each Offer Share carrying a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Offer Share. The Offer Shares represent thirty percent (30%) of the issued share capital of the Company. The Offering shall be restricted to the following two groups of investors (collectively, the "**Investors**"):

Tranche (A) Participating Parties: participating parties comprising the parties entitled to participate in the book-building process as specified under the Instructions for Book-Building Process and Allocation Method in Initial Public Offerings (the "**Book-Building Instructions**") issued by the Capital Market Authority (the "**CMA**"), including investment funds, companies, Qualified Foreign Investors and GCC Corporate Investors with corporate personality (collectively referred to as the "**Participating Parties**" and each a "**Participating Party**") (for further details, see Section 1 (**Definitions and Abbreviations**)). The number of Offer Shares to be provisionally allocated to the Participating Parties actually involved in the book-building process from amongst the Participating Parties (collectively, the "**Participating Entities**" and each a "**Participating Entity**") is six million (6,000,000) Ordinary Shares, representing one hundred percent (100%) of the Offer Shares. The final allocation will be made after the end of the Individual Investors' subscription (as defined in Tranche (B) below). The Bookrunner (as defined in Section 1 (Definitions and Abbreviations)) shall have the right, in the event that there is sufficient demand by Individual Investors, to reduce the number of Offer Shares allocated to Participating Entities to five million, four hundred thousand (5,400,000) Offer Shares, representing ninety percent (90%) of the Offer Shares.

Tranche (B) Individual Investors: Comprising Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi residents or GCC nationals with a bank account with the Receiving Agent and having the right to open an investment account (the "**Individual Investors**" and each an "**Individual Investor**", and any such Individual Investor participating in the Offering together with the Participating Entities, the "**Subscribers**"). A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of six hundred thousand (600,000) Offer Shares representing ten (10%) of the total Offer Shares shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookrunner may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

The Company's current shareholders (collectively, "**Current Shareholders**"), whose names are stated on page (ix), hold all of the Company's shares prior to the Offering. The Offer Shares are being sold by all of the Current Shareholders (collectively, the "**Selling Shareholders**") in accordance with Table (6) (**Direct Ownership Structure of the Company Pre- and Post- the Offering**). Upon completion of the Offering, Al-Dabbagh Group Holding Company ("**Al-Dabbagh Group Holding Company**") will own seventy percent (70%) of the Shares and will consequently retain a controlling interest in the Company. The Offering proceeds (the "**Offering Proceeds**") will, after deducting the Offering expenses, (the "**Net Offering Proceeds**") be paid to the Selling Shareholders on a pro-rata basis according to the number of Shares owned by each Selling Shareholder. The Company will not receive any part of the Offering Proceeds (for further details, see Section 8 (**Use of Proceeds**)). The Offering is fully underwritten by the Underwriter (for further details, see Section 13 (**Underwriting**)). The Substantial Shareholders will be subject to a lock-up period during which they will be prohibited from selling their Shares for a period of six months from the date trading of the Company's Shares starts on the Saudi Exchange ("**Tadawul**" or the "**Exchange**") (the "**Lock-up Period**") as specified on page (271). ADGHC is the substantial shareholder of the Company with an ownership percentage of ninety-six percent (96%) of the Company›s shares before the Offering. Table 2 (Substantial Shareholder and Its Ownership in the Company) sets out its shareholding of the Company's capital.

The Offering will commence on 17/12/1442H (Corresponding to 27/07/2021G) and will remain open for a period of one (1) day (the "**Offering Period**"). Subscription to the Offer Shares by the Individual Investors can be made through any of the branches of the Receiving Agent (the "**Receiving Agent**") listed on page (vii) during the Offering Period (for further details, see Section 17 (Subscription Terms and Conditions)). Participating Entities can bid for the Offer Shares through the Bookrunner within the book-building period before the Shares are offered to the Individual Investors.

Each Individual Investor who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares. The maximum number of Offer Shares that can be subscribed to is 250,000 Offer Shares. Note that the minimum number of allocated Offer Shares will be ten (10) Offer Shares per Individual Investor, and the balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Investor. In the event that the number of Individual Investors exceeds 60,000 Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agent. Announcement of the final allotment shall be made on 23/12/1442H (Corresponding to 02/08/2021G) and refund of excess subscription monies, if any, will be made no later than 25/12/1442H (Corresponding to 04/08/2021G) (for further details, see "**Key Dates and Subscription Procedures**" on page (xiii) and Section 17 (**Subscription Terms and Conditions**)).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at general assembly meetings of the Company (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle their holders to receive dividends declared by the Company as of the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for further details, see Section 7 (**Dividend Distribution Policy**)).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted the application for registration and offer of the Shares to the Capital Market Authority (the "CMA"), and an application for listing of the Shares on Tadawul. This Prospectus has been approved and all required documents have been submitted to the relevant authorities. All requirements have been met and all approvals for the Offering have been obtained. It is expected that trading in the Shares will commence on the Exchange after the final allocation of the Offer Shares and satisfaction of necessary conditions and procedures (for further details, see "**Key Dates and Subscription Procedures**" on page (xiii)). Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, companies, banks, and investment funds established in the Kingdom or in countries of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), as well as GCC nationals will be permitted to trade in the Shares after their trading starts on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Securities (all as defined in Section 1 (**Definitions and Abbreviations**)). Furthermore, non-GCC nationals who are not residents in the Kingdom non-GCC and institutions incorporated outside the Kingdom (collectively, the "**Foreign Investors**" and each a "**Foreign Investor**") will be permitted to make indirect investments to acquire an economic interest in the Shares by entering into a SWAP agreement with a capital market institution licensed by the CMA to acquire, hold and trade in shares on the Exchange on behalf of a Foreign Investor (the "**Capital Market Institution**"). Under such SWAP agreements, the Capital Market Institutions will be the registered legal owner of such Shares.

Investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors to be carefully considered before determining to subscribe for the Offer Shares, Section (**Important Notice**) on page (i) and Section 2 (**Risk Factors**) of this Prospectus should be considered.

Financial Advisor, Lead Manager, Bookrunner and Underwriter

السعودي الفرنسي كابيتال
Saudi Fransi Capital

Receiving Agent

البنك السعودي الفرنسي
Banque Saudi Fransi

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority in the Kingdom of Saudi Arabia (the "**CMA**") and the application for listing of securities in compliance with the requirements of the Listing Rules of the Saudi Exchange. The Directors, whose names appear on page (iv), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two language versions.

This Prospectus is dated 27/10/1442H (corresponding to 08/06/2021G).

TANMIAH

PROSPECTUS

OF TANMIAH FOOD COMPANY

IMPORTANT NOTICE

This Prospectus contains detailed and accurate information relating to the Company and the Offer Shares. When submitting an application for the Offer Shares, institutional and individual investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection by visiting the websites of the Company (www.tanmiah.com), the CMA (www.cma.org.sa), the Exchange (ww.saudiexchange.sa), or the Financial Advisor, Lead Manager and Bookrunner (www.sfc.sa).

With respect to the Offering, Saudi Fransi Capital has been appointed by the Company as the financial advisor (the "**Financial Advisor**"), the lead manager (the "**Lead Manager**"), the underwriter (the "**Underwriter**") and the bookrunner (the "**Bookrunner**").

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA and the Listing Rules of the Saudi Exchange ("**Tadawul**" or the "**Exchange**"). The Directors (as defined below), whose names appear on page (iv), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus, and they affirm that according to their knowledge and belief, and after undertaking all possible reasonable enquiries, there are no other facts the omissions of which would make any statement contained herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, a substantial portion of the information in this Prospectus relevant to the markets and industry in which the Company operates is derived from external sources. While neither the Company, the Financial Advisor nor any of the Company's other advisors, whose names appear on page (vi) of this Prospectus (together with the Financial Advisor, the "**Advisors**"), have any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the actual financial position of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political and any other factors, over which the Company has no control (for further details, see Section 2 (**Risk Factors**)). Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer Shares is intended to be, or should be construed as, or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders, the Receiving Agent or Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, the financial situation or particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licensed financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is directed at, and may be accepted only by:

Tranche (A): Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions and including investment funds, companies, Qualified Foreign Investors and GCC Corporate Investors (for further details, see Section 1 (**Definitions and Abbreviations**)).

Tranche (B): Individual Investors comprising Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi residents in the Kingdom or GCC nationals with a bank account with the Receiving Agent and having the right to open an investment account. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for the Qualified Foreign Investor and/or Foreign Investors through SWAP agreements, taking into account the relevant rules and instructions. All recipients of this Prospectus must inform themselves of any legal restrictions relevant to the Offering and the sale of Offer Shares and observe all such restrictions. Both eligible Individual Investors and Participating Entities must read this Prospectus in full and seek advice from their attorneys, financial advisors, and any professional advisors regarding statutory, tax, regulatory, and economic considerations related to their investment in the Offer Shares, and they will personally bear the fees associated with that advice derived from their attorneys, accountants, and other advisors regarding all matters related to investment in the Offer Shares. There is no guarantee that any profits will be realised from an investment in the Offer Shares.

MARKET AND INDUSTRY DATA

The information in Section 3 (**Market Overview**) is derived from public sources and the market study report prepared by Frost & Sullivan (the "**Market Consultant**") exclusively for the Company in February 2021G. The Market Consultant provides advisory services in the field of market research and administrative consultancy. The Market Consultant, located in Mountain View, was established in California, USA, in 1961G. Its office in the Kingdom is located in Dammam, Eastern Province. For further details about the Market Consultant, visit its website (ww2.frost.com).

The Market Consultant has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. Research has been conducted with an overall industry perspective, and it may not necessarily reflect the performance of individual companies in the industry.

The information provided in Section 3 (**Market Overview**) by the Market Consultant is based on primary and secondary information available internally or in the public domain and should be read in conjunction with the same. Quantitative market information was sourced from interviews by way of primary research, and therefore, the information is subject to change due to possible changes in the business and industry climate. Market estimates and assumptions are based on varying levels of quantitative and qualitative analyses, and actual results and future events could differ materially from such estimates, predictions, or such statements. Nothing in this report constitutes valuation or legal advice.

The Market Consultant does not, nor does any of its Subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives, own any shares or any interest of any kind in the Company or its Subsidiaries. As of the date of this Prospectus, the Market Consultant has given, and not withdrawn, its written consent for the use of its name and logo, and market information and data supplied by it to the Company in the manner and format set out in this Prospectus.

The Board of Directors believes that the information and data from third party sources contained in this Prospectus, including those derived from public sources or provided by the Market Consultant, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Advisors or the Selling Shareholders, and thus none of them bears any liability for the accuracy or completeness of such information or data.

FINANCIAL AND STATISTICAL INFORMATION

The 2018G financial information has been derived from the financial information of the Company's audited consolidated financial statements for the financial year ended 31 December 2018G, which have been prepared in accordance with the International Financial Reporting Standards (the "**IFRS**") as endorsed in the Kingdom. The 2019G financial information has been derived from the financial information of the Company's audited consolidated financial statements for the financial year ended 31 December 2019G. The 2020G financial information has been derived from the financial information of the Company's audited consolidated financial statements for the financial year ended 31 December 2020G.

The Company's audited consolidated financial statements, together with ADC's audited financial statements, for the financial years ended 31 December 2018G, 2019G and 2020G have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("**SOCPA**"), and have been audited by PricewaterhouseCoopers (Public Accountants) (the "**Auditors**"), as set out in the audit reports on these statements. Such statements are contained in Section 19 (**Financial Statements and Auditors' Report**).

In addition to its Subsidiary, ADC, the Company prepares its financial statements in Saudi Arabian Riyals. From the financial year ended 31 December 2018G, the Company and ADC have prepared their financial statements in compliance with the IFRS endorsed in the Kingdom and other standards and pronouncements issued by SOCPA (for more details on the financial information of the Company and ADC, see Section 6 (**Management's Discussion and Analysis of Financial Position and Results of Operations**).

The financial and statistical information contained in this Prospectus is rounded off to the nearest integer. Accordingly, where numbers have been rounded up or down, there may be minor differences between the figures set out in this Prospectus and the audited consolidated financial statements. In cases where amounts in this Prospectus are converted from AED or USD to Saudi Arabian Riyals, the exchange rate shall be AED 0.96 for each Saudi Arabian Riyal, and USD 0.27 for each Saudi Arabian Riyal.

Unless otherwise expressly provided in this Prospectus, any reference to "year" or "years" include reference to Gregorian years.

FORECASTS AND FORWARD-LOOKING STATEMENTS

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms, to the best of its reasonable knowledge, that the statements were prepared with the necessary due diligence.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words and terms, such as "intends", "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail (for more details, see Section 2 (**Risk Factors**)). Should any of these risks or uncertainties materialise or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described as estimated, believed, expected or planned in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware: (i) that there has been a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations; or (ii) the occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, the prospective investors should consider and review all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

DEFINITIONS AND ABBREVIATIONS

For an explanation of certain defined terms and abbreviations used in this Prospectus, see Section 1 (**Definitions and Abbreviations**).

CORPORATE DIRECTORY

Company's Board of Directors

The Company is managed by a Board of Directors comprised of six members in accordance with the Company's Bylaws, as is set out in the following table:

Table 1: Company's Board of Directors

Name	Position	Nationality	Membership Status	Direct Share Ownership		Indirect Share Ownership[1]		Date of Appointment[2]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Amr Abdullah Al-Dabbagh	Chairman	Saudi	Non-executive	-	-	22.2%	15.6%	April 2019G
Jamal Abdullah Al-Dabbagh	Vice Chairman of the Board of Directors	Saudi	Non-executive	-	-	22.2%	15.6%	April 2019G
Mohamed Husnee Jazeel	Director	Sri Lankan	Non-executive	-	-	-	-	April 2019G
Kamel Salahudin Al-Munajjed	Director	Saudi	Independent	-	-	-	-	April 2019G
Stephen Mark Parsons	Director	British	Independent	-	-	-	-	April 2019G
Muhammad Sajid Saeed	Managing Director	Pakistani	Executive	-	-	-	-	April 2019G

Source: The Company.

1 For further details on the Company's ultimate individual owners and their indirect ownership percentages in the Company, see Appendix A of this Prospectus.

2. Dates listed in this table are the dates of appointment in the current positions in the Board of Directors. Their respective biographies in Section 5.2.4 (**Biographies of the Directors and the Secretary**) describe the dates of their appointment, whether in the Board of Directors or in any other position.

COMPANY’S REGISTERED ADDRESS, REPRESENTATIVES, BOARD SECRETARY

Company

Tanmiah Food Company
Omar bin Abdulaziz Road, Al-Rabwa District
P.O. Box: 86909, Riyadh, 11632
Kingdom of Saudi Arabia
Tel: + 966 (11) 479 4509
Fax: + 966 (11) 291 9863
Website: www.tanmiah.com
E-mail: info@tanmiah.com

Company’s Representatives

Jamal Abdullah Al-Dabbagh
Vice Chairman of the Board of Directors
Tanmiah Food Company
Omar bin Abdulaziz Road, Al-Rabwa District
P.O. Box: 86909, Riyadh, 11632
Kingdom of Saudi Arabia
Tel: + 966 (11) 479 4509 Ext: 111
Fax: + 966 (11) 291 9863
Website: www.tanmiah.com
E-mail: jamald@tanmiah.com

Wail Abdul Rahman Al-Rabiah
General Manager – Human Resources and Administration Department
Tanmiah Food Company
Omar bin Abdulaziz Road, Al-Rabwa District
P.O. Box: 86909, Riyadh, 11632
Kingdom of Saudi Arabia
Tel: + 966 (11) 479 4509 Ext: 102
Fax: + 966 (11) 291 9863
Website: www.tanmiah.com
E-mail: rabiahwa@tanmiah.com

Secretary of the Board of Directors

Mahmoud Mansour Abdulghafar
Secretary of the Board of Directors
Tanmiah Food Company
Omar bin Abdulaziz Road, AlRabwa District
P.O. Box 86909, Riyadh, 11632
Kingdom of Saudi Arabia
Tel: + 966 (11) 479 4509 Ext: 103
Fax: + 966 (11) 291 9863
Website: www.tanmiah.com
E-mail: mahmoud.abdulghafar@tanmiah.com

Stock Exchange

The Saudi Exchange (Tadawul)
Tawuniya Towers, Northern Tower
King Fahad Road – Olaya 6798
Unit 15, Riyadh 3388-12211
Kingdom of Saudi Arabia
Tel: +966 (11) 920001919
Fax: +966 (11) 218 9133
Website: www.saudiexchange.sa
E-mail: webinfo@tadawul.com.sa

Share Registrar

Securities Depository Center Company (Edaa)
Abraaj Attawuneiya
King Fahad Road - Olaya 6897
Unit No. 11, Riyadh 3388-12211
Kingdom of Saudi Arabia
Tel: +966 92 002 6000
Website: www.edaa.com.sa
E-mail: cc@edaa.com.sa

ADVISORS

Financial Advisor, Lead Manager, Bookrunner and Underwriter

Saudi Fransi Capital
King Fahad Road – 8092
P.O. Box 23454, Riyadh 12313-3735
Kingdom of Saudi Arabia
Tel: +966 (11) 282 6666
Fax: +966 (11) 282 6823
Website: www.sfc.sa
E-mail: Tanmiah.IPO@fransicapital.com.sa

Legal Advisor

Zeyad Yousef AlSalloum and AlToaimi Company for Legal Services and Consultation
Sky Towers
2nd Floor, North Tower
8899, King Fahd Road, Al Olaya, Riyadh 2419-12214
Kingdom of Saudi Arabia
Tel: +966 (11) 2020344, Ext.: 103
Fax: +966 (11) 2292069
Website: www.statlawksa.com
E-mail: capitalmarkets@statlawksa.com

Financial Due Diligence Advisor

Ernst & Young & Co. (Certified Public Accountants)
King Road Tower, King Abdulaziz Road
P.O. Box: 1994, Jeddah 21441
Kingdom of Saudi Arabia
Tel: +966 (12) 2218400
Fax: +966 (12) 2218575
Website: www.ey.com
E-mail: EY.KSA@sa.ey.com

Market Consultant

Frost & Sullivan
Tower 4, Novotel Business Park
P.O. Box: 6140, Dammam, 32232
Kingdom of Saudi Arabia
Tel: +966 (13) 8457781
Fax: +966 (13) 8457782
Website: https://ww2.frost.com
E-mail: myfrost@frost.com

Auditors

PricewaterhouseCoopers (Public Accountants)
Jameel Square
P.O. Box: 16415, Jeddah, 21464
Kingdom of Saudi Arabia
Tel: +966 (12) 610 4400
Fax: +966 (12) 610 4411
Website: www.pwc.com/middle-east
E-mail: mufaddal.ali@pwc.com

Note: All the above-mentioned Advisors and Auditors have given and, as of the date of this Prospectus, have not withdrawn their written consent to the inclusion of their respective names, addresses, logos and statements attributed to each of them in the context in which they appear in this Prospectus, and do not themselves, their employees (forming part of the engagement team serving the Company), or any of their employees' relatives have any shareholding or interest of any kind in the Company or its Subsidiaries as of the date of this Prospectus which would impair their independence.

Receiving Agent

Bank Saudi Fransi
King Saud Road
P.O. Box 56006
Riyadh 11554
Kingdom of Saudi Arabia
Tel: +966 92 0000 576
Fax: +966 11 4027261
Website: www.fransi.com.sa
E-mail: Fransiplusadmin@alfransi.com.sa

OFFERING SUMMARY

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the "**Important Notice**" on page (i) and Section 2 (**Risk Factors**) prior to making any investment decision with respect to the Offer Shares.

Company Name, Description and Establishment Information	Tanmiah Food Company (previously known as Supreme Foods Company) is a Saudi joint stock company incorporated under Ministerial Resolution No. Q/148, dated 26/06/1440H (corresponding to 3 March 2019G), and registered in the city of Riyadh, Kingdom of Saudi Arabia, under Commercial Registration No. 1010087483, dated 06/04/1412H (corresponding to 15 October 1991G). The current share capital of the Company is two hundred million Saudi Arabian Riyals (SAR 200,000,000), consisting of twenty million (20,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share. The legal predecessor entity of the Company was incorporated as a proprietorship under the name of "Agricultural Development Establishment Owned by Abdullah Mohammad Ali Abu Al-Qasim Al-Dabbagh" (the "Establishment") registered in Jeddah under Commercial Registration No. 4030009579 dated 27/01/1396H (corresponding to 29 January 1976G), under which it operated five branches, one in Jeddah, Dammam and Madinah and two in Riyadh. On 01/06/1412H (corresponding to 7 December 1991G), Hussein Abdullah Al-Dabbagh, Jamal Abdullah Al-Dabbagh, Amr Abdullah Al-Dabbagh and Tanmiah Commercial Group Company entered as shareholders in the Establishment, which was converted into two limited liability companies, one under the name of "Supreme Foods Company Limited" and the other under the name of the "Agricultural Development Company (for more details, see Section 4.3.2.1 (**Agricultural Development Company**)). As a result, the Supreme Foods Company Limited was established as a limited liability company registered in the city of Riyadh under Commercial Registration No. 1010087483, dated 06/04/1412H (corresponding to 15 October 1991G), with a capital of SAR 3,000,000 divided into 3,000 shares with a nominal value of SAR 1,000 per share. On 02/07/1413H (corresponding to 26 December 1992G), Abdullah Mohammad Al-Dabbagh, Hussein Abdullah Al-Dabbagh, Jamal Abdullah Al-Dabbagh and Amr Abdullah Al-Dabbagh transferred all of their shares in the Company to Al-Dabbagh Group Holding Company as a new shareholder in the Company. Simultaneously, Tanmiah Commercial Group Company transferred a part of its shares in the Company to Al-Dabbagh Group Holding Company. Pursuant to Shareholders' resolution dated 22/07/1425H (corresponding to 7 September 2004G), the capital of the Company was increased from SAR 3,000,000 divided into 3,000 shares with a nominal value of SAR 1,000 per share, to SAR 50,000,000 divided into 50,000 shares with a nominal value of SAR 1,000 per share, through capitalizing SAR 47,000,000 of debts owed to the shareholders. Subsequently, on 11/09/1430H (corresponding to 1 September 2009G), the Company further increased its capital to one hundred million Saudi Arabian Riyals (SAR 100,000,000), divided into one hundred thousand (100,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, through capitalizing fifty million Saudi Arabian Riyals (SAR 50,000,000) of retained earnings. On 26/06/1440H (corresponding to 3 March 2019G), the Company was converted from a limited liability company into a closed joint stock company under the name of Tanmiah Food Trading Company pursuant to Ministerial Resolution No. Q/148 dated 26/06/1440H (corresponding to 3 March 2019G). Pursuant to the Extraordinary General Assembly Resolution dated on 12/08/1440H (corresponding to 17 April 2019G), the Company's share capital was increased to two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) Shares, with an equal nominal value of ten Saudi Arabian Riyals (SAR 10) each, by capitalizing SAR 50,000,000 of the reserve capital, SAR 21,216,697 of the statutory reserve balance and SAR 28,783,303 of the retained earnings. The Company's name was changed to "**Tanmiah Food Company**".
Company's Activities	In accordance with the Bylaws, the Company's activities consist of the following: • agriculture and hunting fields; • mining, petroleum and their derivatives, as well as the electricity, gas, water and their branches; • construction, manufacturing industries and their branches under industrial licenses; • transport, storage, and cooling, as well as the security and safety; • trade, financial, business and other services; • social, collective and personal services; and • information technology. The core activities of the Group currently consist of: • production and sale of fresh poultry; • processing, manufacturing and sale of processed poultry and other meat products; and • manufacturing and sale of animal feed, sale of broiler chicks, hatching eggs, animal health products, implementation of comprehensive turnkey poultry and green house projects, and sale of poultry and green house equipment

<table>
<tr><td>Substantial Shareholders</td><td>
Substantial Shareholders' names and ownership in the Company pre- and post-Offering are provided in the table below:
Table 2: Substantial Shareholder and Its Ownership in the Company
<table>
<tr><th rowspan="2">Shareholder</th><th colspan="3">Pre-Offering</th><th colspan="3">Post-Offering</th></tr>
<tr><th>Number of Shares</th><th>Ownership (%)</th><th>Value of Shares (SAR)</th><th>Number of Shares</th><th>Ownership (%)</th><th>Value of Shares (SAR)</th></tr>
<tr><td>Dabbagh Group Holding (DGH)</td><td>19,200,000</td><td>96%</td><td>192,000,000</td><td>14,000,000</td><td>70%</td><td>140,000,000</td></tr>
<tr><td>Total</td><td>19,200,000</td><td>96%</td><td>192,000,000</td><td>14,000,000</td><td>70%</td><td>140,000,000</td></tr>
</table>
Source: The Company.
</td></tr>
<tr><td>Selling Shareholders</td><td>
The following table shows the selling shareholders' details, the number of their shares and their ownership percentages in the Company pre- and post- Offering:
Table 3: Selling Shareholders and Their Ownership in the Company
<table>
<tr><th rowspan="2">Shareholder</th><th colspan="3">Pre-Offering</th><th colspan="3">Post-Offering</th></tr>
<tr><th>Number of Shares</th><th>Ownership (%)</th><th>Overall Nominal Value (SAR)</th><th>Number of Shares</th><th>Ownership (%)</th><th>Overall Nominal Value (SAR)</th></tr>
<tr><td>Al-Dabbagh Group Holding Company</td><td>19,200,000</td><td>96%</td><td>192,000,000</td><td>14,000,000</td><td>70%</td><td>140,000,000</td></tr>
<tr><td>Tanmiah Commercial Group Company</td><td>800,000</td><td>4%</td><td>8,000,000</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>20,000,000</td><td>100%</td><td>200,000,000</td><td>14,000,000</td><td>70%</td><td>140,000,000</td></tr>
</table>
Source: The Company.
</td></tr>
<tr><td>Company's Share Capital</td><td>The Company's Share Capital prior to the Offering is SAR two hundred million (200,000,000).</td></tr>
<tr><td>Total Number of Issued Shares</td><td>The number of the Company's shares before the Offering is twenty million (20,000,000) fully paid ordinary shares.</td></tr>
<tr><td>Nominal Value per Share</td><td>SAR 10 per Share.</td></tr>
<tr><td>Offering</td><td>The initial public offering of the Company's Shares will be for six million (6,000,000) fully paid ordinary Shares with a fully paid up nominal value of SAR ten (10) per share, representing (30%) of the Company's capital and at an Offer Price of SAR Sixty Seven (67).</td></tr>
<tr><td>Total Number of Offer Shares</td><td>Six million (6,000,000) fully paid up ordinary Shares.</td></tr>
<tr><td>Percentage of Offer Shares to the Total Number of Issued Shares</td><td>The Offer Shares represent 30% of the Company's share capital.</td></tr>
<tr><td>Offer Price</td><td>SAR 67 per Offer Share.</td></tr>
<tr><td>Total Value of Offer Shares</td><td>SAR 402,000,000.</td></tr>
<tr><td>Use of Proceeds</td><td>The Net Offering Proceeds amounting to approximately SAR 377,000,000 (after deducting the Offering expenses estimated at SAR 25,000,000), will be paid to the Selling Shareholders on a pro rata basis according to the number of Shares owned by each Selling Shareholder from the Offer Shares. The Company will not receive any part of the Offering Proceeds (for further details, see Section 8 (Use of Proceeds)).</td></tr>
<tr><td>Total Number of Shares Underwritten</td><td>Six million (6,000,000) ordinary Shares.</td></tr>
<tr><td>Total Offering Amount Underwritten</td><td>SAR 402,000,000.</td></tr>
</table>

Categories of Targeted Investors	Subscription to the Offer Shares is restricted to two groups of Investors, namely: • **Tranche (A)** Participating Parties: This tranche includes parties entitled to participate in the book-building process in accordance with the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, and GCC Corporate Investors (for more details, see Section 1 (**Definitions and Abbreviations**)); and • **Tranche (B)** Individual Investors: This tranche includes natural Saudi persons, including a divorced Saudi woman orwidow with minor children from a non-Saudi husband, who can subscribe for her own benefit or in the names of her minor children, provided that she proves that she is divorced or widowed and the mother of her minor children, as well as any non-Saudi resident natural person or GCC citizens who have a bank account with the Receiving Agent and are entitled to open an investment account. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
The Total Number of Shares Offered for Each Category of Targeted Investors	
The Number of Shares Offered for the Participating Parties	Six million (6,000,000) Shares representing 100% of the total Offer Shares. If there is sufficient demand from Individual Investors, and the Participating Entities subscribe to all the Offer Shares allocated to them, the Bookrunner has the right to reduce the number of Shares allocated to the Participating Entities to five million four hundred thousand (5,400,000) Offer Shares, representing 90% of the total Offer Shares.
Number of Offer Shares Available to Individual Investors	A maximum of 600,000 Offer Shares representing 10% of the total Offer Shares.
Subscription Method for Each of the Targeted Investors' Categories:	
Subscription Method for Participating Parties	Participating Parties as identified in Section 1 (**Definitions and Abbreviations**) may apply for participation in the book-building process by filling out a Bidding Participation Application that will be provided by the Bookrunner for the Participating Entities during the book-building process period. After provisional allocation, the Participating Entities shall complete the Subscription Application Forms that will be made available to them by the Bookrunner in accordance with the instructions mentioned in Section 17 (**Subscription Terms and Conditions**).
Subscription Method for Individual Investors	Subscription Application Forms will be provided during the Offering Period by the Receiving Agent. Subscription Application Forms shall be completed in accordance with the instructions mentioned in Section 17 (**Subscription Terms and Conditions**). Individual Investors who have recently participated in previous initial public offerings can also subscribe through the Internet, telephone banking, or automated teller machines ("**ATMs**") of any of the Receiving Agent' branches that offer any or all such services to its customers, provided that: (i) the Individual Investor shall have a bank account at Receiving Agent which offers such services; and (ii) there should have been no changes in the personal information or data of the Individual Investor since his subscription in a recent initial public offering.
Minimum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Minimum Number of Offer Shares to be Applied for by Participating Entities	100,000 Offer Shares.
Minimum Number of Offer Shares to be Applied for by Individual Investors	10 Offer Shares.
Minimum Subscription Amount for Each of the Targeted Investors' Categories:	
Minimum Subscription Amount for Participating Entities	SAR 6,700,000.
Minimum Subscription Amount for Individual Investors	SAR 670.
Maximum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories:	
Maximum Number of Offer Shares to be Applied for by Participating Entities	999,999 Offer Shares and, in relation to public funds only, no more than the maximum number of Offer Shares to be calculated for each participating public fund pursuant to the Book-Building Instructions.

Maximum Number of Offer Shares to be Applied for by Individual Investors	250,000 Offer Shares.
Maximum Subscription Amount for Each of the Targeted Investors' Categories:	
Maximum Subscription Amount for Participating Entities	SAR 66,999,933.
Maximum Subscription Amount for Individual Investors	SAR 16,750,000.
Allocation and Refund of Excess Subscription Amount Method for Each of the Targeted Investors' Categories:	
Allocation of Offer Shares to Participating Entities	Final allocation of the Offer Shares to Participating Entities shall be made through the Bookrunner after the completion of the Individual Investors subscription process as the Financial Advisor deems appropriate in coordination with the Issuer. The number of Offer Shares to be provisionally allocated to Participating Entities is 6,000,000 Shares representing 100% of the total Offer Shares. If there is sufficient demand by Individual Investors for the Offer Shares, the Bookrunner, in coordination with the Issuer, shall have the right to reduce the number of Offer Shares allocated to Participating Entities to 5,400,000 Offer Shares as a minimum, representing 90% of the total Offer Shares.
Allocation of Offer Shares to Individual Investors	Allocation of the Offer Shares to Individual Investors is expected to be completed no later than 25/12/1442H (Corresponding to 04/08/2021G). The minimum allocation per Individual Investor is ten (10) Offer Shares, and the maximum allocation per Individual Investor is two hndred fity thousand (250,000) Offer Shares, with any remaining Offer Shares, if any, being allocated on a pro-rata basis of the number of Offer Shares applied for by that Individual Investor to the total Offer Shares. In the event that the number of Individual Investors exceeds sixty thousand (60,000) Individual Investors, the Company will not guarantee the minimum allocation of ten (10) Offer Shares for each Individual Investor. In this case, the Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without withholding any charge or commission by the Lead Manager or the Receiving Agent, as applicable. Announcement of the final allotment will be made no later than 23/12/1442H (Corresponding to 02/08/2021G) and refund of excess subscription monies, if any, will be made no later than 25/12/1442H (Corresponding to 04/08/2021G). For further details, see "**Key Dates and Subscription Procedures**" on page (xiii) and Section 17 (**Subscription Terms and Conditions**).
Offering Period for Individual Investors	The Offering will commence on 17/12/1442H (Corresponding to 27/07/2021G) and will remain open for a period of one (1) day. For further details, see "**Key Dates and Subscription Procedures**" on page (xiii).
Entitlement to Dividends	The Offer Shares will entitle their holders to receive any dividends declared by the Company starting from the date of this Prospectus and for subsequent financial years (for further details, see Section 7 (**Dividend Distribution Policy**)).
Voting Rights	The Company has one class of Shares only. None of the Shares carries any preferential voting rights. Each Share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the General Assembly. A Shareholder has the right to delegate another Shareholder, but not a Director or employee of the Company, to attend the General Assembly meetings (for further details, see Section 12.13 (**Summary of Bylaws**) and Section 12.14 (**Share Description**)).
Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders are subject to a Lock-up Period of six (6) months from the date on which trading of the Offer Shares commences on the Exchange. They may not dispose of any of their Shares during such period. Following the end of this Lock-up Period, the Substantial Shareholders may dispose of their Shares. Additionally, the Company may not list shares from the same class as the listed Shares for a period of six (6) months from the date on which trading of Shares commences on the Exchange.
Listing of Shares	Prior to the Offering, the Company's Shares have never been listed in the Kingdom or elsewhere. An application has been made by the Company to the CMA for registration and offer of the Shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company also submitted an application to the Exchange for listing its Shares on the Exchange in accordance with the Listing Rules. All the relevant approvals required to conduct the Offering have been granted. All supporting documents requested by CMA and Tadawul have been met. It is expected that trading in the Shares will commence on the Exchange after the final allocation of the Offer Shares (for further details, see "**Key Dates and Subscription Procedures**" on page (xiii)).
Risk Factors	There are certain risks related to the investment in the Offer Shares. These risks can be categorised into: (i) risks related to the activities and operations of the Company; (ii) risks related to the market, industry and regulatory environment; and (iii) risks related to the Offer Shares. These risks are described in Section 2 (**Risk Factors**) and should be considered carefully prior to any investment decision being made in relation to the Offer Shares.
Offering Expenses	The Selling Shareholders will bear all Offering expenses and costs estimated at around SAR 25,000,000. These expenses and costs will be deducted from the Offering Proceeds and include the fees of the Financial Advisor, the Lead Manager, the Bookrunner, the Underwriter, the Legal Advisor, the Financial Due Diligence Advisor, and the Market Consultant, in addition to the fees of the Receiving Agent, and marketing, printing and distribution expenses and other relevant expenses.

Underwriter	Saudi Fransi Capital King Fahad Road 8092 P.O. Box 23454 Riyadh 3735-12313 Tel: +966 (11) 282 6666 Fax: +966 (11) 282 6823 Website: www.sfc.sa E-mail: Tanmiah.IPO@fransicapital.com.sa

Note: Section "**Important Notice**" on page (i) and Section 2 (**Risk Factors**) should be read thoroughly prior to an investment decision being made with respect to the Offer Shares under this Prospectus.

KEY DATES AND SUBSCRIPTION PROCEDURES

Table 4: Expected Offering Timetable

Expected Offering Timetable	Date
Offering and Book-Building Period for Participating Entities	From Sunday, 17/11/1442H (Corresponding to 27/06/2021G), until the end of Thursday, 21/11/1442H (Corresponding to 01/07/2021G).
Deadline for Submission of Subscription Application Forms Based on the Number of the Offer Shares Provisionally Allocated for the Participating Entities	Thursday, 28/11/1442H (Corresponding to 08/07/2021G).
Offering Period for Individual Investors	One (1) day on Tuesday, 17/12/1442H (Corresponding to 27/07/2021G).
Deadline for Payment of the Subscription Amount by Participating Entities Based on their Provisionally Allocated Offer Shares	Tuesday, 03/12/1442H (Corresponding to 13/07/2021G).
Deadline for Submission of Subscription Application Forms and Payment of the Subscription Amount by Individual Investors	Tuesday, 17/12/1442H (Corresponding to 27/07/2021G).
Announcement of the Final Allotment of the Offer Shares	Monday, 23/12/1442H (Corresponding to 02/08/2021G).
Refund of Excess Subscription Monies (if any)	Wednesday, 25/12/1442H (Corresponding to 04/08/2021G).
Expected Commencement Date for Trading the Shares on the Exchange	Trading of the Company's Shares on the Exchange is expected to start after completion of all the relevant legal requirements and procedures. The trading commencement date of the Shares will be announced in local newspapers and Tadawul's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated on the websites of Tadawul (www.saudiexchange.sa), the Financial Advisor (www.sfc.com), and the Company (www.tanmiah.com.sa).

How to Apply for the Offer Shares

Subscription to the Offer Shares is restricted to the following two groups of Investors:

- **Tranche (A)**: Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions including investment funds, companies, Qualified Foreign Investors and GCC Corporate Investors with corporate personality (for further details, see Section 1 (**Definitions and Abbreviations**) and Section 17 (**Subscription Terms and Conditions**)).
- **Tranche (B)**: Individual Investors comprising individuals holding the Saudi Arabian nationality, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as any non-Saudi residents or GCC nationals with a bank account with the Receiving Agent and having the right to open an investment account. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

(A) Participating Parties

Participating Parties may apply for participation in the book-building process by filling out the Bidding Participation Application that will be provided by the Bookrunner during the book-building process period and obtain the Subscription Application Forms from the Bookrunner after provisional allocation. The Bookrunner shall, after the approval of the CMA, offer the Offer Shares to the Participating Parties only during the bookbuilding period. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the terms and conditions detailed in the Subscription Application Forms. A signed and sealed Subscription Application Form must be submitted to the Bookrunner representing a legally binding agreement between the selling shareholders and the relevant Participating Entity submitting the same.

(B) Individual Investors

Subscription Application Forms for Individual Investors will be provided during the Offering Period by the Receiving Agent. Individual Investors can also subscribe through the internet, telephone banking, or ATMs of any of the Receiving Agent that provide some or all of these channels to Individual Investors who have recently participated in previous initial public offerings, provided that:

- the Individual Investor must have a bank account at the Receiving Agent which offers such services; and
- there should have been no changes in the personal information or data of the Individual Investor (by way of exclusion or addition of any member of his/her family) since he/she last participated in an initial public offering.

Subscription Application Forms must be filled out by each individual applicant according to the instructions mentioned in Section 17 (**Subscription Terms and Conditions**). An applicant must complete all the relevant sections in the Subscription Application Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions is not met. After being submitted, the Subscription Application Form cannot be amended or withdrawn. If the Subscription Application Form is submitted twice, then the second submission shall be considered null and void, and only the first submission shall be considered. Upon submission, the Subscription Application Form shall be considered to be a legally binding agreement by the relevant Subscriber and the Selling Shareholders (for further details, see Section 17 (**Subscription Terms and Conditions**)).

Excess subscription monies, if any, will be refunded to the primary Individual Investor's account held with the Receiving Agent from which the subscription amount has been debited in the first place, without withholding any charge or commission by the Lead Manager or the Receiving Agent. Excess subscription monies shall not be refunded in cash or to third-party accounts.

For further details regarding subscription by Individual Investors and the Participating Entities, see Section 17 (**Subscription Terms and Conditions**).

SUMMARY OF KEY INFORMATION

This summary of key information is intended to give an overview of the information contained in this Prospectus. However, it does not contain all the information that may be important to prospective investors. Accordingly, this summary must be treated as an introduction to this Prospectus, and persons wishing to subscribe for the Offer Shares are advised to read the entire Prospectus in full so that any decision to invest in the Offer Shares by prospective investors should be based on the consideration of this Prospectus as a whole. In particular, it is important for an investor to carefully consider the "**Important Notice**" on page (i) and Section 2 (**Risk Factors**) prior to making an investment decision with respect to the Offer Shares.

OVERVIEW OF THE COMPANY

History of the Company

Tanmiah Food Company (the "**Company**", and together with its subsidiaries, the "**Group**") is a Saudi closed joint stock company registered under Commercial Registration No. 1010087483 dated 06/04/1412H (corresponding to 15 October 1991G) pursuant to Ministerial Resolution No. Q/148 dated 26/06/1440H (corresponding to 3 March 2019G), approving the conversion of the Company from a limited liability company into a closed joint stock company. The Company's head and registered office is located in Al-Rabwa District, Omar bin Abdulaziz Road, P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia. The Company's current capital is SAR two hundred million (200,000,000), divided into twenty million (20,000,000) ordinary shares with a fully paid nominal value of SAR ten (10) per share.

The legal predecessor entity of the Company was originally incorporated as a proprietorship under the name of "Agricultural Development Establishment Owned by Abdullah Mohammad Ali Abu Al-Qasim Al-Dabbagh" (the "Establishment") registered in the city of Jeddah under Commercial Registration No. 4030009579 dated 27/01/1396H (corresponding to 29 January 1976G), under which it operated five branches: one in Jeddah, Dammam and Medina, and two in Riyadh.

On 01/06/1412H (corresponding to 7 December 1991G), Hussein Abdullah Al-Dabbagh, Jamal Abdullah Al-Dabbagh, Amr Abdullah Al-Dabbagh and Tanmiah Commercial Group Company entered as shareholders in the Establishment, which was converted into two limited liability companies, one under the name of "Supreme Foods Company Limited" (now known as Tanmiah Food Trading Company), and the other under the name of the "Agricultural Development Company" (for more details, see Section 4.2 (**Corporate History and Evolution of Capital**)).

As a result, Supreme Foods Company Limited was established as a limited liability company registered in the city of Riyadh under Commercial Registration No. 1010087483, dated 6/4/1412H (corresponding to 15 October 1991G), with a capital of SAR 3,000,000 divided into 3,000 shares with a nominal value of SAR 1,000 per share. Consequently, the branches of the Establishment were transferred to Supreme Foods Company Limited.

On 2/7/1413H (corresponding to 26 December 1992G), Abdullah Mohammad Al-Dabbagh, Amr Abdullah Al-Dabbagh, Hussein Abdullah Al-Dabbagh and Jamal Abdullah Al-Dabbagh transferred all of their 120 shares in the Company (representing 4% of the total shares of the Company) to Al-Dabbagh Group Holding Company as a new shareholder in the Company. Simultaneously, Tanmiah Commercial Group transferred 2,760 shares (representing 92% of the total shares of the Company) to Al-Dabbagh Group Holding Company.

On 22/07/1425H (corresponding to 7 September 2004G), the capital of the Company was increased from SAR 3,000,000 divided into 3,000 shares with a nominal value of SAR 1,000 per share, to SAR 50,000,000 divided into 50,000 shares with a nominal value of SAR 1,000 per share, through capitalizing SAR 47,000,000 of debts owed to the shareholders.

On 11/09/1430H (corresponding to 1 September 2009G), the capital of the Company was further increased from SAR 50,000,000 divided into 50,000 shares with a nominal value of SAR 1,000 per share, to SAR 100,000,000 divided into 100,000 shares with a nominal value of SAR 1,000 per share, through capitalizing SAR 50,000,000 from the Company's retained earnings.

On 26/06/1440H (corresponding to 3 March 2019G), the Company was converted into a closed joint stock company under the name of Tanmiah Food Trading Company pursuant to Ministerial Resolution No. Q/148 dated 26/06/1440H (corresponding to 3 March 2019G) with a capital of SAR 100,000,000 divided into 10,000,000 ordinary Shares with a nominal value of SAR 10 per Share. Pursuant to the Extraordinary General Assembly's Resolution on 12/08/1440H (corresponding 17 April 2019G), the Company's name was changed to "Tanmiah Food Company" and its share capital was increased to two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) Shares, with an equal nominal value of ten Saudi Arabian Riyals (SAR 10) each, by capitalizing SAR 50,000,000 of the Company's reserve capital, SAR 21,216,697 of the statutory reserve and SAR 28,783,303 of the retained earnings.

Overview of the Company's Business

The core activities of the Group consist of the following three principal business segments (for further details, see Section 4.7 (**Overview of the Group's Business**)):

- poultry production segment: primarily consisting of the production and selling of fresh poultry products;
- further food processing segment: primarily consisting of the manufacturing and selling of processed poultry and other meat products; and
- feed and veterinary service segment: primarily consisting of the manufacturing and selling of animal feed, selling of broiler chicks (i.e., chickens raised for meat production), hatching eggs, animal health products, turnkey poultry and greenhouse projects, and selling of poultry and greenhouse equipment.

As of 31 December 2020G, the Group operated 84 farms (including 83 leased farms), six hatcheries, one feed mill inside the Kingdom, two slaughterhouses and three food processing plants and 13 dry and cold storage facilities located within the Kingdom, Bahrain and the United Arab Emirates. In addition, the Group sells its products in seven countries through a network of distributors, wholesalers and retailers (for further details, see Section 4.7.5 (**Geographic Locations and Operations**) and Table B.1 (**Details of the Lease Agreements Entered Into by the Group**)).

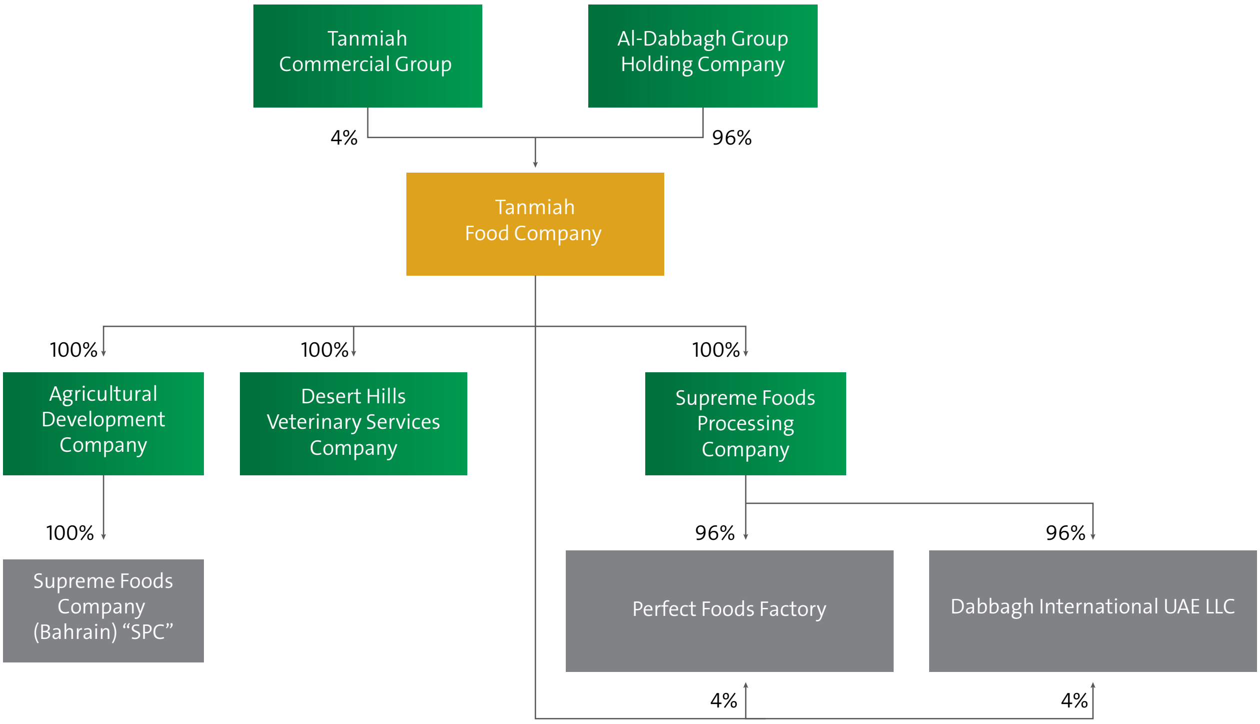
As of 31 December 2020G, the Group employed 1,772 people across all the countries where it operates (for further details, see Section 5.8 (**Employees**)).

As of 31 December 2020G, the Group's total shareholders' equity amounted to SAR 347.5 million (compared to SAR 286.9 million, SAR 178.3 million, and SAR 99.4 million as of 31 December 2019G, 2018G and 2017G, respectively). Total assets amounted to SAR 1,197.3 million as of 31 December 2020G (compared to SAR 1,073 million and SAR 829.5 million as of 31 December 2019G and 2018G, respectively). The Group achieved revenue of SAR 1,211.9 million for the financial year ended 31 December 2020G (compared to SAR 1,145.7 million and SAR 1,091.4 million for the financial year ended 31 December 2019G and 2018G, respectively), and net consolidated income of SAR 74.4 million for the financial year ended 31 December 2020G (compared to SAR 70.8 million for the financial year ended 31 December 2019G, and SAR 74.9 million for the financial year ended 31 December 2018G).

Ownership Structure

The Company owns ownership shares in its six subsidiaries, directly and indirectly, both locally and abroad. The following chart illustrates the structure of the Group:

Exhibit 1: The Current Structure of the Group



Source: The Company.

The following table sets out the direct and indirect ownership structure of the Company's Subsidiaries, as well as the Company's direct and indirect shares in them:

Table 5: Details of the Company's Direct and Indirect Subsidiaries

Name of Subsidiaries	Country of Incorporation	Direct Interest (%)	Indirect Interest (%)	Remaining Ownership
Agricultural Development Company	Kingdom	100%	-	-
Desert Hills Veterinary Services Company	Kingdom	100%	-	-
Supreme Foods Processing Company	Kingdom	100%	-	-
Perfect Foods Factory	UAE	4%	96.00% (through Supreme Foods Processing Company)	-
Tanmiah International	UAE	4%	96.00% (through Supreme Foods Processing Company)	-
Supreme Foods Company (Bahrain)	Bahrain	-	100% (through Agricultural Development Company)	-

Source: The Company.

The current share capital of the Company is two hundred million Saudi Arabian Riyals (SAR 200,000,000), consisting of twenty million (20,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The following table sets out the direct ownership structure of the Company pre- and post-Offering:

Table 6: Direct Ownership Structure of the Company Pre- and Post- the Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)	Value of Shares (SAR)	Number of Shares	Ownership (%)	Value of Shares (SAR)
Al-Dabbagh Group Holding Company	19,200,000	96%	192,000,000	14,000,000	70%	140,000,000
Tanmiah Commercial Group Company	800,000	4%	8,000,000	-	-	-
Public				6,000,000	30%	60,000,000
Total	**20,000,000**	**100%**	**200,000,000**	**20,000,000**	**100%**	**200,000,000**

Source: The Company.

Vision, Mission, and Strategy

Vision

The Group has been continuously seeking to become a leading producer and supplier for poultry and other meat products in the MENA region, by increasing its capacity in terms of broiler farms, hatcheries, and processing and distribution capability, to meet the growing market demand for fresh chicken products.

Mission

To focus on providing high quality products and services supported by international expertise to attain the highest level of customer satisfaction.

Strategy

The Group seeks to grow its fresh chicken business in line with the Saudi Government's strategic goal of meeting 80% of the local poultry demand within the next five years, Pursuant to the Ministry of Environment Water and Agriculture (MEWA) strategy and the Kingdom's Vision 2030G. The Saudi Arabian poultry market is moving towards self-sufficiency as domestic producers are increasing their production supported by the Government in the form of direct and indirect subsidies, stricter import regulations on frozen poultry and growing consumer preference for locally produced fresh poultry. However, there is a supply gap that needs to be bridged.

Strengths and Competitive Advantages of the Company

With over 40 years of expertise in the Kingdom, the Group is one of the leading players in the poultry industry in the Kingdom. Since the Establishment, the Group's predecessor, started its operations in the 1970s, the Group has gained a deep understanding of local and regional markets. Therefore, the Group has been able to achieve higher standards of productivity and profitability than its peers. The Group ranks currently amongst the top four labels in the Saudi Arabian poultry industry according to the market study report prepared by the Market Consultant. According to the market study report prepared by the Market Consultant, the brand "Tanmiah" is widely recognised as a trusted halal brand, which is packaged well and easy to prepare. Tanmiah is a constantly evolving brand with fresh, healthy and innovative products. This brand is amongst the top three brands sold in retail (e.g., Carrefour, Lulu, Othaim, etc.) as reported by retail audits conducted by the research firm "AC-Nielsen" during the last quarter of 2018G. In addition, the Company's products are always available in stores where chicken is sold.

Market Overview

Kingdom of Saudi Arabia

The Kingdom's economic and fiscal policies adopted since 2017G aim to achieve higher sustainable economic growth, with a focus on growing non-oil GDP, as part of the country's Vision Realization Programs (VRPs) for the Vision 2030G targets. The majority of economic development plans are in line with the Kingdom's Vision 2030G and the National Transformation Program 2020G, which aim to restructure the Kingdom's economy and shifting from dependence on oil to multiple other economic growth incentives, such as focusing on local manufacturing, tourism, entertainment, foreign investment, etc.

Poultry is a key element of the Saudi diet, and chicken dominates the poultry market in the Kingdom and accounts for 90.0% of the total poultry market by volume, with other poultry forms, such as quail and turkey, belonging to the niche categories.

The consumption of poultry meat in the Kingdom is high compared to other animal protein alternatives. The per capita consumption of poultry meat in 2020G was estimated at approximately 40 - 43 kg (these estimates are sensitive to oversupply and surplus stocks), which increased from about 39 kg in 2018G. However, nearly half of the local market demand was fulfilled by frozen chicken meat imported from countries such as Brazil in 2018G to 2020G. In 2020G, the Kingdom imported 550 kt of poultry meat, which was down by 12.8% from 2018G, according to the Market Consultant. This was due to: (i) a slowdown in the Kingdom's economy; (ii) higher cost of the imported chicken due to the increase in customs duties; and (iii) higher production by local producers.

The Kingdom's further processed meat market is regarded as a highly active market, with eating out in restaurants being one of the major leisure activities of local residents. Fast food has gained tremendous popularity, due to intensive marketing by restaurants and increased demand by consumers for fast food. Producers primarily focus on flavours, and packaging and processing techniques to enhance the taste and useful life of processed meat products.

The Kingdom has adopted a policy to phase out production of water intensive forage crops since 2017G and the said policy was to take full effect by the end of 2019G. However, in 2019G, the Saudi Government has partially rescinded the ban on forage cultivation, with production of some crops (including wheat) being permitted (upon issuance of proper licenses) to provide medium and smaller size forage producers with an alternative field crop. Compound animal feed is further split into poultry and ruminant (cattle, sheep, goat, camel and other animals), with the ruminant segment consuming both forage and compound animal feed. In 2020G, the Kingdom commanded the largest animal vaccine market in the GCC, with a total value of SAR 1 billion and total required doses of 316 million doses for the same year, which mainly related to poultry and livestock vaccines. Both of these industries are supported by the Kingdom's Government in form of subsidies on raw material for animal feed and veterinary institutes' readiness to study and deal with animal diseases.

United Arab Emirates

The GDP growth slowed to 0.8% in 2019G compared to 2018G due to lower oil revenues and weakened fiscal and external positions. In contrast, the GDP growth improved in 2019G due to efforts related to fiscal consolidation of the economy which aim to stabilise and control the level of the budget deficit and the ratio of public debt to GDP along with global trade gaining momentum, as well as preparation and investments related to the Expo 2020G preparations. In 2019G, growth of the United Arab Emirates' economic performance has been driven by the growth of oil resources that resulted from the increase in international oil prices. The economy's growth has also been driven by non-oil sectors due to the successful economic diversification policies adopted by the UAE. The volume of the poultry meat market in the UAE was 604 kt, 663 kt, and 665 kt in 2018G, 2019G and 2020G, respectively, while the domestic production accounted for less than 8% of the market. The volume of the UAE processed meat market was 114 kt, 120 kt, and 130kt in 2018G, 2019G and 2020G, respectively, dominated by the breaded chicken products for their higher demand.

Kingdom of Bahrain

Growth slowed in 2018G and 2019G, due to the oil production cuts of OPEC+ countries. The on-going fiscal consolidation efforts since 2018G, combined with the additional financial support provided by the GCC to Bahrain, have reduced government debt and significantly increased non-oil sector revenues. It is estimated that the domestic production of poultry in Bahrain was about 9kt in 2020G, with a decrease of 5.6%, compared to 9.5kt in 2018G. The Bahraini market is mainly dominated by brands imported from Brazil and the United States of America, with only one local poultry company (Delmon Poultry Company). Bahrain's processed meat market has grown at a compound annual rate of 3.4% from 2018G to 2020G, supported by retail demand.

SUMMARY OF FINANCIAL INFORMATION AND KEY PERFORMANCE INDICATOR

The Company's financial information set out below was derived from the audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G and 2020G. The Group's selected financial information and key performance indicators set out below should be read together with the information provided in the "**Risk Factors**" and "**Management's Discussion and Analysis of Financial Position and Results of Operations**" Sections and audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G and 2020G prepared in accordance with IFRS endorsed in the Kingdom and other standards and pronouncements issued by SOCPA and included in Section 19 (**Financial Statements and Auditors' Report**), as well as the financial information set out in any other part of this Prospectus.

Table 7: Summary of Financial Information and Key Performance Indicators

Currency: SAR'000	Financial year ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Statement of comprehensive income			
Revenues	1,091,359	1,145,655	1,211,933
Cost of revenue	(849,255)	(867,605)	(902,288)
Gross profit	**242,104**	**278,051**	**309,645**
Selling and distribution expenses	(101,643)	(119,905)	(132,766)
General and administrative expenses	(45,639)	(53,215)	(66,281)
Impairment loss on financial assets	(2,118)	(998)	(4,406)
Other income	882	3,290	1,060
Operating profit	**93,586**	**107,221**	**107,252**
Financing costs	(11,367)	(28,419)	(25,720)
Profit before Zakat	**82,219**	**78,802**	**81,532**
Zakat	(7,323)	(7,979)	(7,119)
Profit from continuing operations	**74,896**	**70,823**	**74,414**
Loss from discontinued operations	-	-	-
(Loss) / profit for the year	**74,896**	**70,823**	**74,414**
Statement of financial position			
Total current assets	646,725	744,213	839,938
Total non-current assets	182,731	328,458	357,406
Total assets	**829,456**	**1,072,670**	**1,197,344**
Total current liabilities	591,946	590,938	643,230
Total non-current liabilities	59,245	194,841	206,578
Total liabilities	**651,191**	**785,780**	**849,808**
Total equity	178,264	286,891	347,536
Total liabilities and equity	**829,456**	**1,072,670**	**1,197,344**
Summary of statement of cash flows			
Net cash generated from (utilised in) operating activities	32,279	19,737	161,089
Net cash generated from (utilised in) investing activities	(4,198)	11,912	(38,491)
Net cash generated from (utilised in) financing activities	(33,566)	(28,112)	(86,058)
Cash and cash equivalents at the beginning of the year	38,119	20,382	23,919
Cash and cash equivalents disposed upon disposal of a subsidiary	(12,252)	-	36,540
Cash and cash equivalents at the end of the year / period	**20,382**	**23,919**	**60,459**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Table 8: KPIs

	Year Ended 31 December		
	2018G	2019G	2020G
Gross Profit Margin (%)	22.2%	24.3%	25.5%
Operating Profit Margin (%)	8.6%	9.4%	8.8%
Net Profit Margin (%)	6.9%	6.2%	6.1%
Return on Assets (%)	9.0%	6.6%	6.2%
Return on Equity (%)	42.0%	24.7%	21.4%
Current Portion	1.09	1.26	1.31%
Liabilities to Equity	3.65	2.74	2.45%

Source: The Group's information.

SUMMARY OF RISK FACTORS

Prior to making an investment decision with respect to the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 (**Risk Factors**).

Risks Related to the Activity and Operations of the Company

- Risks Related to Outbreaks of Poultry Diseases
- Risks Related to Contamination of Poultry and Other Meat Products
- Risks Related to Fluctuations in the Prices of Feed Ingredients, Comparable Meat and Alternative Products
- Risks Related to Malfunctions in the Company's Plants
- Risks Related to Epidemics
- Risks Related to the Company's Inability to Execute the Growth Strategy
- Risks Related to the Group's Future Revenue Growth Rates and the Company's Inability to Exploit Future Growth Opportunities
- Risks Related to Dependence on Owners of Leased Farms and Other Leased Production Facilities
- Risks Related to Business Interruption and Continuity in the Group's Leased Farms and Other Leased Production Facilities
- Risks Related to the Development of a New Facility and Asset Replacement
- Risks Related to Marketing and Public Relations
- Risks Related to Failure to Identify Changing Consumer Preferences and Trends
- Risks Related to the Company's Reputation and the Quality of Services Provided
- Risks Related to Poor Inventory Management
- Risks Related to Related Party Transactions and Agreements
- Risks Related to Engagement of Directors or Senior Executives in Business Competing with the Group's Business
- Risks Related to Contracts with Third Parties
- Risks Related to Concentration of Revenues from Major Customers
- Risks Related to Realizing a Large Part of the Company's Revenue from Selling Fresh Chicken Products through ADC
- Risks Related to Supplier Concentration
- Risks Related to the Availability of Feed to DHV
- Risks Related to the Group's Reliance on Harad Feed Mill
- Risks Related to Operations Outside the Kingdom
- Risks Related to Adverse Changes in Exchange Rate
- Risks Related to Collection of Debts from the Company's Customers
- Risks Related to Government Subsidies
- Risks Imposed by Financing
- Liquidity Risk and Failure to Meet Capital Requirements
- Risks Related to Personal and Corporate Guarantees Provided by Shareholders
- Risks Related to Adverse Changes in Interest Rate
- Risks Related to Reliance on Executive Management and Key Personnel
- Risks Related to Employee Misconduct and Errors
- Risks Related to Sponsoring Non-Saudi Employees
- Risks Related to Licenses and Approvals
- Risks Related to Reliance on Information Technology Infrastructure
- Risks Related to Failure to Secure Adequate Insurance Coverage
- Risks Related to Litigation
- Risks Related to Protection of Intellectual Property Rights
- Risks Related to Potential Zakat Liability
- Risks Related to Newly Implemented Corporate Governance Rules

- Risks Related to Adjustments to the Value of Inventories
- Risks Related to Estimated Fair Value of Biological Assets
- Risks Related to the Use of Accounting Assumptions to Estimated Post-Employment Benefits
- Risks Related to Failure by the Audit Committee and the Nomination and Remuneration Committee to Perform their Duties as Required
- Risks Related to Lack of Experience in Managing a Listed Joint Stock Company

Risks Related to the Market, Industry, and Regulatory Environment

- Risks Related to Consumer Spending Due to Deteriorating or Weak Economic Conditions
- Risks Related to Political Instability and Security Concerns in the Middle East Region
- Risks Related to Extreme Weather Conditions
- Risks Related to High Level of Competition in the Poultry Industry
- Risks Related to Changes in the Regulatory Environment
- Risks Related to Zakat and Income Tax Calculation Mechanism Change
- Risks Related to Non-Compliance with Value Added Tax Regulations
- Risks Related to Certification for Products Slaughtered According to Islamic Laws (Halal Certification)
- Risks Related to Changes in Energy Prices
- Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees
- Risks Related to Non-Compliance with the Saudisation Requirements
- Risks Related to Compliance with the Companies Law, the Implementing Regulations and the Corporate Governance Regulations

Risks Related to Offer Shares

- Risks Related to Effective Control by the Current Shareholders after the Offering
- Risks Related to Absence of a Prior Market for the Offer Shares
- Risks Related to Selling a Large Number of Shares on the Exchange
- Risks Related to Issuance of New Shares
- Risks Related to Fluctuation in the Market Price of the Shares
- Risks Related to Distribution of Dividends and Restrictions Imposed on Distribution of Dividends by Financiers

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1. DEFINITIONS AND ABBREVIATIONS

ADC	Agricultural Development Company.
ADC's Audited Financial Statements	ADC's audited financial statements for the financial year ended 31 December 2018G, as well as ADC's consolidated financial statements for the financial years ended 31 December 2019G and 2020G prepared according to IFRS standards.
ADGHC	Al-Dabbagh Group Holding Company.
Admission	Admission of the Shares to full listing on the Exchange in accordance with the Listing Rules and, where the context requires, an application to the Exchange for listing of securities.
Advisors	Advisors of the Company in relation to the Offering, whose names appear on page (vi) of this Prospectus.
AED	The United Arab Emirates Dirham, which is the lawful currency of the United Arab Emirates.
Associate	A subsidiary of the Parent Company, not a direct subsidiary of the Issuer.
Audit Committee	The Audit Committee of the Company.
Auditors	PricewaterhouseCoopers (Public Accountants), the external auditor of the Company and its Subsidiaries except for Tanmiah International and Supreme Foods Company - Bahrain
Bahrain	Kingdom of Bahrain.
Banking Committee	The Committee for Settlement of Banking Disputes.
Bidding Participation Application	The application submitted by the Participating Entities to the Financial Advisor for participation in the book-building process, to be submitted no later than the last day of the book-building process period. This term includes, when applicable, the appended applications when the price range is changed.
Board of Directors or Board	The Board of Directors of the Company.
Book-Building Instructions	The Instructions for Book-Building Process and Allocation Method in Initial Public Offerings, issued pursuant to the CMA's Board Resolution No. 2-94-2016, dated 15/10/1437H (corresponding to 20 July 2016G), as amended by the CMA's Board Resolution No. 3-102-2019, dated 18/01/1441H (corresponding to 17 September 2019G).
Bookrunner	Saudi Fransi Capital.
Business Day	Any day (other than Fridays, Saturdays and official holidays) on which the Receiving Agent open for business in the Kingdom.
Bylaws	The Bylaws of the Company, which are summarised in Section 12.13 (**Summary of Bylaws**).
Capital Market Institution	A Person authorised by the CMA to practice securities business.
Chairman	The Chairman of the Board of Directors.
Chief Executive Officer	The Chief Executive Officer of the Company.
Chief Financial Officer	The Chief Financial Officer of the Company.
CMA	The Capital Market Authority of the Kingdom.
CML	The Capital Market Law issued under Royal Decree M/30, dated 2/6/1424H (corresponding to 31 July 2003G), as amended.
Committees	The Audit Committee, and the Nomination and Remuneration Committee of the Company.
Companies Law	The Companies Law, issued under Royal Decree No. (M/3), dated 28/1/1437H (corresponding to 10 November 2015G), as amended.
Company or Issuer	Tanmiah Food Company.
Control	"Control" means the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (a) holding 30% or more of the voting rights in the Company, or (b) the right to appoint 30% or more of the administrative staff; and the word "controller" shall be construed accordingly.
Corporate Governance Regulations	The Corporate Governance Regulations, issued pursuant to the CMA Board's Resolution No. 8-16-2017, dated 16/5/1438H (corresponding to 13 February 2017G), and amended pursuant to the CMA Board's Resolution No. 1-7-2021, dated 1/6/1442H (corresponding to 14 January 2021G), as may be amended.
Current Shareholders	The Shareholders whose names and shareholding percentages are set out in Table 2 (**Substantial Shareholders and Their Ownership in the Company**).
DHV	Desert Hills Veterinary Services Company
Directors (and each individually a Director)	The members of the Company's Board of Directors appointed by the General Assembly and whose names appear in Section 5 (**Organisational Structure and Corporate Governance**).

Dukan	Qeemah and Dukan for Groceries Company
Exchange or Tadawul	The Saudi Exchange (Tadawul).
Executive Management	The Senior Executives of the Company.
Extraordinary General Assembly	An Extraordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
feed ingredients	Raw materials that are used to produce the feed, and that the Company purchases from third parties.
Financial Advisor	Saudi Fransi Capital.
Financial Due Diligence Advisor	Ernst &Young & Co (Certified Public Accountants)
Financial Institutions	Banks and financial services companies.
Financial Statements	The Company's audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the accompanying notes thereto, that have been prepared in accordance with the IFRS endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, andaudited by the Auditors in accordance with the audit report issued for them. Such statements are contained in Section 19 (**Financial Statements and Auditors' Report**).
financial year	The Company's financial year starting from 1 January to 31 December of each calendar year.
Foreign Investors	Non-GCC individuals living outside the Kingdom and non-GCC institutions incorporated outside the Kingdom who have the right to invest indirectly to acquire an economic benefit in the Offer Shares by entering into SWAP agreements with Capital Market Institutions to purchase shares listed on the Exchange.
FVOCI	Fair value through other comprehensive income.
FVTOCI	Fair value through other comprehensive income.
FVTPL	Fair value through profit or loss.
G	Gregorian calendar.
GCC	The Cooperation Council for the Arab States of the Gulf, consisting of the Kingdom of Bahrain, State of Kuwait, Sultanate of Oman, State of Qatar, Kingdom of Saudi Arabia and United Arab Emirates.
GCC Corporate Investors	Any company with the majority of its share capital being owned by GCC nationals or governments and having the nationality of a GCC State according to the definition mentioned in the Resolution of the Supreme Council of GCC issued in the 15th session and approved by the Council of Ministers' Resolution No. 16 dated 20/01/1418H, as well as GCC funds with the majority of its capital being owned by GCC citizens or governments.
GCC Countries	The Gulf Cooperation Council countries
GDP	Gross Domestic Product (the broadest quantitative measure of a nation's total economic activity, which represents the monetary value of all goods and services produced within a nation's geographical borders over a specified period of time).
GDP per Capita	GDP per capita is a measure of average income per person in a country (it divides the GDP by the population).
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly of the Company's Shareholders.
GOSI	The General Organization of Social Insurance in the Kingdom.
Government	The Government of the Kingdom (and "Governmental" shall be interpreted accordingly).
Group	The Company and its Subsidiaries.
H	Hijri calendar.
HACCP	Hazard Analysis Critical Control Point.
HORECA	Hotels, restaurant and catering.
IASB	International Accounting Standard Board.
IFRS	The International Financial Reporting Standards issued by ISAB as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.
Individual Investors	Individuals holding the Saudi Arabian nationality, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as any non-Saudi residents or GCC nationals with a bank account with the Receiving Agent and having the right to open an investment account.

Investment Funds Regulations	The Investment Funds Regulations issued pursuant to the CMA Board's Resolution No. 1-219-2006, dated 3/12/1427H (corresponding to 24 December 2006G), based on the Capital Market Law promulgated by Royal Decree No. M/30, dated 02/06/1424H, as amended by the CMA Board's Resolution No. 2-22-2021 on 12/7/1442H (corresponding to 24 February 2021G).
Investors	The Participating Parties and Individual Investors.
Kingdom	Kingdom of Saudi Arabia.
kt	Kiloton.
Labour Law	The Saudi Arabian Labour Law issued under Royal Decree No. M/51, dated 23/8/1426H (corresponding to 27 September 2005G), as amended.
Lead Manager	Saudi Fransi Capital.
Legal Advisor	Zeyad Yousef AlSalloum and Yazeed Abdulrahman Altoaimi Company for Legal Services and Consultation i.
Listing Rules	The Listing Rules approved by the CMA Board Resolution No. 3-123-2017, dated 09/04/1439H (corresponding to 27 December 2017G), as amended by the CMA's Board Resolution No. 1-22-2021 dated 12/07/1442H (corresponding to 24 February 2021G).
Lock-up Period	A six-month period during which the Substantial Shareholders may not dispose of any of their Shares from the date on which trading of the Shares commences on the Exchange.
Main Market	The market in which the registered and offered shares are traded under Part IV of the Rules on the Offer of Securities and Continuing Obligations.
Market Consultant	Frost & Sullivan.
MHRSD	The Saudi Arabian Ministry of Human Resources and Social Development.
MoC	The Saudi Arabian Ministry of Commerce.
National Transformation Program (NTP)	The program developed to help realise Saudi Vision 2030 and define the challenges that Government agencies in the economic and development sectors face.
Net Offering Proceeds	The Offering Proceeds net of expenses related to the Offering.
Nominal Value	SAR 10 per share.
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company emanating from the Board of Directors.
Offer Price	SAR 67 per Share.
Offer Shares	6,000,000 Shares, representing 30% of the Company's share capital.
Offering	The initial public offering of six million (6,000,000) ordinary Shares with a fully paid-up nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, representing 30% of the Company's share capital, and at an Offer Price of SAR 67 per Share.
Offering Period	One (1) day on Tuesday, 17/12/1442H (Corresponding to 27/07/2021G).
Offering Proceeds	The total value of the Shares subscribed for in the Offering.
Ordinary General Assembly	An Ordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Parent Company	Al-Dabbagh Holding Group Company, which owned ninety-six percent (96%) of the Issuer's shares prior to the Offering.
Participating Entities	Entities involved in the book-building process from amongst the Participating Parties.

Participating Parties	In accordance with the Book-Building Instructions, parties entitled to participate in the book-building process, as follows: 1- public and private funds that invest in securities listed on the Exchange, if permissible under the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Funds Regulations and the Book-Building Instructions; 2- Capital Market Institutions authorised by the CMA to trade in securities as principals, in compliance with the provisions of the Prudential Rules upon submission of a Subscription Application Form; 3- clients of a Capital Market Institution authorised by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; 4- legal persons allowed to open an investment account in the Kingdom, and an account with the Securities Depository Center, including foreign legal persons who are allowed to invest on the Exchange, in accordance with the Controls on Investment by Listed Companies in Exchange-Listed Securities set forth in CMA Circular No. 6/05158, dated 11/8/1435H (corresponding to 9 June 2014G), issued pursuant to CMA Board Resolution No. 9-28-2014, dated 20/7/1435H (corresponding to 19 May 2014G); 5- Governmental entities, any supranational authority recognised by the CMA, the Exchange, or any other stock exchange recognised by the CMA or the Securities Depository Center; 6- Government-owned companies, whether investing directly or through a portfolio manager; and 7- GCC companies, and GCC funds if permissible under the terms and conditions of such funds.
Person	A natural or a legal person under the laws of the Kingdom.
PFF	Perfect Foods Factory.
Prospectus	This document prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to the CMA Board's Resolution No. 1-40-2012, dated 17/2/1434H (corresponding to 30 December 2012G), as amended.
Public	Persons other than the following: 1- affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- directors and senior executives of the Issuer's affiliates; 5- directors and senior executives of the Issuer's Substantial Shareholders; 6- any relatives of the persons referred to in (1, 2, 3, 4, or 5) above; 7- any company controlled by any person referred to in clause (1, 2, 3, 4, 5 or 6) above; or 8- Persons acting in concert, with a collective shareholding of 5% or more of the class of shares to be listed.
QFI or Qualified Foreign Investor	A qualified foreign investor who is qualified in accordance with the QFI Rules to invest in listed securities. Qualification application shall be submitted to a Capital Market Institution to evaluate and approve the application in accordance with the QFI Rules.
QFI Rules	The Rules for Qualified Foreign Financial Institutions Investment in Listed Securities issued pursuant to the CMA Board's Resolution No. 1-42-2015, dated 15/7/1436H (corresponding to 4 May 2015G) and amended pursuant to the CMA Board's Resolution No. 3-65-2019, dated 14/10/1440H (corresponding to 17 June 2019G).
Receiving Agent	The Receiving Agent whose name appear on page (vii) of this Prospectus.
Related Party	It includes, in this Prospectus, the term "**Related Party**" or "**Related Parties**" in accordance with Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority issued by the CMA's Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 4 October 2004G), as amended by the CMA's Board Resolution No. 2-22-2021 dated 12/7/1442H (corresponding to 24 February 2021G) as follows: 1- affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- directors and senior executives of an affiliate of the Issuer; 5- directors and senior executives of the Issuer's Substantial Shareholders; 6- any relatives of the persons described in paragraphs (1), (2), (3), (4), or (5) above; or 7- any company controlled by any person described in paragraphs (1), (2), (3), (4), (5) or (6).
Relatives	Husbands, wives and minor children. For the purposes of the Corporate Governance Regulations: 1- fathers, mothers, grandfathers and grandmothers (and their ancestors); 2- children and grandchildren and their descendants; 3- siblings, maternal and paternal half-siblings; and 4- husbands and wives.

risk factors	A group of potential risks that should be understood and considered prior to making an investment decision in relation to the Offer Shares.
Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA's Board Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27 December 2017G) in accordance with the Capital Market Law promulgated by Royal Decree No. M/30 dated 02/06/1424H, and amended by the CMA Board's Resolution No. 17-2021 dated 01/06/1442H (corresponding to 14 January 2021G).
SAR	The Saudi Arabian Riyal, which is the lawful currency of the Kingdom.
Saudi Central Bank (SAMA)	Saudi Central Bank
Secretary	The Secretary of the Board of Directors.
Selling Shareholders	The Shareholders whose names and shareholding percentages are set out in Table 2 (**Substantial Shareholders and Their Ownership in the Company**) who will sell part of their Shares in the Offering.
Senior Executives	The members of the Company's senior management whose names appear in Table 5.6 (**Details of Senior Executives**).
SFDA	Saudi Food and Drug Authority.
SFC (Bahrain)	Supreme Foods Company (Bahrain) "S.P.C".
SFPC	Supreme Foods Processing Company.
Shareholder	Any holder of Shares in the Company.
Shares	Ordinary shares of the Company, with a fully paid nominal value of SAR ten (10) per share in the Company's capital issued from time to time.
SOCPA	The Saudi Organization for Certified Public Accountants.
Subscribers	The Participating Entities and Individual Investors participating in the Offering.
Subscription Application Form	The subscription application form to be used by Participating Entities and Individual Investors (as the case may be) to subscribe for the Offer Shares.
Subsidiaries	The Company's subsidiaries, including: a- Agricultural Development Company; b- Desert Hills Veterinary Services Company; c- Supreme Foods Processing Company; d- Perfect Foods Factory; e- Tanmiah International UAE; and f- Supreme Foods Company (Bahrain) "S.P.C"
Substantial Shareholder	Each shareholder who individually owns (5%) or more of the Issuer's shares. Note that Al-Dabbagh Holding Group is the only shareholder who meets this definition, with an ownership percentage of ninety-six percent (96%) of the Shares prior to the Offering.
UAE	The United Arab Emirates.
Underwriter	Saudi Fransi Capital.
Underwriting Agreement	The Underwriting Agreement entered into between the Company the Selling Shareholders, and the Underwriter in connection with the Offering.
Value Added Tax (VAT)	The Council of Ministers decided on 2 Jumada Al-Awwal 1438H to approve the Unified GCC Value Added Tax Agreement, which came into effect on 1 January 2018G, as a new tax to be added to the system of taxes and other duties to be applied by specific sectors in the Kingdom and in the other GCC Countries. The amount of this tax was initially 5%, and a number of products (such as basic food, and health care and education services) are exempted from such tax. As of 1 July 2020G, VAT was further increased to 15% by the Ministry of Finance.
ZATCA	Zakat, Tax and Customs Authority in the Kingdom.

2. RISK FACTORS

Prior to making an investment decision with respect to the Offer Shares, all prospective investors should carefully consider the following risk factors and the other information contained in this Prospectus. The risks and uncertainties described below are those that the Company currently believes could affect the Company and any investment in the Offer Shares. However, the risks listed below do not necessarily comprise all those affecting the Company or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Company is currently not aware of, or that the Company currently believes is immaterial. The occurrence of any such risks and uncertainties may materially and adversely affect the Company's business, financial position, results of operations and prospects. As a result, the price of the Company's Shares may decline, the Company's ability to pay dividends could be impaired and/or investors may lose all or part of their investments.

The Company's Directors also confirm that, to the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus than those mentioned in this section that may affect investors' decisions to invest in the Offer Shares. All prospective investors willing to subscribe to the Offer Shares should assess the risks related to the Offer Shares and the Offering in general, and the economic and regulatory environment in which the Company operates.

An investment in the Offer Shares is only suitable for investors who are able to evaluate the risks and benefits of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser duly licensed by the CMA for advice about investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority that can reflect their expected impact on the Group.

2.1 Risks Related to the Activities and Operations of the Company

2.1.1 Risks Related to Outbreaks of Poultry Diseases

An outbreak of poultry diseases or the perception that such an outbreak may occur, even if it does not directly affect the Company's poultry, could significantly restrict the Company's ability to conduct its operations or its sales. An outbreak of poultry diseases could result in governmental restrictions on the sale of the Company's poultry products or destruction of one or more of its flocks. This could result in direct economic losses and adverse publicity resulting in the cancellation of pre-orders by the Company's customers, which would have a material adverse effect on the Company's business, financial position, results of operations, reputation and prospects.

In particular, the Saudi Arabian poultry industry was negatively impacted by the outbreaks of Newcastle Disease, Gumboro (IBD), Infectious Bronchitis and avian influenza in past years. Pursuant to the market study report prepared by the Market Consultant, the average national mortality rate of poultry in the Kingdom (for all causes combined, not only due to poultry diseases) was around 10% in 2019G and as high as 12-15% in certain provinces. The Company's poultry mortality rate reached 5.0%, 4.95% and 5.35% in the financial years ended 31 December 2018G, 2019G and 2020G, respectively. In December 2017G, a highly virulent strain of H5N8 avian influenza virus was detected in a live bird market in Riyadh according to the Ministry of Environment, Water and Agriculture (MEWA) data. The virus then continued to spread until March 2018G to the Provinces of Riyadh, Al-Qassim, Makkah, Aseer, Al-Madinah and Jizan. As a result, MEWA issued a decision to cull around nine million birds in March 2018G to contain the spread of the disease under its contingency plan. In July 2018G, the Azizia live birds market located in Riyadh was closed after the discovery of a case infected by H5N8 virus.

The Company does not have any insurance coverage on poultry and cannot guarantee that its flocks will not be affected by poultry diseases in the future, that further spread of poultry diseases, either in the Kingdom or in other countries, will not materially adversely affect domestic Saudi Arabian poultry products demand or export of poultry meat to foreign markets. Moreover, the Company cannot guarantee that the Saudi Government will compensate it for any losses that it could suffer as a result of poultry disease outbreaks in the future. If poultry diseases affect a significant number of the Company's flocks, or materially reduce domestic demand for the Company's products, this will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.2 Risks Related to Contamination of Poultry and Other Meat Products

Poultry and other meat products may contain microscopic disease-producing organisms such as Listeria monocytogenes, Salmonella and generic E. coli. These microscopic pathogens are generally found in the environment and, therefore, there is a risk that they could be found in the Company's processed meat products as a result of food processing. In addition, it is possible that foreign material such as metal, plastic or other material used in the Company's plants could contaminate its products during processing. The Company's products may be affected by pathogens or foreign material after the same being shipped by the Company's customers, consumers or third parties. Contamination that results from improper handling by the Company and its customers, consumers or third parties may be attributed to the Company. Any publicity regarding product contamination or consequential illness or death could have a material adverse effect on the Company's business and reputation.

On 23/11/1438H (corresponding to 15 August 2017G) and 08/04/1439H (corresponding to 26 December 2017G), Riyadh Municipality seized some of the Company's products and transported them from its warehouses and destroyed them for reasons such as expiration and violation of technical regulations and standards. The Company's losses resulting from the destruction of these products were about SAR 377 thousand. If the Company's products are contaminated or damaged by the Company or a third party, the Company could also be required to recall its products from the market or close its plants and be subject to product liability claims. This could cause significant losses including the destruction of product inventory, lost sales or customers due to the unavailability of products or adverse publicity that can damage the Company's reputation and consumer confidence in its products. The occurrence of any such events would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.3 Risks Related to Fluctuations in the Prices of Feed Ingredients, Comparable Meat and Alternative Products

Profitability in the poultry and beef industry is materially affected by the prices of feed ingredients and meat products (poultry and beef used by the Company's further food processing segment, and imported from third parties). It should be noted that the prices of feed ingredients are not necessarily associated with the prices of meat products. Prices of feed ingredients are determined by supply and demand factors. As a result, the poultry and beef industry are subject to fluctuations in profitability. The Company may be less profitable, and may incur losses, when poultry prices are low and prices of feeds and their ingredients are high. The feed ingredients, such as corn, soybean meal and other ingredients, represent on average about 45% of the Company's costs related to growing live chicken in the financial years ended 31 December 2018G, 2019G and 2020G. In addition, supply can be affected by various factors that are beyond the Company's control. In particular, supply of feed ingredients can be affected by global weather patterns, such as adverse weather conditions that may result in agricultural conditions changed in an unexpected way, in addition to lower product inventories at the global level and higher demand for feed ingredients, currency fluctuations, and the agricultural policies of the Kingdom and other countries. Occurrence of any of the above events could affect supplies of feed ingredients in the market, which in turn could affect the ability of both the poultry market and the Company to obtain feed ingredients, grow chickens or deliver poultry products. This would materially and adversely affect the Company's business, financial position, results of operations and prospects.

Higher prices of feed ingredients will result in higher feed costs. However, the Company is unable to immediately increase its product prices to offset these higher feed costs since prices for the Company's fresh poultry products are correlated to the market prices of fresh chicken meat, which are subject to supply and demand factors. The increase in feed costs will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Moreover, some of the raw poultry and beef meat used in the operations of the Company is imported by the Company from third party producers. Accordingly, higher prices of poultry and beef meat would lead to increasing the Company's costs, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

It is very difficult to predict how the poultry, beef and feed ingredients markets will perform. Therefore, the Company's business could be subject to cyclicality and volatility of commodity markets for feed ingredients, as well as poultry and beef products could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.4 Risks Related to Malfunctions in the Company's Plants

All of the Company's meat products are processed in its own or leased plants, consisting of sophisticated and complex equipment (for further details, see Section 4.7.2 (**Production Process and Facilities**)). Essential equipment, or any other equipment involved in any of the poultry or beef meat processing operations, may malfunction due to, **inter alia**, the Company failing to perform periodic or emergency maintenance, wear of any parts or other unexpected events, such as fires or weather fluctuations. The occurrence of any such events would impair the production capability of the Company, which in turn would lead to a decline in the volume of poultry products that it can process and sell, in addition to the Company's inability to fulfil its contractual obligations. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.5 Risks Related to Epidemics

An outbreak of infectious diseases or any public health threat or fear may have a material adverse effect on the Group's business. In December 2019G, a new strain of coronavirus (Covid-19) was recently discovered in Wuhan, Hubei Province, China. This disease has spread to most of the countries worldwide, which led to several countries, including the Kingdom, taking multiple measures to curb the spread of the coronavirus, which included imposition of temporary restrictions, such as travel bans, curfew, ban on movement between cities within the Kingdom and businesses that do not achieve physical distancing, such as restaurants and cafes, and quarantine on persons coming from other countries to a specific period of time. In addition, restaurants in the Kingdom were closed, with reduced service hours, which resulted in reduced demand for the Company's products, especially for further processed food segment of which restaurants are the key customer. Following the outbreak of the coronavirus (COVID-19), the governments of many countries have imposed travel restrictions and/or mandatory quarantine measures for international travellers, in addition to imposing restrictions, in some cases, on residents of regions, districts, or provinces of some countries. Prior to the date of this Prospectus, the Saudi Government had imposed a set of containment measures in response to the outbreak, including:

- temporary suspension of travel visas for tourists for religious purposes who intend to visit Makkah and Madinah to perform the Hajj and Umrah;

- imposition of temporary restrictions on all pilgrims and Umrah performers residing in the Kingdom to prevent them from visiting Makkah and Madinah;
- temporary suspension, until further notice, of all flights (whether international or domestic) and transportation services between cities by buses, taxis and trains;
- temporary suspension of movement between regions and cities within the Kingdom;
- suspension of attendance at workplaces in all government agencies except for the health, security, and military sectors and the National Cyber Security Center;
- temporary suspension of attendance at workplaces in the private sector, with the exception of basic services such as health and food sectors;
- a complete curfew in all cities of the Kingdom (where infection rates are high), including Makkah, Madinah, Riyadh, and Jeddah;
- restrictions on the permissible times for practicing economic and commercial activities for wholesale and retail trade stores and commercial centres (malls) until further notice;
- closing of all public places except for those opened under official directives (including places of entertainment and shopping centres) in the Kingdom;
- temporary suspension of all schools and universities in the Kingdom, and
- temporary suspension of all schools and universities in the Kingdom.

The Group's sales of processed foods (through Supreme Foods Company – Bahrain and SFPC) to its key QSR customers, such as Burger King, Pizza Hut and Subway, were negatively affected following the closure of restaurants in the Kingdom and GCC Countries amid the curfews imposed by regional governments in response to the risks of coronavirus (Covid-19). Revenues of PFF for the financial year ended 31 December 2020G declined by 33.7%, compared to the financial year ended 31 December 2019G, decreasing from SAR 134.7 million to SAR 89.3 million, which led to a 223.9% drop in PFF's net profit for the financial year ended 31 December 2020G, compared to the financial year ended 31 December 2019G. Thus, PFF sustained a loss of SAR 6.9 million in 2020G, compared to a profit of SAR 5.6 million in 2019G. Despite an 11.7% increase in SFPC's revenues in the financial year ended 31 December 2020G, compared to the financial year ended 31 December 2019G, its sales to key QSR customers in the financial year ended 31 December 2020G decreased by 28.9%, compared to the financial year ended 31 December 2019G, due to the closure of restaurants in response to the risks of coronavirus (Covid-19). This led to a decrease in SFPC's profits in the financial year ended 31 December 2020G by 124.5%, compared to in the financial year ended 31 December 2019G. Thus, SFPC sustained a loss of SAR 2.2 million in the financial year ended 31 December 2020G, compared to a profit of SAR 8.8 million in the financial year ended 31 December 2019G.

Given that a large part of PFF sales is exported for sale abroad, exceeding SFPC's exports (49.2% of PFF's total sales is exported, i.e. outside of its headquarters in the United Arab Emirates, compared to 13.2% for SFPC, i.e. outside of its hearquarters in the Kingdom), the adverse impact of coronavirus (Covid-19) has affected PFF to a much larger extent due to the closure of borders and the implications for exported sales. This resulted in PFF and SFPC sustaining a loss of SAR 6.9 million and SAR 2.2 million, respectively, in the financial year ended 31 December 2020G.

Accordingly, the Company increased the provision for impairment of trade receivables due to the risk of failure to collect debts from SAR 7.8 million as of 31 December 2019G to SAR 11.8 million as of 31 December 2020G The extent to which Covid-19 may affect the Company's business depends on a new wave of the virus and the development of current events and new information that may appear regarding the severity of the virus and the procedures necessary to curb or remedy its effect. In the event that the virus' outbreak occurs or increases, and restrictions which are to limit its spread continue, this could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.6 Risks Related to the Company's Inability to Execute the Growth Strategy

The Group regularly evaluates expansion opportunities, such as building new plants. Significant expansion involves risks, including but not limited to the ability of the Group to secure additional financing and its effect on the Group's financial position, integrate new plants into the Company's operations and manage a larger overall group efficiently, respond to industry changes and developments in the poultry and further processed food industry on a cost-effective and timely basis, recruit and train the Group's key managers and employees to run the new plants, while continuing to operate the Group's existing plants efficiently. The Group's failure to exploit growth opportunities through achieving the expansion or implement the growth strategy in future, or properly manage the expansion would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.7 Risks Related to the Group's Future Revenue Growth Rates and the Company's Inability to Exploit Future Growth Opportunities

The Group's revenue consists of revenue from sales of fresh chicken and other business segments. Such sectors are affected by various factors (see Section 6 (**Management's Discussion and Analysis of Financial Position and Results of Operations**) for more information on the financial and operational performance of business segments and the factors affecting them). In addition, these segments are subject to many of the risks stated in this Section of the Prospectus, which, if they occur, may affect the business of these segments and thus the growth rates of the Group's revenue. Accordingly, the Group may not achieve success in its efforts to increase revenue or the pace of growth in its business. In addition, revenue growth rates in previous periods should not be taken as an indication of their future growth rates. The Group may not be able to overcome the risks and difficulties it may face in the poultry segment. The demand for its products may decrease or the Group may be forced to reduce its prices. Consequently, the Group's total revenue would decrease, which a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.8 Risks Related to Dependence on Owners of Leased Farms and Other Leased Production Facilities

As of 10 April 2021G, the Group had lease agreements relating to its operations with 55 farm owners for 83 breeder and broiler farms and three hatcheries (distributed over a total of 75 rented spaces), in addition to six administrative offices, 14 warehouses, six plants (among which a feed plant in the Kingdom, two slaughterhouses, and three food processing plants), two veterinary pharmacies, two housing quarters for workers, and two multipurpose facilities. Four of the lease contract terms related to three of the farms and one of the administrative offices have expired. Terms of leases typically range from one to 45 years, which may optionally be renewed for similar periods upon mutual agreement on the terms of renewed agreement, including the rental (for further details on lease agreements, see Section 12.8.2 (**Leases**)). The Group could fail to negotiate renewals on commercially acceptable terms.

ADC (a Subsidiary of the Company) conducts poultry raising activities through these leased farms. The rent expenses of farms and other production facilities, such as slaughterhouses, feed mills, and further food processing plants, were SAR 40.9 million in the financial year ended 31 December 2018G, representing 4.1% of the total operating costs during the same period (leases were classified as of 1 January 2019G as assets and liabilities due to the Company's adoption of IFRS 16, which amounted to SAR 184.7 million for the financial year ended 31 December 2019G and SAR 179.2 million for the financial year ended 31 December 2020G). Revenues from activities in these farms and other production facilities were SAR 727.2 million, SAR 843.1 million and SAR 225.4 million for the financial years ended 31 December 2018G, 2019G and 2020G, representing 67%, 74% and 77%, respectively, of the Group's total revenue. If the Company is unable to have sufficient cash flows from operating activities, loans under its financing agreements or other sources, the Company may not be able to service its lease commitments. Furthermore, the Group's inability to maintain its current leased farms and other current production facilities and its leasing of farms and other production facilities or to renew the licenses of the same will require additional financial and administrative resources. The occurrence of any of the above events would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.9 Risks Related to Business Interruption and Continuity in the Group's Leased Farms and Other Leased Production Facilities

Breeder and broiler farms, additional food processing plants, slaughterhouses, and warehouses where ADC, SFPC and PFF operate, are leased facilities and are not owned by the Group, which increases the Group's dependence on the owners of those facilities. Therefore, this exposes the Company to the risk of business interruption in the event that the Group is unable to maintain its leased farms and other current production facilities due to, inter alia, a dispute with the owners of those facilities over application of the provisions of the lease contracts, the inability to renew the licenses of these farms and production facilities, or the Group's failure to negotiate over renewing any of the lease contracts with the owners of the facilities on commercially favourable terms. Thus, interruption of the Company's business in its farms and other production facilities owing to any of the above would have a material adverse impact on the Company's business, financial position, results of operations and prospects.

2.1.10 Risks Related to the Development of a New Facility and Asset Replacement

For any new plant that the Company builds, its ability to complete construction on a timely basis and within budget is subject to certain risks and challenges. In particular, to establish a new plant, it is required to make an accurate assessment of the market size and the economic feasibility of such establishment, and obtain necessary permits and approvals from the relevant governmental entities, none of which is guaranteed to be obtained by the Company. Establishment of a new plant for the Company also depends on its ability to secure the necessary financial financing to complete the construction process. If the Company fails to assess the economic feasibility of establishing new plants or to obtain the necessary permits and approvals to operate these new plants, this could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Moreover, the competitiveness, success and growth of the Company's business depends on its ability to replace or refurbish assets needed for the operation of the poultry plants and other auxiliary facilities, which could result in a substantial increase in its capital expenditures. As ADC's Harad Feed Mill exceeded its capacity by 109.8% and the SFPC plant operated at maximum capacity of 95.0% as of 31 December 2020G, the Company may need to establish one or more new plants to accommodate the expansion of production sought by the Company, which would result in higher capital expenditures than it has incurred historically.

If the Company fails to complete construction on schedule, find lease farms for poultry expansion, find customers for the additional products generated by the new plant, run the plant efficiently, or otherwise achieve the expected benefits of the new plant, as well as to replace or refurbish obsolete assets, the available capacity may prove to be a bottleneck in meeting customer orders in a timely manner. This would adversely affect the Company's ability to increase its revenues and operating income and have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.11 Risks Related to Marketing and Public Relations

The Company allocated SAR 3.1 million for the financial year ended 31 December 2020G (equivalent to around 2.4% of the sales and distribution expenses) to marketing and public relations programs that inform consumers about the safety and quality of its products and production practices, and SAR 5.7 million and SAR 2.3 million for the financial years ended 31 December 2019G and 2018G, respectively (equivalent to around 4.8% and 2.3% of sales and distribution expenses). Marketing plans often take a relatively long time to achieve their desired objectives, which may force the Company to increase its spending in this area. However, there can be no assurance that these marketing and public relations programs will be successful or adequate, and the Company may need to intensify or change these programs and, therefore, incur additional financial costs. The Company is also subject to legal and regulatory restrictions regarding the marketing and labelling of its products, which may hamper its marketing efforts. In addition, the Company must also keep pace with a rapidly changing media environment and advertising and marketing channels. If the costs of marketing programs are not sufficient to achieve the desired objectives or if the marketing and public relations efforts of the Company are not effective and consistent with the current media environment, then the Company's competitive position, reputation and market share may be affected. This could lead to lower sales and profits, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.12 Risks Related to Failure to Identify Changing Consumer Preferences and Trends

In connection with its fresh poultry products and other meat products, the Company's success depends on its ability to offer products that appeal to the Company's customers and respond to evolving consumer preferences and trends. Such preferences and trends are influenced by several factors, such as the product offering, quality, brand perception, product packaging, branding and marketing activities. Consumer perceptions are affected by adverse publicity and rumours about food production, along with the expanding role of social and digital media in publicity. Negative stereotypes are also an effective factor in the Company's reputation, products and brand. Such effect remains for a long time, which may lead to the loss of consumer confidence in the safety and quality of the Company's products. If the Company fails to react timely and effectively to any potential negative publicity about its products in general or fails to identify changes in consumer perceptions or trends, the Company may experience lower demand and pricing for its products, which could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Moreover, the Company may introduce new or improved products from time to time to satisfy evolving consumer preferences, and may incur significant development and marketing costs in doing so. If the Company's products fail to meet consumer preferences, then these products and the Company's marketing strategy will be less successful, which could adversely affect the Company's business, financial position, results of operations and prospects.

2.1.13 Risks Related to the Company's Reputation and the Quality of Services Provided

Since its inception, the Company has been seeking to build a good reputation associated with its brand, and preserve its reputation and brand in the future by enhancing the quality of services it provides to its customers. This depends on several factors, including the availability of the Company's products of all kinds through electronic means and in the commercial markets. Accordingly, the Company's failure to provide or maintain the quality of services provided to its customers will have a material adverse effect on its brand and reputation.

In addition, the Company's inability to provide high-quality services may expose it to negative advertising that may harm its reputation, which leads to a decrease in its customers' appetite for its products or their reluctance to buy its products, or in some cases may expose it to lawsuits. The Company's reputation may be affected if it is not able to maintain the quality of services provided to its customers, which would a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.14 Risks Related to Poor Inventory Management

The Company depends on its understanding of the poultry industry, as well as poultry demand forecasts to manage its inventory of food ingredients and poultry products. Demand for poultry products, however, can be significantly different from the forecasts since it may be affected by new product launches in the market, changes in product cycles, pricing, changes in customer spending patterns, new entrants to the market, and other factors, which may result in lower demands for the Company's products. If the Company fails to accurately estimate the volume of products sought by its customers and otherwise adequately manage production quantities, it may produce more poultry products than is needed by its customers, resulting in excess inventory levels. Moreover, excess inventory and its poor management might lead to products expiring and becoming unacceptable in the market, or the Company having to lower prices in order to sell its inventory prior to the expiration date, which in turn will have a material adverse effect on the Company's business, financial position, results of operations and prospects. It should be noted that the total inventory for the financial years ended 31 December 2018G, 2019G and 2020G, was SAR 145.2 million, SAR 160.6 million, and SAR 139.0 million, respectively, which represented 17.5%, 15.0% and 11.6% of the total assets of the Company for the said periods, respectively, while the Company has allocated SAR 4.5 million, SAR 5.2 million and SAR 6.8 million as allocations for inventory for the mentioned periods, respectively. Total inventory loss for the financial years ended 31 December 2018G, 2019G and 2020G, was SAR 2.3 million, SAR 2.1 million and SAR 1.6 million, respectively, accounting for 1.6%, 1.34% and 1.18% of total inventory in the same period, respectively. It should be noted that, in general, the inventory loss resulted from the expiration and disposal of the inventory in the financial years ended 31 December 2018G, 2019G and 2020G.

2.1.15 Risks Related to Related Party Transactions and Agreements

In the ordinary course of its business, the Company transacts with Related Parties, including the Company's and ADGHC's subsidiaries (Substantial Shareholder). The Company entered into five transactions and contracts with Related Parties, including provision of management services to the subsidiaries and sale of the Company's products to Dukan (an Associate), a services agreement concluded between the Company and Al-Watania (an associate), provision of labour services ADC by SAED International (an Associate), and purchase of fuel and its derivatives from Petromin (an Associate). These transactions and agreements represent 2.2% of the Company's total transactions and agreements for the financial year ended 31 December 2020G (for further details on transactions and agreements with Related Parties, see Section 12.9 (**Related Party Contracts and Transactions**)). Transaction related to sale of the Group's products to Qeemah and Dukan for Groceries Company and purchase of fuel and its derivatives from Petromin are carried out according to terms to be agreed upon for each transaction, not under common framework agreements.

The total amounts due to the Related Parties from the Company were SAR 77.2 million (12% of total liabilities) as of 31 December 2018G. These amounts represent the Company's carving-out all its investments in Qeemah and Dukan to ADGHC, where the total book value of Qeemah and Dukan's net definable liabilities reached SAR 77.9 million on the date of the carve-out. This led to the recognition of dues to ADGHC of this value on the date of the carve-out, 1 January 2018G. These commercial payables from ADGHC fell during 2018G due to the recognition of payables of SAR 0.6 million for expenses related to the Company's Offering, which led to a SAR 77.2 million drop in the balance by 31 December 2018G. There were no amounts due to the Related Parties as of 31 December 2019G and 31 December 2020G.

The total commercial payables to the Related Parties were SAR 0.1 million (representing 0.01% of total liabilities) as of 31 December 2018. There were no payables due to the Related Parties as of 31 December 2019G and 2020G.

The total revenue from transactions with the Related Parties were SAR 26.4 million in the financial year ended 31 December 2020G (i.e., 2.2% of the total revenue), SAR 18.9 million as of 31 December 2019G (i.e., 1.6% of the total revenue) and SAR 25.1 million (i.e., 2.3% of total revenue) for the financial year ended 31 December 2018G.

As of 31 December 2020G, the Group had amounts due from the Related Parties amounting to SAR 310.1 (which represented 65.7% of the total debts owed to the Company and 25.9% of the total assets of the Company as of 31 December 2020G), of which SAR 284.5 million was due from Qeemah and Dukan for Groceries Company (resulting from selling of the Group's products to Dukan) and SAR 25.6 million was due from Al-Dabbagh Group Holding Company (ADGHC) (as a result of the Company's sale of its share in the Red Sea International to Tanmiah Commercial Group Company, in addition to the Offering expenses paid by the Company on behalf of ADGHC, the selling shareholder, which will be deducted from the Offering Proceeds). Such Related Parties have not paid the said amounts to the Group as of the date of this Prospectus. In its legal capacity and also in its capacity as the owner of the capital of Qeemah and Dukan for Groceries Company, ADGHC has undertaken to pay the aforementioned full amount (SAR 310.1 million) to the Company, via bank transfer, during the two weeks preceding the book-building for the Participating Entities, in addition to bearing and reimbursing the costs and expenses of the Offering incurred and/or to be incurred by the company unless such costs and expenses are deducted by the company directly from the proceeds of the offering, in accordance with the undertaking signed by ADGHC on 29/6/1442H (corresponding to 11/2/2021G), and accordingly the Company has not made provision for these amounts.

Pursuant to Article 71 of the Companies Law, no director may have a direct or indirect interest in the works and contracts executed for the benefit of the Company unless authorised by the Ordinary General Assembly. Some Directors have a direct or indirect interest as they are owners and members of the board of directors of the related parties contracting with the Company, such as Dukan, Saed International for Istiqdam and ADGHC. Therefore, the approval of the General Assembly on such transactions is required. The Company has obtained the approval of the General Assembly for all such transactions and agreements in its meeting held on 28/11/1440H (corresponding to 31 July 2019G) in accordance with the requirements of Article 71 of the Companies Law as described in Section 12.9 (**Related Party Contracts and Transactions**).

The Company's current dealings and agreements with related parties were carried out on a commercial basis. In the event that transactions and agreements with related parties are not affected in the future on an arm's length basis, or if they are not renewed, this would have a material adverse effect on the Company's operations and results.

2.1.16 Risks Related to Engagement of Directors or Senior Executives in Business Competing with the Group's Business

As of the date of this Prospectus, none of the Company's Directors or Senior Executives are participating in activities that compete with the Company, but some of them may compete with the Group either through their membership in boards of directors or through ownership of business that fall within the scope of the Group's business, and such business are similar to, or directly or indirectly compete with, the Group's business. In the event that a conflict of interest occurred between the Group's businesses on the one hand and Directors' or Senior Executives' business on the other hand, this would have a material and adverse impact on the Group's business, results of operations, financial position and prospects.

Some Directors and Senior Executives can access the internal information of the Group, and may use that information for their own interests or in contradiction with the Group's interests and objectives. If the Directors and Senior Executives who have interests conflicting with the Group have a negative influence on the Group's decisions, or if they use the information available to them about the Group in a way that harms its interests, this would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

As of the date of this Prospectus, none of the Directors or Senior Executives is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Group or any similar obligation in relation to the Group's business. However, to engage in businesses competing with the Group, the Directors must obtain approval from the General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

2.1.17 Risks Related to Contracts with Third Parties

The Group entered into many service contracts and framework agreements with suppliers, distributors, customers and other parties, and some of these contracts and agreements will expire within a year or less from the date of this Prospectus. Other agreements will expire during the next few years, as the terms of the agreements range between one and four years. The Group has four terminated material agreements from a total of 16 material agreements (for more details about the material agreements of the Group, see Section 12-5) (**Material Agreements**). If the Group violates the contractual items pursuant to these contracts or agreements or the Company's power, there is no guarantee that these contracts will be renewed. In the event that they are renewed, there is no guarantee that they will be renewed under terms that are similar to their current terms. If the Group violates the contractual items of its contracts concluded with others, or fails to renew any of those contracts on terms that are not favourable for the Group, or at all, this will have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.18 Risks Related to Concentration of Revenues from Major Customers

The total revenue generated by the Group's three top customers accounted for around 20.0%, 20.0% and 12.5% of the Group's total revenue for the financial years ended 31 December 2018G, 2019G and 2020G, respectively (for further details on the Group's major customers, see Section 4.7.6 (**Customers**)). As of 31 December 2020G, the Group's three major customers were Burger King Europe GmbH, Sirr Annaqaa Commercial Establishment and Attawzee Athahabi Office for Commercial Services, accounting for 5.21%, 3.08%, and 2.93% of the Group's total revenue, respectively, as of 31 December 2020G, and 9.7%, 4.9% and 4.9% of the Group's total revenue, respectively, as of 31 December 2019G, and 9%, 6% and 5% of the Group's total revenue, respectively, as of 31 December 2018G. The Company could suffer significant setbacks in its revenues and operating income if it lost one or more of such three top customers, or if there is a significant reduction in business with such customers. With regard to the PFF and SFPC in particular, the three major customers accounted for 50.7% and 66.5% of their total revenues, respectively, for the financial year ended 31 December 2020G. In the event that the PFF and SFPC lose one or more of their major customers, this will have a material adverse effect on the volume of their revenues. Contractual relationships with the Company's major customers do not guarantee stable volumes of sales to its major customers, which could change at any time. Most of the Group's contracts with its major customers are of one-year term, to be renewed automatically or by mutual agreement. If either party fails to meet its contractual obligations, the affected party may terminate the contract or may not renew it and request the other party to pay compensation. Moreover, the Group may not be able to maintain its corporate customers, particularly a major customer. The Group may also lose a significant share of its revenues without having the ability to offset the same from other customers. Occurrence of any of the above risks would have an adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.19 Risks Related to Realizing a Large Part of the Company's Revenue from Selling Fresh Chicken Products through ADC

The Group's revenue from the sale of fresh chicken products through ADC in the financial years ended 31 December 2018G, 2019G and 2020G, was SAR 716.3 million, SAR 819.4 million, and SAR 919.8 million, respectively, which represented 65.6%, 71.5%, and 76.0% of the Group's total revenue for the same periods, while ADC's revenue from the sale of fresh chicken products for the same periods was SAR 693.9 million, SAR 780.8 million and SAR 873.5 million, respectively, which represented 93.0%, 90.4% and 92.6% of ADC's total revenue.

The Group's sales of chicken products through ADC could be affected by several factors, including:

- decline in demand for the Group's products of chicken, whether due to increased pressure from competitors or changes in consumer preferences or attitudes;
- regulatory or legislative actions that could limit their ability to raise their own flocks or sell chicken products;
- contamination of those products;
- poor inventory management of those products;
- loss of rented farms used to raise chicken flocks; or
- outbreaks of chicken diseases that can destroy chicken flocks or reduce their numbers.

Any of the above would have a material adverse effect on the Group's business, financial position, results of operations or prospects.

2.1.20 Risks Related to Supplier Concentration

Some of the Group's purchases used in its diversified business segments, including the nutrition segment and the fresh poultry segment, are sourced from third party suppliers. The largest three suppliers of the Group collectively provided 17.8%, 17.4%, and 19.5% of the Group's total purchases, which amounted to about SAR 1,059 million, SAR 942 million, and SAR 694.3 million for the financial years ended 31 December 2020G, 2019G, and 2018G, respectively. Whereas: (i) Al Ghurair Grain Trading Company provided 4.9%, 6.5%, and 1.7% of the Group's total purchases as of 31 December 2020G, 2019G, and 2018G, respectively; (ii) InVivo Trading Asia PTE Ltd provided 6.7%, 5.6%, and 15.9% of the Group's total purchases as of 31 December 2020G, 2019G, and 2018G, respectively; and (iii) Ahmed al-Sameet Contracting provided 6.2%, 5.3%, and 3.7% of the Group's total purchases as of 31 December 2020G, 2019G and 2018G, respectively. If the Group loses these suppliers or if the suppliers are unable to supply their products to the Group, the Group may not be able to find alternative suppliers or enter into contracts with them in a timely manner or on suitable terms and the Group's production operations may be disrupted (for more details about the suppliers, see Section 4.7.7 (**Suppliers**)). As a result, the ability of the Group to provide products to its customers will be materially and adversely affected, which would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.21 Risks Related to the Availability of Feed to DHV

Revenues of DHV depend on the sale of feed produced by the ADC's Harad Feed Mill and the DHV's Jeddah Feed Mill. The Group decided in 2019G to transfer its operations and equipment to the Harad Feed Mill, as the plant was built in 1974G and in need of capital expenditures to maintain in productivity. With regard to Harad Feed Mill, ADC produces feed for internal consumption in its production operations, and the surplus is sold to customers through DHV. Due to the increase in poultry production operations in ADC in 2018G and the consequential increase in the consumption of feed produced by the Harad Feed Mill, the volume of feed available to DHV decreased from 17,500 MT in the financial year ended 31 December 2018G to 15,500 MT and 15,500 MT in the financial year ended 31 December 2019G and 2,800 MT in the financial year ended 31 December 2020G, which led to a decrease in feed sales in DHV from SAR 49.0 million in the financial year ended 31 December 2018G to SAR 36.4 and SAR 7.1 million as of 31 December 2019G and 2020G, respectively. Consequently, the total revenue of DHV decreased from SAR 195.9 million in the financial year ended 31 December 2018G to SAR 194.0 and SAR152.2 million in the financial years ended 31 December 2019G and 2020G, respectively. While the ADC's Harad Feed Mill has been operating at more than its capacity since 2017G, the Group did not expand the mill or increase the size of its capacity to keep pace with the increasing internal demand for feed, and the Group did not contract with a third party to supply feed. In the event that the internal use of feed by ADC increases for its production operations and the Group does not increase the capacity of the Harad Feed Mill, the volume of feed available for DHV to sell in the market will decrease, which would lead to a decrease in the revenue and profit of DHV. This would adversely affect the Group's business, financial position, results of operations and prospects.

2.1.22 Risks Related to the Group's Reliance on Harad Feed Mill

When it comes to feed production, the Group relies on a sole mill, ADC's Harad Feed Mill, which operates at 109.8% above its capacity as of 31 December 2020G, in order to keep up with the increase in ADC's poultry production operations and the associated higher internal consumption of feed. However, the Group did not expand this feed mill and did not increase its capacity to cope with the same. Moreover, it does not have a third-party feed supplier. In case the Group's reliance on Harad Feed Mill increases without expanding the mill, raising its capacity, or establishing a new mill, the volume of feed produced by the Group will not keep pace with the Group's growing volume of poultry production operations. Hence, the Group would be forced to procure feed from third parties at a higher cost than the internally produced feed, resulting in an increase in the Group's cost of sales, which would have a material adverse impact on the Company's business, financial position, results of operations and prospects.

2.1.23 Risks Related to Operations Outside the Kingdom

From its commercial operations carried out outside the Kingdom (in the UAE, Oman and Kuwait), the Company generated revenues of around SAR 186.2 million, SAR 196.6 million, and SAR 190.9 million in the financial years ended 31 December 2020G, 2019G, and 2018G, respectively, accounting for 15.4%, 17.2%, and 17.4% of the Company's total revenue, respectively. As a result, the Company is subject to risks related to doing business outside the Kingdom, such as:

- potentially adverse tax consequences, including taxes resulting from changes in taxation policies or consequences from erroneous enforcement thereof;
- compliance with the different and changing laws, regulations and court systems of jurisdictions where the Company operate and compliance with a wide variety of foreign laws, treaties and regulations, as well as unforeseen changes in regulatory requirements;
- rapid changes in governmental, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar outbreaks or events;
- client preferences that may differ from the consumers within the Kingdom;
- intense price competition with products from other countries (for example, competition with Brazilian and American poultry products in the United Arab Emirates);
- lack of clarity as to whether certain contractual rights and provisions are lawful and enforceable; and

- restrictions on repatriation of profits from foreign operations to the Company.

The Company's failure to effectively manage the market and operational risks associated with the Company's operations would impede the future growth of the Company's business, increase operating costs or expose the Company to incur losses as a result thereof, which would have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.24 Risks Related to Adverse Changes in Exchange Rate

The Group's results of operations may be affected by volatility in currency exchange rates and the Group's ability to effectively manage its currency risks. As the Group continues to expand its feed ingredients and equipment purchases to cope with the increased volume of its processed poultry products, the Group's exposure to currency risks may increase. The Group's purchases and payments in currencies other than the Saudi Arabian Riyal, the UAE Dirhams, Bahraini Dinar and the US Dollar were SAR 30.9 million, SAR 30.9 million and SAR 35.4 million for the financial years ended 31 December 2018G, 2019G and 2020G, respectively, representing 4.4%, 3.3% and 3.3% of the Company's total purchases for these periods, respectively. These currencies are the euro, Kuwaiti dinar and GBP. As the Group has not concluded any hedge agreements to reduce its currency risk exposure, changes in foreign exchange rates will affect the exchange rate of currencies in which the Group does business against the Saudi Arabian Riyal, which could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.25 Risks Related to Collection of Debts from the Company's Customers

The total debts payable to the Company, not including amounts due from the Related Parties, amounted to SAR 161.9 million, SAR 165.1 million and SAR 174.0 million, in the financial years ended 31 December 2018G, 2019G and 2020G, respectively, while the provisions for doubtful debts made against the total debts payable amounted to SAR 11.7 million, SAR 7.8 million and SAR 11.8 million in the financial years ended 31 December 2018G, 2019G and 2020G. As of 31 December 2020G, the Company's receivables past their due date, which is 90 days, amounted to 14.7% (around SAR 25.5 million) of the Company's receivables (except for debts due to the Group from the Related Parties as outlined in Section 2.1.15 (**Risks Related to Related Party Transactions and Agreements**)), compared to 10.6% and 11.3% (around SAR 18.4 million and SAR 25.5 million) for the financial years ended 31 December 2018G and 2019G, respectively. Should the Company's debtors encounter challenges in the results of their operations and financial positions, this will lead to such debtors failing to repay their debts due to the Company and may lead to insolvency and bankruptcy of these debtors. Any failure to make payments when due or the bankruptcy or insolvency of the Company's customers, especially the major customers, could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

In addition, in certain circumstances and times, the Company may have to accept alternative payment terms, including delayed payment terms, from distributors or customers, which payment terms, if not satisfied, could cause financial losses. Certain customers require the Company to ship its products before the contract price is fully paid. Moreover, there also are circumstances in which the Company may accept further delayed payment terms pursuant to which it may continue to deliver products to its defaulting customers. To the extent that these circumstances result in significant receivables, which are not paid on a timely basis or at all, especially those due from its major customers, the Company could suffer financial losses. The Company's failure to collect receivables from its customers could have a material adverse effect on the Group's business, financial position, results of operations or prospect.

2.1.26 Risks Related to Government Subsidies

The Government of the Kingdom has provided subsidies under the Royal Order No. (A/136) dated 19/08/1432H (corresponding to 20 July 2011G), reducing the cost of meat, poultry, dairy and other products to citizens through subsidizing green feed and their ingredients at different rates and amounts depending on the type of feed element in accordance with Resolution No. 291035/1/1441 issued by the Minister of Environment, Water and Agriculture on 24/04/1441H (corresponding to 21/12/2019G). Subsidies provided by the Ministry of Finance to import subsidised feed ingredients were SAR 66.9 million, SAR 60.8 million, and SAR 52.7 million for the financial years ended 31 December 2020G, 2019G, and 2018G, respectively. This subsidy is usually collected within one month after proof of payment is submitted. The Company relies on such subsidies in its operations. These subsidies accounted for 7.4%, 7.0%, and 6.2% of the Company's total cost of revenue for the financial years ended 31 December 2020G, 2019G, and 2018G, respectively. Therefore, removal, suspension, reduction or delay of these subsidies would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.27 Risks Imposed by Financing

To fund its operations, the Group relies on financing facilities from commercial banks. The Group's total indebtedness was SAR 282.0 million, SAR 318.3 million and SAR 313.4 million, representing 34%, 29.6% and 26.2% of its total assets as of 31 December 2018G, 2019G and 2020G, respectively. The debt-to-equity ratio was 1.6%, 1.1% and 0.9%, as of 31 December 2018G, 2019G and 2020G, respectively. Despite the change in the Company's ownership and its Offering, no approval from creditors is required pursuant to the financing agreements concluded with them. However, the terms of the Group's financing agreements may restrict its ability to effect certain transactions, such as obtaining additional facilities and loans or distributing dividends beyond certain levels. For example, the financing agreement concluded between the Company and Banque Saudi Fransi includes restrictions under which the Company may not make dividend distributions over 20% of the Company's net profits unless it obtains the approval of Banque Saudi Fransi. Moreover, under the financing agreement concluded with Alawwal Bank, ADC may not distribute profits and withdraw from the net annual income unless it obtains prior approval from Saudi British Bank. A breach of any of these undertakings may result in an event of default requiring expedited payment of amounts related to the relevant financing agreement, which may expedite payment of any other debt under other financing agreements. In the event of any default under the Group's financing agreements, the relevant lenders could elect to terminate borrowing commitments and declare all loans outstanding, together with accrued and unpaid commissions and any fees and other obligations, to be due and payable. In the event the relevant lenders accelerate the repayment of loans due to them, the Group may not have sufficient assets to repay such loans, which could force the Group into bankruptcy or liquidation. In addition, the lenders may exercise their rights to execute the collateral provided in relation to the Group's financial facilities (for further details on collateral, undertakings and material terms of the Group's financing agreements, see Section 12.6 (**Financing Agreements**)). The Group's reliance on financing facilities to finance its business constitutes a risk in itself due to the possibility of agreement termination for violations of any of its conditions or expiration of its term, without the same being renewed. The occurrence of any of the above events will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

For its business expansion, the Company also relies on several factors, particularly its ability to secure funding sources through internal and external cash resources. In the event that these loans are not available or not continued or granted on the same terms by banks, or if the Company incurs a higher cost of financing or is unable to secure adequate alternative sources of financing in a timely manner and on favourable terms, the Company may not be able to expand its business. This would have a material adverse effect on the Company's future strategy, business, results of operations, financial position and prospects.

In addition, there may be other significant negative consequences related to the indebtedness, as well as a number of financial obligations, both current and future, in addition to some contractual obligations, including:

- allocation by the Group of a significant portion of the liquidity it receives from operations to repay its debts and consequently reduction of the funds available for working capital, capital expenditures, acquisitions, sales, marketing, R&D, etc. (the Group has obligations under letters of credit amounting to SAR 40.7 million as of 31 December 2020G regarding purchase of grains. For further details, see Section 6 (**Management's Discussion and Analysis of Financial Position and Results of Operations**);
- increasing the Group's vulnerability to adverse economic and industry conditions, which could place it at a competitive disadvantage compared to its competitors that have relatively lower indebtedness;
- increasing the Group's cost of borrowing and causing it to incur substantial fees from time to time in connection with debt restructuring or refinancing as the Group's external financing arrangements are greatly affected by interest rates, which are deemed highly sensitive to factors beyond the control of the Group, including Government, monetary and tax policies, as well as domestic and international economic and political circumstances;
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and the poultry industry; and
- limiting the Group's ability to sustain its operations or achieve its planned rate of growth, including limiting its ability to make investments into new plants or renovation of existing plants to support the growth of its business.

Any of the aforementioned factors could have a fundamental negative impact on the Group's business, financial position, results of operations and prospects.

2.1.28 Liquidity Risk and Failure to Meet Capital Requirements

The Group needs to make permanent investments to support the growth of its business. The Group may need additional funds to meet the challenges it may face in relation to its business, implement a growth strategy, increase its market share in its current markets, expand into other markets, or expand its product base. Liquidity generated by the Group's current operations and financial resources may not be sufficient to fund this growth strategy. Accordingly, the Group may seek to increase its share capital, or it may incur additional debt.

For various reasons, including failure of the Group to comply with its obligations under current or future financing arrangements, the Group may not be able to obtain additional financing or refinance its current loans when needed, or it may not be able to do so on favourable terms.

The increased indebtedness of the Group may expose it to additional risks such as an increase in interest rates, which in turn would lead to an increase in the Group's expenses and a decrease in its net profits. Consequently, the Group would be more vulnerable to risks related to negative market fluctuations and the general economic condition. The high level of indebtedness may limit the Group's ability to make strategic acquisitions, or may force it to engage in non-strategic operations to sell or dispose of assets. In addition, this could limit its ability to obtain additional financing. Furthermore, the Group's debt conditions usually involve covenants that place restrictions on its business.

If the Group fails to obtain sufficient financing when needed, or on favourable terms, or if the Group becomes unable to pay its debts when due, this will negatively affect the Group's ability to conduct its business or achieve the planned growth rate, which would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.29 Risks Related to Personal and Corporate Guarantees Provided by Shareholders

Jamal Abdullah Al-Dabbagh (an indirect Shareholder and Vice Chairman of the Company's Board of Directors) provided personal guarantees to ensure the obligations of the Agricultural Development Company (ADC) and Supreme Foods Processing Company (SFPC) under the financing agreements with Saudi British Bank, with a value of SAR 146.0 million, representing 26.0% of the volume of the existing facilities of the Group as of 10 April 2021G, as well as ADC's commitments under the financing agreement concluded with Riyad Bank with a value of SAR 65.0 million, which represented 11.6% of the volume of the Group's existing facilities as of 10 April 2021G. ADC and SFPC have obtained written consent from Saudi British Bank to waive such personal guarantees. ADC has also obtained written consent from Riyad Bank to waive the personal guarantees provided once the Offering is successful and complete. In the event that any of the Company's Shareholders does not agree to provide such personal guarantees in the future, these banks may request additional guarantees, which the Group may not be able to provide without additional cost of financing or at all. Moreover, banks may refuse to provide financing on appropriate terms or at all, which would have a material adverse effect on the Group's business, financial position, results of operations and prospects (for further details on these guarantees, see Section 12.6 (**Financing Agreements**)).

Moreover, ADGHC provided corporate guarantees to secure the Company's obligations under the financing agreement of SAR 100.0 million with the Banque Saudi Fransi, which represented 17.8% of the Group's existing facilities as of 10 April 2021G, and to secure the obligations of ADC and SFPC under the financing agreements of SAR 146.0 million with Saudi British Bank, which represented 26.0% of the Group's existing facilities as of 10 April 2021G, and to secure the ADC's obligations under the agreement of SAR 65.0 million with Riyad Bank, which represented 11.6% of the Group's existing facilities as of 10 April 2021G. There is no guarantee that Al-Dabbagh Holding Group will continue to provide corporate guarantees for the benefit of the Company and its subsidiaries in the future. Accordingly, the Company and ADC may not be able to provide alternative corporate guarantees without a further increase in the finance cost or at all. Banque Saudi Fransi, Saudi British Bank or Riyad Bank may refuse to provide financing on favourable terms or at all, which would have a material adverse effect on the Group's business, financial position, results of operations and prospects (for further details about these guarantees, see Section 12.6 (**Financing Agreements**)).

2.1.30 Risks Related to Adverse Changes in Interest Rate

In its expansion strategy, the Company relies on financing facilities from external financiers, such as commercial banks, governmental lenders and other financiers. Therefore, the Company's external financing arrangements are greatly affected by interest rates, which are highly sensitive to a number of factors, including governmental, monetary and tax policies, as well as domestic and international economic and political circumstances. Higher interest rates and related finance charges may lead to reducing the Company's cash flow. Accordingly, adverse fluctuations in interest rates would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.31 Risks Related to Reliance on Executive Management and Key Personnel

The Company's success depends upon the performance of its Executive Management and other key personnel who have valuable experience in the poultry industry and who have made substantial contributions to the development of its operations. There is intense competition between companies for senior management and key employees. As a result, the Company may not be able to retain its employees or recruit new qualified staff.

The Company may need to invest significant financial and human resources to attract and retain new employees and it may not realise returns on these investments. The loss of services of a Company's senior management member or key employee could prevent or delay the implementation and completion of its strategic objectives and divert the management's attention to seek qualified replacements. This could adversely affect the Company's ability to manage its business effectively. Moreover, a member of the senior management, as well as key employees, may resign at any time. If the Company loses the ability to hire and retain key executives and employees with high levels of skills in the relevant domains, it would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.32 Risks Related to Employee Misconduct and Errors

Employee misconduct or errors could lead to the Company being in violation of applicable laws and regulations, which would result in regulatory sanctions being imposed on the Company by the competent authority. Such sanctions would vary according to the misconduct or error and would cost the Company financial liability and serious damage to its reputation. Such misconduct or errors may be non-compliance with applicable laws or internal controls and procedures, including failure to duly document transactions in accordance with the Company's standardised documentation and processes (or failure to seek appropriate legal advice in relation to nonstandard documentation, as required by the Company's internal policies) or to obtain proper internal permission or authorisation. If employees commit any of these misconduct or errors, they would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.33 Risks Related to Sponsoring Non-Saudi Employees

As per the applicable laws and regulations of the Kingdom, a non-Saudi employee may work for only his/her sponsor. As of the date of this Prospectus, 245 employees of the Group (accounting for 13.8% of the total number of the Group's employees) are working for the Subsidiaries of the Group other than their respective sponsors. Such Subsidiaries have not completed the formalities required to transfer these employees' sponsorship to the Group's subsidiaries for which they actually work. Therefore, the Group may be subject to fines and penalties imposed by the competent authorities, including financial or administrative penalties, such as preventing the Company from recruiting non-Saudi employees or from renewing the residencies of current employees. This may also lead to the Group losing a large number of its employees where the competent authorities decide to deport the violating employees, which would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

HRSD has officially announced the launch of the "Improving Contractual Relationships" initiative, which encompasses a number of policies and controls, including the replacement of the kafala (sponsorship) system with an employment contract system between the employer and expat worker, effective as of 14 March 2021G. Under this initiative, the Kingdom strives to improve and promote the efficiency of the work environment, enhance the flexibility, effectiveness and competitiveness of the labour market and raise its attractiveness in line with international best practices, and activate contractual reference in the employment relationship between employers and employees based on a documented employment contract between them through the contract documentation program. The job mobility service also allows the expat worker to switch to another job upon the expiry of his/her employment contract without the employer's consent. Furthermore, the initiative also defines the mechanisms of mobility during the term of the contract, provided that the notice period and applicable controls are adhered to. The exit and return service allows the expat worker to travel outside the Kingdom upon submitting an application, while notifying the employer electronically. The final exit service enables the expat worker to leave immediately upon the expiry of the contract, while notifying the employer electronically, without the employer's consent. There is also the option to leave the Kingdom where the worker bears all the consequences of the termination of the contract. All these services will be available through Absher and HRSD's Qiwa platform. As a result, the Company may be adversely affected in the event that a large number of employees decide to switch to other companies, and then the Company will not be able to prevent them except to the extent permitted under their employment contracts. Hence, the Company may face difficulties in contracting with new employees to replace them. Should the Group lose a large number of its employees due to such employees switching to other companies and be unable to hire new employees to replace them, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.34 Risks Related to Licenses and Approvals

In order to carry out and expand its business, the Group needs to maintain or obtain a variety of licenses, certificates, permits and approvals from regulatory, legal, administrative, tax, Zakat and other authorities and agencies, in the Kingdom, the UAE and Bahrain, in particular a municipality license for the conduct of commercial activities and a civil defence license for each of facilities in the Kingdom, as well as licenses to practice agricultural and food activities for its relevant facilities such as farms, slaughterhouses and warehouses. The processes for obtaining these licenses, certificates, permits and approvals are often lengthy and most of the licenses, certificates, permits and approvals are subject to conditions under which the licenses, certificates, permits and approvals can be suspended or terminated if the licensee fails to comply with certain requirements. As of 10 April 2021G, the Group had 22 expired licenses out of 152 licenses required to operate its facilities in the Kingdom, the United Arab Emirates and Bahrain, including 10 licenses from the MEWA, five licenses from the General Directorate of Civil Defence, three licenses from the Food and Drug Authority, two licenses from the General Authority of Meteorology and Environmental Protection, one license from MOMRA, and one license from the Saudi Authority for Industrial Cities and Technology Zones (for more information on Government licenses, certificates, permits and approvals, see Section 12.4 (**Government Consents, Licenses, and Certificates**)). The Group may be subject to penalties and fines if it continues to operate without renewing the above licenses. Furthermore, when renewing or modifying the scope of a license, certificate or permit, the relevant authority may not renew or modify the license, certificate or permit and may impose conditions that will adversely affect the Group's performance, if it does renew or modify the license, certificate or permit. If the Group is unable to maintain, obtain or renew the relevant licenses, permits and approvals, its ability to achieve its strategic objectives would be impaired, it may be forced to close down its facilities for which operating licenses are missing and/or pay financial penalties, which would have a material adverse effect on the Company's business, financial position, results of operations or prospects.

2.1.35 Risks Related to Reliance on Information Technology Infrastructure

The Company depends on IT systems to operate equipment in the Company's feed mills, hatcheries and plants. To manage its business effectively, the Company depends on the efficiency of these systems. Therefore, any potential failure to properly manage these systems would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company's IT systems may be corrupted by computer viruses, natural disasters, hacker attacks, hardware or software malfunctions, voltage fluctuation, cyber-terrorism, and other similar disorders. In addition, a breach of the Company's cyber security measures could result in the loss, destruction or theft of confidential or proprietary information, which could lead to the Company incurring material losses or liability to customers, suppliers or parties dealing with the Company. Similar risks exist with respect to third parties who may possess the Company's confidential information, such as its IT support providers, third party benefit and other administrators, as well as the Company's professional advisors, banks and financial institutions that the Company deals with. In the event that the Company is exposed to any of the risks stated above, this will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

Cyber-attacks and other cyber incidents are occurring more frequently at present and constantly evolving in nature and sophistication. In the event of the Company's failure to maintain appropriate cyber security measures and keep abreast of new and evolving threats, its systems may be vulnerable. The vulnerability of the Company's systems and its failure to identify or respond timely to cyber incidents could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.36 Risks Related to Failure to Secure Adequate Insurance Coverage

The Company has no insurance against some potential risks that may face its biological assets (for example poultry diseases, one of the Company's primary business risks). As a result, any material loss or damage to the Company's flocks, due to spread of poultry diseases would have a material adverse effect on the Company's business, financial position, results of operations or prospects. The Company maintains various insurance policies to cover its operations, including transportation of its products and fire hazards relating to its farms. However, the insurance coverage may not be sufficient in all cases, or the insurance may not cover all risks to which the Company may be exposed. The Company may be exposed to uninsured losses or the cost of which may exceed its insurance coverage. In addition, the Company's insurance policies include exceptions or limits for coverage, under which certain types of loss, damage and liability are excluded from insurance coverage. In these cases, the Company would incur losses that could have an adverse impact on its business and results of operations. As of 10 April 2021G, the Group had four expired insurance policies out of 42 insurance policies secured by the Group. In addition, the Company's inability to renew insurance policies with the current coverage on commercially reasonable terms or at all, or lack or the unavailability of adequate insurance for the various areas of its business would have a material adverse effect on the Company's business, financial position, results of operations and prospects (for further details on insurance policies, see Section 12.7 (**Insurance Policies**)).

2.1.37 Risks Related to Litigation

The Company may be involved as claimant or defendant in lawsuits and regulatory proceedings related to its business operations with multiple parties, including suppliers, customers, employees, regulatory authorities, or independent farm owners. The Group may also be the claimant in such lawsuits or litigations. Any unfavourable outcome in such lawsuits and regulatory proceedings would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

In addition, regardless of their outcomes, any lawsuits or regulatory proceedings could result in substantial costs and may require that the Company allocate substantial resources to defend against these lawsuits and regulatory proceedings, which would have a material adverse effect on the Group's business, financial position, and results of operations and prospects.

On the other hand, as of the date of this Prospectus, there are three cases filed by the Group against third parties, and the total amounts claimed by the Group in those cases amount to SAR 8,600,122. There is also a judicial case filed against the Group (by a private party), and the total amount claimed against the Group amounts to SAR 24,310. In addition, the Group has initiated 25 claims before the Enforcement Court against several defendants with respect to executing rulings in favour of the Company and unpaid commercial papers. The estimated amount of the commercial papers that the Group seek to collect is SAR 14,409,848. The claims are still pending and under process (for further details on the Group's litigation, see Section 12.12 (**Litigation**)).

2.1.38 Risks Related to Protection of Intellectual Property Rights

As of the date of this Prospectus, the "TANMIAH" trademark and all other trademarks owned by the Group have been registered (for further details, see Section 12.11.1 (**Trademarks**)). However, it is difficult to control unauthorised use and other violations of the Company's intellectual property rights. If the Company fails to successfully protect its intellectual property rights for any reason, or if any third party misuses the Company's intellectual property or damages its reputation, the value of the Company's trademark may be harmed. Any damage to the Company's reputation could result in lower demand for its products, which could have an adverse effect on its business, results of operations, financial position and prospects.

As of 10 April 2021G, the Company also had 26 trademarks, eight of which have expired, among which one is a trademark registered in the Kingdom, one is registered in the UAE, one registered in the Republic of Yemen, one in the Sultanate of Oman, one registered in the State of Kuwait, one is registered in the Arab Republic of Egypt, one is registered in the Kingdom of Bahrain, and one is registered in the Hashemite Kingdom of Jordan.

In addition to the expired trademarks, the Company may from time to time be required to renew the registration of the trademarks or initiate litigation to protect its rights to trademarks and other intellectual property. Third parties may also assert that the Company has infringed or otherwise violated their intellectual property rights, which could lead to litigation against the Company. Litigation to confirm the Company's rights with respect to its intellectual properties is uncertain and could result in substantial costs and allocation of financial resources to cover the expenses of litigation, which would negatively affect the Company's income and profitability regardless of whether the Company is able to successfully enforce or defend its intellectual property rights. The occurrence of any of the above would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.39 Risks Related to Potential Zakat Liability

The Company submitted all its Zakat returns, settled Zakat charges payable, and obtained certificates from ZATCA for all years up to 31 December 2020G. The Company also received Zakat assessments for all years until 2010G and paid all Zakat liabilities up to that period. During 2011G-2013G, the Company submitted a consolidated return for itself and its Subsidiaries (namely ADC, DHV, and SFPC) due to being 100% owned by the Company. The returns of Subsidiaries were previously filed independently until 31 December 2010G. No final Zakat assessments for the Subsidiaries for all years up to 2010G (except for 2009G and 2010G for SFPC, whose final Zakat assessments were received and all of whose Zakat requirements have been met in this regard) have been received. In 2014G, the Company transferred part of its shares in its Subsidiaries to ADGHC, and since then these Subsidiaries have no longer been 100% owned by the Company. Moreover, ADC, DHV and SFPC have separately submitted their Zakat returns for the financial years 2014G to 2018G, paid Zakat due on the specified dates, and obtained ZATCA certificates for all financial years 2014G to 2018G. As of 2019G, the Company obtained the approval of ZATCA to submit a consolidated tax return for the Company and its Subsidiaries after they were fully held by the Company which has already submitted a consolidated tax return for the Company and its Subsidiaries for the financial year ended 31 December 2019G. Accordingly, the final amount of potential Zakat liabilities of the Company for 2011G to 2019G as well as the final amount of potential Zakat liabilities of ADC, DHV and SFPC for the financial years from 2003G to 2010G and the financial years from 2014G to 2018G remain uncertain (with the exception of the years 2009G and 2010G for SFPC). It should be noted that the Company made Zakat provisions of SAR 9.9 million in its financial statements for the financial year ended 31 December 2020G (see Section 11 (**Declarations**)).

Moreover, ZATCA provided the final assessment of Zakat liabilities of DHV for the financial years 2017G and 2018G with an amount of SAR 0.61 million, and of SFPC for 2015G-2018G with an amount of SAR 4.1 million. Both companies objected to these amounts with ZATCA, and as of the date of this Prospectus, this matter has not been decided upon.

ZATCA has not submitted the final assessments of Zakat or any additional requests or amendments regarding the assessment of Zakat liabilities of the Company for the financial years 2011G to 2020G, as well as Zakat assessments for ADC, DHV and SFPC for the financial years from 2003G to 2010G and financial years from 2014G to 2018G (with the exception of SFPC, which submitted Zakat assessments for the years 2009G and 2010G and the final assessment of Zakat liabilities for the years 2015G to 2018G, as well as DHV, which submitted the final assessment of Zakat liabilities for the years 2017G and 2018G). It is worth noting that the Selling Shareholders made an undertaking 01/02/1442H (corresponding to 18 September 2020G) to bear any future additional amounts of Zakat imposed by ZATCA on the Company and its Subsidiaries in relation to previous years and up to the date of listing. Should ZATCA impose Zakat assessments on the Company and require it to pay additional Zakat amounts which the Company has not received the final assessment therefor and the selling shareholders refrain from paying the additional Zakat amounts according to their undertaking in this regard, this would have a material adverse effect on the Company's business and financial position.

2.1.40 Risks Related to Newly Implemented Corporate Governance Rules

Upon the Company's conversion to a joint stock company on 26/06/1440H (corresponding to 3 March 2019G), the Board of Directors has adopted a Corporate Governance Manual, effective from 05/09/1440H (corresponding to 10 May 2019G). Such regulations include, among others, rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by CMA. The Company's success in proper implementation of corporate governance will depend on comprehension and understanding of these rules and the proper execution thereof by the Board of Directors, its committees and senior executives, especially with regard to training of the Board and its committees on corporate governance rules and procedures, independence requirements, rules related to conflict of interests and Related Party transactions. Failure to comply with the governance rules, particularly the mandatory provisions of the Corporate Governance Regulations issued by CMA, would subject the Company to regulatory penalties, which would have a material adverse effect on the Company's operations, financial position, results of operations and prospects.

2.1.41 Risks Related to Adjustments to the Value of Inventories

The value of the Company's inventories is subject to adjustments. Inventories include processed fresh chicken meat, processed meats, feed, grains, medications, and packaging and other supplies and are recognised at the Company's statement of financial position at the lower of cost or net realisable value. The Company's inventory turnover was 5.5 times, 5.7 times and 6.0 times during the financial years ended 31 December 2018G, 2019G and 2020G, respectively.

The Company's cost of sales for inventory is calculated during a period by adding the value of the Company's inventory at the beginning of the period to the cost of maintaining, processing and distributing products produced during the period and subtracting the value of the Company's inventory at the end of the period. If the market prices of the Company's inventory are below the accumulated cost of such inventory at the end of a period, the Company would have to record the adjustments in order to write down the carrying value of the inventory from cost to market value. This would directly increase the Company's cost of sales by the amount of the write-downs. Accordingly, the risk increases when the market value for finished poultry products declines. If such adjustments that the Company makes to its inventory in the future are material, they will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.42 Risks Related to Estimated Fair Value of Biological Assets

The Group's biological assets consist of live poultry inventories (inventory of breeders and broilers) and hatching eggs. The carrying value of these biological assets was SAR 82.2 million as of 31 December 2020G. Under IFRS 41 "Agriculture", biological assets shall be measured at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest. Given that there is no active market for live broilers and breeders in the Kingdom and no observable market data available, the assessment of Level 1 and Level 2 of IFRS 41 "Agriculture" is not possible (that is, discounted cash flow methods to assess the fair value of biological assets based on revenue from selling poultry meat, less costs and profit margins, in order to determine the net indirect cash flows from live chicken production).

As a result, the Company used instead a "Level 3" technique under IFRS 41 "Agriculture" to determine the fair value of some of these biological assets (namely, broilers and hatching eggs). Such technique relates to inputs of assets or liabilities not based on observable market data (the average weight of live birds, mortality rates and estimated selling prices). If the fair value of these biological assets is determined based on prices of a similar assets in an available active market that can be obtained at the date of measurement, the difference between the fair value and cost may be material if the sale price decreases, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.43 Risks Related to the Use of Accounting Assumptions to Estimated Post-Employment Benefits

As of 31 December 2020G, the Company had financial liabilities of SAR 82.5 million relating to retirement benefits. The post-employment benefits obligation is calculated on the basis of the employee's service period in accordance with the provisions of the Saudi Labour Law. According to international standards, the calculation of the liability amount involves making reliable estimates of the cost to be incurred by the Company for the post-employment benefits that the employee is expected to earn for his or her expected service period, using actuarial assumptions. The actuarial valuation includes several assumptions including determination of the discount rate, future salary increases, employee turnover and death rates. Given the complexity and long-term nature of the valuation, the post-employment benefits obligation is highly sensitive to changes in these assumptions. Consequently, all assumptions are reviewed at least on an annual basis. Any adjustments that the Company may make in the future to the actuarial assumptions may cause a material change in the calculation of the post-employment benefits obligation, which would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.1.44 Risks Related to Failure by the Audit Committee and the Nomination and Remuneration Committee to Perform their Duties as Required

In 2019G, the Audit Committee and the Nomination and Remuneration Committee were formed and their charters were adopted in accordance with the Corporate Governance Manual of the Company (for further details, see Section 5.3 (**Board of Directors Committees**)). Any failure by members of these committees to perform their duties and adopt a work approach that ensures protection of the interest of the Company and its Shareholders, may affect the Company's compliance with the corporate governance rules and continuous disclosure requirements issued by CMA, and the Board of Directors' ability to monitor the Company's business through these committees, which would have a material adverse effect on Company's business, financial position, results of operations and prospects.

2.1.45 Risks Related to Lack of Experience in Managing a Listed Joint Stock Company

Since its incorporation, the Company has been operated as a limited liability company and, since 26/06/1440H (corresponding to 3 March 2019G), as a closed joint stock company. Accordingly, the Senior Executives have limited or no experience in managing a public listed joint stock company and complying with the laws and regulations pertaining to such companies. Once listed on the Exchange, the Company will have to issue its annual financial statements within a period of no more than three months from the end of the financial year and its quarterly statements within 30 days from the end of the quarter, in order not to be in violation of the laws and regulations applicable to companies listed on the Exchange. It should be noted that the Company's audited financial statements for the two years ended 31 December 2019G and 2018G were issued more than 90 days after the end of the Company's financial year. Moreover, in 2018G the Company issued a total amount of SAR 327.0 million in corporate guarantees in favour of ADGHC against the latter's obligations related to its loan agreements, and the Company did not disclose such guarantees in its financial statements for the financial year ended 31 December 2018G. The Company included a note to its financial statements for 2019G (Note 32.1) in relation to the amendment of the financial statements for 2018G to disclose such guarantees (for further details, see Sub-section 6.6.1.2 (d) (**Commitments**) of Section (**Management's Discussion and Analysis of Financial Position and Results of Operations**) and Section 6.6.1.2 (e) (**Cash Pledge against Loan to ADGHC**). Therefore, if the Company did not issue its annual financial statements within 90 days from the end of the Company's financial year, or if it failed to disclose and include the material financial information in its financial statements, this would have a material adverse impact on Company's business, financial position, results of operations and prospects. Failure to comply in a timely manner with the applicable laws, regulations and disclosure requirements will subject the Company to regulatory penalties and fines, which could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2 Risks Related to the Market, Industry, and Regulatory Environment

2.2.1 Risks Related to Consumer Spending Due to Deteriorating or Weak Economic Conditions

Poultry and further processed meat sales may be negatively affected by any deterioration in general economic conditions, decreases in wages, reduction in availability of consumer credit, increases in interest and tax rates, including VAT, or political events that diminish consumer spending in any of the geographical areas in which the Company operates, especially in the fresh chicken segment. In addition, certain competitors may react to such conditions by reducing poultry prices and promoting such reductions, putting further pressure on the Company, which could result in a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.2 Risks Related to Political Instability and Security Concerns in the Middle East Region

The Company's assets, operations, and customer base are situated in the Kingdom, the UAE and Bahrain. The wider Middle East region is subject to a number of geopolitical and security risks that may impact the GCC Countries, including the Kingdom, the UAE and Bahrain.

Moreover, as the political, economic and social environments in the Middle East region remain subject to continuing developments, investments in the Middle East region are characterised by uncertainty. Any unexpected changes in the political, social, economic or other conditions in the Middle East region may have a material adverse effect on the markets in which the Company operates, its ability to retain and attract customers in such regions, and investments that the Company has made or may make in the future, which in turn would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.3 Risks Related to Extreme Weather Conditions

Extreme weather in the GCC Countries, particularly the Kingdom, where the Company operates, such as excessive cold or heat, floods, storms, or other natural disasters could impair the health or growth of the Company's flocks or interfere with the Company's hatching, production or distribution operations. Moreover, climate change could increase the severity of adverse weather events. Regardless of its cause, extreme weather could affect the Company's business due to:

- damage to the Company's infrastructure or facilities;
- increased mortality of the Company's flock;
- power outages and water shortages;
- disruption of distribution channels;
- feed ingredients being affected by such climate and natural conditions and therefore being unavailable; or
- damage to the Company's operations due to the impact of these weather conditions.

Any of these factors could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.4 Risks Related to High Level of Competition in the Poultry Industry

The Company competes in the Kingdom, the UAE and Bahrain with other poultry processing enterprises. The competitive factors include price, product quality, brand recognition, innovation, expansion of production lines and customer service. Competitive factors vary by major customers' markets. In the food service market, competition is based on consistent quality, product development, customer service and price. In the retail grocery market, the competition is based on product quality, brand recognition, price and supply chain. The Company may not be able to successfully maintain or increase its market position or its overall share in the poultry market. Moreover, intense competition may result in price reductions, increased sales incentives and offerings, lower gross margins, higher sales expenses, marketing programs and expenditures to expand channels to market. The Company's competitors, including new entrants, may offer products with better market acceptance, price and quality. If the Company fails to address these competitive challenges, this could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.5 Risks Related to Changes in the Regulatory Environment

The poultry industry is subject to numerous laws and regulations in the Kingdom and other jurisdictions in which the Company operates with regard to production of animal food and the processing, packaging, storage, distribution, advertising, labelling, quality and safety of food products, as well as subsidies from the Ministry of Finance for import of corn and soybean meal for production of feed. New laws and regulations unknown to the Company or lack of understanding by the Company of existing laws and regulations may materially affect the Company's business and operations or increase its costs in the future. The Company may be subject to fines and penalties if it does not comply with those laws and regulations or if it does not comply with the license requirements, which may change from time to time. This would increase the Company's costs or harm the Company's reputation, which would reduce the Company's competitive position and/or demand for its products. Moreover, the Company's loss or failure to obtain necessary permits could delay or prevent it from meeting customer demand, introducing new products, or implementing its growth plan. Accordingly, this would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The Company's operations are also subject to regulations administered by the General Authority of Meteorology and Environmental Protection, which, **inter alia**, pertain to the effect of materials on the environment and the handling and disposal of waste. Failure by the Company to comply with these regulations can have serious consequences, including penalties and negative publicity. Future discovery of contamination of the Company's property or in the vicinity of its facilities could require it to incur additional expenses. The occurrence of any of these events could adversely affect the Company's operations and financial results.

The Company's operations involving imported materials and goods are also governed by laws and instructions administered by Saudi Customs and Saudi Ports Authority. Any amendment or update to the relevant laws may affect the prices of products and goods imported by the Company, such as Saudi Ports Authority' Board Resolution No. 39/C5/D1 dated 19/4/1441H, amending the fees for port services as of 1 January 2020G with an increase of up to 35% for imported materials, which would lead to higher costs incurred by the Group. Failure to comply with these laws has negative consequences, such as penalties, or affects the Company's reputation, which would have a material adverse impact on Company's business, financial position, results of operations and prospects.

Moreover, legal requirements are frequently changed and may need to be interpreted. This may lead to the Company incurring significant expenditure, modify its business practices to comply with existing or future laws and regulations, or restrict the Company's ability to conduct business. This would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.2.6 Risks Related to Zakat and Income Tax Calculation Mechanism Change

The ZATCA issued Circular No. 6768/16/1438 on 05/03/1438H (corresponding to 5 December 2016G) requiring Saudi companies listed in the Exchange to calculate income and Zakat on the basis of the nationality of shareholders and actual ownership of Saudi and GCC citizens and other nationals as described in the "Tadawulaty" at the end of the year. Prior to issuance this Circular, companies listed on the Exchange were generally subject to payment of Zakat or tax on the basis of the ownership of their founders in accordance with their articles of association. The effect of listed shares in determining the base of Zakat was not taken into account. This Circular was to be applied in the financial year ended 31 December 2016G and subsequent years. However, the ZATCA issued its Letter No. 12097/16/1438H on 19/04/1438H (corresponding to 17 January 2017G), postponing the application of the Circular for the financial year ended 31 December 2017G and the coming years. Until the ZATCA issues guidelines regarding the mechanics and the procedures for implementing the Circular, the implementation of such Circular in practice, including final requirements to be met, remains under consideration, in particular the rules subjecting all non-GCC residents who are shareholders in Saudi listed companies to income tax and applying withholding tax to dividend distributions to non-resident shareholders, regardless of their nationality. The Company has not assessed the financial impact of this Circular, nor did it take adequate steps to ensure compliance therewith. In the event that the financial impact of this Circular, upon application, is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance therewith, this will adversely affect its business, the results of operations, financial position and prospects.

2.2.7 Risks Related to Non-Compliance with Value Added Tax Regulations

The VAT Law came into force on 1 January 2018G, imposing a 5% VAT on a number of products and services. The Ministry of Finance has recently announced an additional increase in VAT to 15% as of 1 July 2020G. Given the relatively recent application of the VAT Law and the announced increase in the VAT rate, it is possible that violations or mistakes in its application would be made by the Executive Management or employees. This may increase the operating costs and expenses that will be borne by the Group, expose the Group to fines or penalties, or lead to damage to its reputation. Moreover, if the Group is unable to increase its prices to offset the increase in the VAT, the Group's margins will be negatively affected. If the VAT increase is passed on to the Company's customers, the demand for its products may decline. Any of the above risks would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.2.8 Risks Related to Certification for Products Slaughtered According to Islamic Laws (Halal Certification)

Under applicable laws in the Kingdom, only Halal-certified meat products can be sold in the Kingdom. There is a risk that the relevant authorities in the Kingdom or other areas that allow Halal-certified products only to be sold and where the Company operates may change the criteria for obtaining certification of products slaughtered using the Islamic method (Halal). In such circumstances, the Group may be prohibited from obtaining Halal certification for its meat products that it sells. Failure to comply with such applicable laws and regulations in relation to Islamically-slaughtered (Halal) product certification would result in the Group being unable to obtain such certification and sell its products inside or outside the Kingdom, which would have a material adverse effect on the Group's operations, financial position, results of operations and prospects.

2.2.9 Risks Related to Changes in Energy Prices

In addition to diesel, the largest source of energy used by the Company, the Company uses other energy sources, such as gasoline and kerosene, on a limited and immaterial basis. The Company is sensitive to increases in Diesel prices as all of its water used for farms is underground water pumped from Diesel-powered machines and equipment. On 24/03/1439H (corresponding to 12 December 2017G), the Ministry of Energy issued a statement on the Fiscal Balance Program Plan to reform prices of energy products. It resulted in an increase in prices of Gasoline 91, Gasoline 95, Diesel "for industry and facilities", Diesel "for transportation" and Kerosene as of 14/04/1439H (corresponding to 1 January 2018G). It should be noted that energy product prices are adjusted monthly in accordance with the governance procedures for price adjustment of energy and water products. Any further increases in Diesel prices could have a material adverse effect on the Company's operations, financial position, results of operations and prospects.

2.2.10 Risks Related to the Increase in Government Fees Applicable to Non-Saudi Employees

The Government has approved a number of resolutions intended to implement comprehensive reforms in the Saudi labour market, with additional fees being imposed on each non-Saudi employee working for by Saudi entities and companies as of 1 January 2018G, and on the residence permit issuance and renewal fees of non-Saudi employee families, which came into force as of 1 July 2017G. It should be noted that such fees have increased gradually from SAR 4,800 to up to SAR 9,600 annually for each employee during the year 2020G. As a result, the Government fees paid by the Company for its non-Saudi employees have increased. Fees for non-Saudi employees were SAR 4.5 million, SAR 6.7 million, and SAR 9.3 million for the financial years ended 31 December 2018G, 2019G and 2020G, respectively. As such increase in residence permit issuance and renewal fees may increase the cost of living, non-Saudi employees may seek an employment opportunity in other countries with a lower cost of living. In such case, it will be difficult for the Company to retain its non-Saudi employees and the Company may be forced to incur additional Government fees related to issuance and renewal of residence permits for non-Saudi employees and their family members. This could have a material adverse effect on the Company's operations, financial position, results of operations and prospects.

2.2.11 Risks Related to Non-Compliance with the Saudisation Requirements

Compliance with Saudisation requirements is a Saudi regulatory requirement, under which all companies in the Kingdom, including the Company, are required to employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies on the basis of the company's activities. Moreover, MHRSD approved a new amendment to the "Nitaqat" program under the name of "Nitaqat Mawzon" (Balanced Nitaqat) in July 2016G in order to improve the market performance and development and to eliminate the non-productive Saudisation. Such amendment was to come into effect on 12/03/1438H (corresponding to 11 December 2016G), MHRSD postponed the program until further notice in response to private sector demands for additional time to achieve the Saudisation rate. As of the date of this Prospectus, no new implementation date has been set. Under the "Nitaqat Mawzon" program, points would be calculated based on five factors: (i) the Saudisation rate, (ii) the average wage for Saudi workers, (iii) the percentage of female Saudisation, (iv) job sustainability for Saudi nationals; and (v) the percentage of Saudi nationals with high wages. As of now, the existing framework of the "Nitaqat" program remains in place, and entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudisation" over a 26-week period. The Company has not taken any measures to improve its Saudisation rating in anticipation of the formal implementation the "Nitaqat Mawzon" program. Therefore, the Company may be unable to promptly respond to a new implementation deadline upon declaration of the "Nitaqat Mawzon" program, which would negatively affect the Company's ability to comply with Saudisation requirements. This would have an adverse effect on the Company's financial position, result of operations and prospects. It should be noted that the Company was compliant with the Saudisation requirements as of 31 December 2020G in the "Nitaqat" program within the "high green" category.

The Company would be subject to sanctions by governmental entities, such as suspension of work visa requests and of transfers of sponsorship for non-Saudi employees, and exclusion from Government loans. As a result, the Company may not be able to continue to recruit or maintain the required percentage of Saudisation. In addition, the Company may not be able to recruit the required number of Saudi nationals under favourable conditions. In particular, the Company relies on several qualified non-Saudi employees with relevant industry experience running the operations of the Company, including the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer of the Company, as well as the Marketing Manager, General Manager of Operations, General Manager of Supply Chain, General Manager of DHV, the Head of Internal Audit and the Quality Assurance Manager. Any changes in local regulations which adversely impact expatriates may cause an out flux of these expatriate employees from the Kingdom and may result in a possible disruption in the Company's operations. Moreover, the Company is sensitive to the costs of salaries and related benefits, which amounted to SAR 228.2 in the financial year ended 31 December 2018G (representing approximately 22.9% of its operating cost for the period), SAR 274.8 million in the financial year ended 31 December 2019G (representing approximately 26.5% of operating costs for that period), and SAR 317.6 million for the financial year ended 31 December 2020G (representing approximately 29.0% of operating costs for that period). There may be a significant increase in costs of salaries in the event that the Company hired larger number of Saudi employees. The occurrence of any of the above would have a material adverse effect on the Company's business, financial position, results of operations and prospects (for further details, see Section 5.8.2 (**Saudisation**)).

2.2.12 Risks Related to Compliance with the Companies Law, the Implementing Regulations and the Corporate Governance Regulations

In its management and operations, the Company is subject to the provisions of the Companies Law. The Government has recently issued a new Companies Law replacing the previous one, which came into force on 25/07/1437H (corresponding to 2 May 2016G). On 16/01/1438H (corresponding to 17 October 2016G), the CMA Board issued the Regulatory Rules and Procedures pursuant to the Companies Law relating to Listed Joint Stock Companies. Additionally, on 16/05/1438H (corresponding to 13 February 2017G), the CMA Board issued the Corporate Governance Regulations amended on 01/06/1442H (corresponding to 14 January 2021G), the various provisions of which became effective on 22 April 2017G, except for certain specific provisions that entered into force on 31 December 2017G. The Companies Law and the Corporate Governance Regulations impose certain procedures for the new requirements to be met. In addition, the Companies Law introduced stricter penalties for non-compliance with its mandatory provisions and rules. Accordingly, the Company could also be subject to such stricter penalties in the event of non-compliance with such mandatory provisions and rules, which could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.3 Risks Related to Offer Shares

2.3.1 Risks Related to Effective Control by the Current Shareholders after the Offering

Following the Offering, ADGHC (a Selling Shareholders) will own 70% of the Company's Shares. As a result, ADGHC will have the ability to significantly influence the Company's business through its ability to control decisions and actions that require Shareholders' approval, including, without limitation, the election of directors, significant corporate transactions, dividend distributions and capital adjustments. In cases where the interests of ADGHC conflict with the interests of minority Shareholders (including the Subscribers), the minority Shareholders may be disadvantaged and ADGHC may otherwise exercise its control over the Company in a manner that will have a material adverse effect on the Company's business, financial position, results of operations and prospects.

2.3.2 Risks Related to Absence of a Prior Market for the Offer Shares

Currently, there is no public market for the Company's Shares, and there is no guarantee or confirmation that an active and liquid market for the Shares after the Offering will exist and continue. If an active and liquid market is not developed, the price of the Shares could be adversely affected. Moreover, no other company focusing primarily on the poultry industry has offered shares for public subscription in the Kingdom before the Offering. As a result, there are no comparable share trading data for companies of the same industry in the Kingdom.

2.3.3 Risks Related to Selling a Large Number of Shares on the Exchange

Sales of a substantial number of the Shares on the Exchange following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares. Upon the successful completion of the Offering, ADGHC will be subject to the Lock-up Period of six months following the Offering, during which it may not dispose of any Shares. However, the sale of a substantial number of Shares by ADGHC following the Lock-up Period, or the perception that such sales will occur, could have an adverse effect on the price of the Company's Shares on the Exchange.

2.3.4 Risks Related to Issuance of New Shares

If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares will adversely affect the share price in the market or dilute the shareholder ownership percentage in the Company, if they do not subscribe to such newly issued Shares.

2.3.5 Risks Related to Fluctuation in the Market Price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Company, the prospects for the Company's businesses, the industry in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Subscribers may not be able to sell their shares after the Offering at the Offer Price or at a higher price. The Company's share price may be highly volatile and may not be stable due to several factors, including the following:

- market volatility and fluctuations in the price of grains, feed, chicken and beef products;
- negative variations in the Company's operating performance and improved performance of its competitors;
- actual or anticipated fluctuations in its quarterly or annual operating results;
- publication of negative research reports by securities analysts about the Company or its competitors or the poultry industry;
- the public's negative reaction to the Company's press releases and other public announcements;
- resignation or retirement of key personnel;
- negative important and strategic decisions by the Company or its competitors, and negative changes in business strategy;
- changes in the regulatory environment affecting the Company or the poultry industry;
- changes in adopted accounting rules and policies;
- terrorist acts, acts of war or widespread civil unrest;
- natural and other disasters; and
- changes in general market and economic conditions.

The occurrence of any of these risks or other factors could cause the market price of the Shares to decline significantly.

The stock markets witness from time-to-time extreme price and volume fluctuations. Periodic and/or constant market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares and higher price volatility if the trading volume of the Shares is low, which will have an adverse effect on the Subscribers' investments in the Company's shares.

2.3.6 Risks Related to Distribution of Dividends and Restrictions Imposed on Distribution of Dividends by Financiers

Future distribution of dividends will depend on, inter alia, future earnings, financial position, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. Moreover, the Company may not be able to pay dividends, and the Board of Directors may not recommend, and the Shareholders may not approve, the payment of dividends. In addition, dividend distribution is subject to restrictions set out in the financing agreements entered into with the financiers. For example, the financing agreement with Banque Saudi Fransi contains restrictions, under which the Company may not distribute dividends exceeding 20% of the net profit unless it has obtained the approval of the bank (for further details, see Section 12.6 (**Financing Agreements**)). The Company may be subject to the terms of its future credit financing agreements to make dividend payments. The Company may incur expenses or liabilities that would reduce or eliminate the cash available for the dividend distribution. If the Company does not pay dividends on the Shares, Shareholders may not receive any return on investment in the Shares, unless they sell the Shares at a price higher than the price at the time of purchase. For further details regarding the dividend policy of the Company, see Section 7 (**Dividend Distribution Policy**).

3. MARKET OVERVIEW

The information in this Section is based on the report prepared by the Market Consultant (Frost & Sullivan), exclusively for the Company in February 2021G. The Market Consultant provides consulting services in multiple sectors, including food and beverage, healthcare, chemicals, automotive, energy, metals, digital transformation, and other sectors. The market Consultant was established in 1961G and is headquartered in San Antonio, United States. For further details on the Market Consultant, visit (ww2.frost.com).

The Market Consultant does not, nor do any of its subsidiaries, associates, shareholders, directors or managers, or their relatives, own any Shares or any interest of any kind in the Company or its Subsidiaries. The Market Consultant has given, and not withdrawn as of the date of this Prospectus, its written consent for the use of its name, logo, statements, market information, and data supplied by it to the Company in the manner and form set out in this Prospectus.

The Company and its Board of Directors believe that the information and data obtained or derived from other sources contained in this Prospectus, including that provided by the Market Consultant, are reliable. However, such information and data have not been independently verified by the Company or any Director, Senior Executive or other advisor, and thus none of them bears any liability for the accuracy or completeness of the said information.

The Market Consultant has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. As research has been conducted with an "overall industry" perspective, it may not necessarily reflect the performance of individual companies in the industry. Nothing in this report constitutes valuation or legal advice.

Some of the data contained in this Section dates back to 2018G and no updated data is available as of the date of this Prospectus in connection thereto. External sources have been used for some information about competitors. However, competitors were not contacted to verify or confirm the accuracy or completeness of this information. All competition data is based on the best estimates available up to 2019G.

3.1 Kingdom's Market Overview

3.1.1 Kingdom's Macroeconomic Analysis

3.1.1.1 Macroeconomic Indicators

The following table shows the Kingdom's key macroeconomic indicators from 2018G to 2020G:

Table 3.1: Kingdom's Key Macroeconomic Indicators (2018G - 2020G)

Indicator	2018G Actual	2019G Actual	2020G Estimated	CAGR (2018G - 2020G)
Real GDP (100=2010) (SAR Billion)	2,631.1	2,639.8	2,542.1	(1.7%)
Nominal GDP (SAR Billion)	2,949.5	2973.6	2,486.0	(8.2%)
Real GDP Growth (%)	2.4	0.3	(3.7)	-
Population (Million)	33.7	34.2	34.8	1.6%
GDP per Capita (SAR)	87,517.1	86,901.2	71,408.1	(9.7%)
Government Revenues (SAR Billion)	906.0	927.0	770.0	(7.8%)
Oil Revenue (SAR Billion)	611.0	594.0	412.0	(17.9%)
Non-Oil Revenue (SAR Billion)	294.0	332.0	358.0	10.3%
Government Expenditure (SAR Billion)	1,079.5	1,059.0	1,068.0	(0.4%)
Budget Deficit (SAR Billion)	(173.9)	(132.6)	(298.0)	30.9%
CPI Inflation (100=2013) (%)	2.5	(2.1)	3.4	-
Public Debt (SAR Billion)	560.0	677.9	854.0	23.5%
Public Debt to GDP (%)	19.0	22.8	34.3	-
Daily Average Crude Oil Production (Million Barrels)	10.3	9.8	9.2	(5.5%)
Average Arab Light Oil Price (USD)	197.2	264.7	243.6	11.1%
Total Exports (SAR Billion)	981.0	984.4	553.5	(24.9%)

Indicator	2018G Actual	2019G Actual	2020G Estimated	CAGR (2018G - 2020G)
Total Imports (SAR Billion)	514.0	563.2	408.2	(10.9%)
Trade Balance (SAR Billion)	467.0	421.2	145.3	(44.2%)

Source: SAMA, Annual Reports, Ministry of Finance, the General Authority for Statistics, UN Department of Economic and Social Affairs, International Monetary Fund.

1 Indicates 2020G from only January to October.

3.1.1.2 Economic Developments

Since 2017G, the Kingdom has adopted various economic and fiscal policies aiming to achieve higher sustainable economic growth, with a focus on non-oil GDP growth, as part of the Kingdom's Vision Realisation Programs (VRPs) for Vision 2030G.

Direct investment in the Kingdom achieved a growth of 2.0%, rising to SAR 885.5 billion in 2019G, compared to 2018G. In 2020G, there was also a regular increase in the number of new investment licenses for foreign companies. A total of 1,131 licenses were issued to investors in 2019G, 69% of which were for full foreign ownership and 31% were under joint venture partnerships with local investors. Construction, manufacturing, and information and communication sectors were the three main sectors that received the newest licenses. Major deals signed in 2019G included top deals in the tourism sector accounting for USD 27 billion, deals in the renewable energy sector exceeding USD 28 billion, and the first 100% foreign-owned project in the petrochemical sector worth USD 106 billion. The series of reforms implemented by the Kingdom to improve its business environment and attract more investors resulted in an increase in new deals. The Kingdom's progress is also reflective of its improved ranking in global indicators for competitiveness and ease of doing business. According to the World Bank's 2019G Doing Business Report, the Kingdom improved its ranking by 30 positions to 62nd (among 190 countries) in 2019G, after being ranked 92nd in 2018G.

Real GDP recorded a CAGR of 1.7% between 2018G and 2019G, driven by an increase in non-oil revenue from SAR 249 billion in 2018G to SAR 315 billion in 2019G at a CAGR of 10.9%. This is achieved by the Government's focus on achieving its strategic objectives of diversifying the economic base, implementation of mega projects in financial services, information technology, tourism, entertainment and sports, and promoting the role of the private sector.

Through its initiatives, the Kingdom seeks to diversify its non-oil sources of income through fixed returns and rationing of expenditures to maintain its available reserves.

To support the private sector and enhance competitiveness for domestic manufacturing, as per Ministry of Finance, the Government shall bear the cost of expat levy for a period of five years for companies operating under industrial licenses. This is expected to result in reduction in production cost and enable local companies to compete in export markets.

Foreign Direct Investment (FDI) grew by 10% in the first half of 2019G, compared to the same period of 2018G. Foreign investments in financial securities increased by 30% in 2019G to SAR 78 billion, driven by Tadawul's inclusion in MSCI. This progress was a result of the Government's efforts to improve the business environment and attract FDI. This led to improving the Kingdom's position in global indices measuring competitiveness and the ease of doing business. The Government's efforts to improve business climate and develop local content have also been recognised.

The Saudi economy recorded strong growth in 2018G after a period of negative growth in 2017G, due to the increase in oil prices, coupled with the new reform initiatives launched under the Kingdom's Vision 2030 Initiative, which resulted in, among other things, stable growth in the non-oil sector. In 2019G, growth slowed due to the weak global economy and reduced oil production, which was exacerbated by the disruption of oil supplies following the attacks targeting Saudi oil facilities. In 2020G, the Kingdom's GDP decreased due to the restrictions accompanying the precautionary measures taken by the country to curb the spread of novel coronavirus (Covid-19), combined with the Kingdom's commitment to reduce oil production in accordance with the resolutions of the 10th and 11th OPEC and non-OPEC Ministerial Meetings. The growth of the non-oil sector remained weak in 2020G due to social restrictions limiting activities in various sectors, in addition to the increase in VAT from 5% to 15% in 2020G, which affected consumer spending.

However, the negative growth in rental prices, driven mainly by the continuous departure of expatriate workers since the introduction of levies on expat employees, led to deflationary pressures in 2019G, with CPI inflation dipping by 2.1%. In 2020G, CPI inflation jumped to 3.4% due to lower demand following the outbreak of the coronavirus pandemic.

3.1.1.3 Fiscal Developments

2020G marked an unprecedented increase in Government spending as part of the Government's efforts to contain the spread of novel coronavirus (Covid-19). The Saudi Government made strenuous efforts in the medical services sector, in addition to stimulus measures, such as direct transfers and deferred collection of taxes paid by private sector companies and individuals, in order to maintain economic stability. Moreover, the Kingdom played a key role in ensuring the stability of the oil market, in cooperation with OPEC+ member states.

It is estimated that oil revenues decreased by 30.7% in 2020G, compared to 2019G, due to the plunge in global demand for oil and falling oil prices since the beginning of the crisis in 2020G. Given this economic downturn, the Government adopted many additional measures to generate revenues, such as increasing VAT from 5% to 15% in July 2020G, higher customs duties on certain products as of June 2020G, and a new 5% tax on real estate transactions as of October 2020G. However, total Government revenues decreased by 16.9% in 2020G to SAR 770 billion, compared to 2019G, while non-oil revenues increased by 7.8% during the same period. In 2021G, Government revenues are expected to increase by 10.3% to SAR 849 billion, supported by high oil prices, which will lead to improved oil revenues, and the continuation of the 15% VAT, in addition to the sustained tax on expat employees.

On the other hand, total Government expenditures are expected to increase slightly by 0.8% in 2020G to SAR 1,068 billion, compared to 2019G. In 2021G, Government expenditures are set to reach SAR 990 billion, with continued spending on social benefits and development projects under Saudi Vision 2030.

It is estimated that the budget deficit will reach SAR 298 billion in 2020G, accounting for 12% of GDP. In light of the anticipated rise in revenues and the expected decline in expenditures during 2021G, the fiscal deficit is expected to reach 4.9% of GDP, with the deficit gradually decreasing in the medium term with the support of Government's continuous efforts, which will ultimately lead to a steady spending rate.

Total public debt is expected to reach SAR 854 billion (34.3% of GDP) by 2020G, with a decrease in debt as a percentage of GDP to 32.7% in 2021G. It is worth noting that the Kingdom's financial position is strong thanks to its large reserves.

3.1.1.4 Population and Demographic Indicators

The Kingdom's population rose from 33.7 million in 2018G to an estimated 34.2 million in 2019G to approximately 34.8 million people based on 2020G estimates at a CAGR of 1.6%. The following table shows the Kingdom's population statistics from 2018G to 2020G:

Table 3.2: Kingdom's Population Statistics (2018G - 2020G)

Year	2018G Actual		2019G Actual		2020G Estimated	
	Saudi	Non-Saudi	Saudi	Non-Saudi	Saudi	Non-Saudi
Male	10.6	8.7	10.7	9.0	10.9	9.1
Female	10.2	4.0	10.4	4.1	10.6	4.2
Total	**33.4**		**34.2**		**34.8**	

Source: The General Authority for Statistics, the United Nations.

CAGR: Compound Annual Growth Rate

The Kingdom has a youthful demographic profile, as the Saudi youth age group 15-34 years of age represent 36.7% of the total Saudi population according to initial estimates from mid-2019G. There had been an influx of foreign workers in the past years, with the non-Saudis population growing by a CAGR of 2.3% between 2018G and 2020G, which is higher than the growth rate for the entire population of 1.9%.

Expat population increased by 3.1% in 2019G, compared to 2018G. Expats constituted 38.3% of the Kingdom's population as of 2019G. In July 2017G, the Government imposed a fee of SAR 100 (USD $26.60) per month on expat dependants, in addition to raising the monthly fee to SAR 300 in July 2019G. Coinciding with the introduction of the Saudisation System and the expat tax, the rates of expat workers leaving the Kingdom increased. As of April 2018G, more than 800,000 expatriates have departed the Kingdom since late 2016G.

The "Improving Contractual Relationships" Initiative launched by HRSD in November 2020G seeks to update and amend the terms of employment for expatriates in 2021G in order to achieve further transparency and enable effective movement of expatriates between private sector entities.

In 2020G, the Kingdom's population consisted of 58% male and 42% female residents. Expats comprise 38.3% of the Kingdom's population. With 67% of the Kingdom's population being under 35 years of age, the majority of economic reforms target this age group to boost jobs, investments and upgrade consumer preferences in coming years. The middle age group (35-64 years) accounts for 28.8% of the Kingdom's population. Moreover, the age group of 64 years old and older represented 4.2% of the Kingdom's population, which led to an elderly dependency ration of 4.9%.

3.1.1.5 Household Expenditure

The following table shows consumer spending from 2018G to 2020G:

Table 3.3: Consumer Spending (2018G - 2020G)

Indicator	2018G Actual	2019G Actual	2020G Estimated	CAGR (2018G - 2020G)
SADAD				
Total Volume of Bills (Billion Bills)	0.236	0.263	0.267	6.4%
Total Value (SAR Billion)	356.5	421.8	450.4	12.4%
Avg. Value (SAR)	1,510.6	1,603.8	1,603.8	5.7%
Cash Withdrawals				
Total Volume of Transactions (Billion Withdrawals)	2.1	2.1	1.7	(10.0%)
Total Value (SAR Billion)	748.3	740.6	628.9	(8.3%)
Avg. Value (SAR)	356.3	352.7	369.9	1.9%
POS Transactions				
Total Volume of Transactions (Billion Transactions)	1.03	1.62	2.85	66.3%
Total Value (SAR Billion)	232.3	287.8	357.3	24.0%
Avg. Value (SAR)	225.5	177.7	125.4	(25.4%)

Source: SAMA.

The evolving demographics of the Kingdom, with changing lifestyles among the millennials, as well as the transformation of women's role through participation in the labour market and family support, coupled with increased mobile penetration, have been the key factors driving the shift in what and how consumers spend.

According to the General Authority for Statistics, consumer spending exceeded SAR 1,157.8 billion in 2019G, compared to SAR 1,118.2 billion in 2018G, which contributed 38.9% of GDP in 2019G. Economic reforms under the favourable Government policy continue to enhance and consolidate the economy, which leads to higher disposable income and more consumer spending over time. However, the growth rate remained moderate in 2019G due to, inter alia, VAT, the tax on expat dependants, and higher prices for public services and gasoline. The suspension of cost-of-living allowance as of June 2020G led to a decline in consumer confidence, not to mention precautionary lock-down measures that hindered the growth of household spending in 2020G. The increase of VAT from 5% to 15% as of July 2020G has led to a greater inflation and curbed the populations' purchasing power.

While 2020G Q2 saw a drop in the value and number of SADAD payments, a strong recovery was observed in Q3 and Q4 of the same year. The value of SADAD transactions increased to SAR 450.4 billion in 2020G from SAR 421.8 billion in 2019G with a growth rate of 6.8%, which remained low in light of pandemic-related impacts in 2020G. There was a further bill payment of SAR 30.9 billion through other channels in 2020G and a total expenditure of SAR 481.3 billion, with 67.2% of the bills paid for communications and utilities.

Point of Sale (POS) transactions amounted to SAR 16.2 billion in April 2020G, the lowest level since February 2018G, due to pandemic-related impacts that affected consumer confidence. According to SAMA, in 2020G, SAR 357.3 billion (i.e., an increase of 24.2% per annum) were processed through POS transactions, amounting to 721 million points of sale. Mobile phone transactions saw a rapid increase, surging by 500% in 2019G-2020G. In 2020G, Riyadh had the highest number of POS transactions in the Kingdom, accounting for 29.6% of such transactions, followed by Jeddah with 13.7%.

Social distancing measures taken in the wake of Covid-19 pandemic in 2020G led to a decrease in the value of cash withdrawals and the number of transactions by 15.1% and 17.8%, respectively, compared to 2019G. Limited use of ATMs was observed in 2020G, with higher use of non-recurring online payment options.

While the total POS transactions and cash withdrawals decreased from SAR 1,028.4 billion in 2019G to SAR 986.2 billion in 2020G, the share of POS transactions in total spending increased from 28.0% to 36.2% in 2020G.

The Saudi populace has a great familiarity with technology, given that the number of mobile phone service subscriptions reached about 41.3 million, with a prevalence rate of 120.5% among the population as of 2019G. The spread of mobile phones helped take advantage of luxury services, such as food and purchase delivery, and thus there was increased spending on them.

Although the VAT and expat tax had adverse impacts on consumer confidence, the Government introduced the "Citizen Account" Program to mitigate the impacts of the aforementioned austerity measures. Since the launch of the Program until September 2020G, the total disbursed payments amounted to more than SAR 80.5 billion (USD 21.5 billion), but the cost-of-living allowance was suspended in 2020G amid increasing pressures on Government spending.

As part of the financial measures taken by the Government, the Unemployment Insurance Fund (SANED) provided wage subsidies in 2020G to private sector companies that retained their Saudi employees (0.4% of GDP). Furthermore, no additional increases were applied to the expat tax in 2020G.

3.1.1.6 Impact of Tourism and Entertainment on Consumer Spending

The following table shows the Kingdom's contribution of tourism and entertainment to GDP from 2018G to 2020G:

Table 3.4: Contribution of Tourism and Entertainment to Non-Oil GDP (2018G - 2020G)

Indicator	2018G Actual	2019G Actual	2020G Estimated	CAGR (2018G - 2020G)
Contribution of Tourism to Non-Oil GDP (%)	9.3	9.4	9.5	-

Source: The General Authority for Statistics.

Millions of tourists come from various parts of the world each year for the Hajj and Umrah pilgrimage, as well as for business purposes, with 2019G footfall reaching 15.5 million. According to STR, hotel room capacity in the Kingdom has steadily increased to meet the demand. As of 2019G, there were over 84,500 rooms and estimated 187 hotel projects in planning, final planning and in-construction stages. Moreover, the number of fast-food restaurants and other restaurants increased to meet the tourists' eating habits and preferences. According to Alpen Capital report, the size of the Kingdom's fast-food market is estimated at SAR 45 billion in 2019G, with fast food restaurants and other restaurants (stand-alone and cafes) accounting for 54.0% and 35.0% of the size of the fast-food market amounting to SAR 45 billion in 2019G, respectively. The religious tourism sector was negatively affected by the Covid-19 pandemic-related restrictions imposed in 2020G, but most of the holy sites re-opened their doors to visitors in October 2020G. In addition, the Saudi summer season campaign "Tanafas", launched from June 2020G and lasting until September 2020G, promoted ten strategic Saudi sites for domestic tourism. These sites include Jeddah, King Abdullah Economic City (KAEC), Abha, Tabuk, the Eastern Province, Al Bahah, Taif, Yanbu and Umluj, and Riyadh. The "Tanafas" Campaign, led by the Ministry of Tourism in cooperation with the private sector, helped boost domestic tourism in 2020G. However, in light of the new visa system, in addition to allowing the private sector to invest in the Hajj and Umrah sector according to Saudi Vision 2030, Saudi Arabia aspires to increase the number of tourist arrivals from 15.3 million in 2018G to 100 million by 2030G, with Hajj and Umrah visitors constituting about half of the total number of tourists.

3.1.2 Kingdom's Poultry Market

The Kingdom's poultry market is primarily dominated by chicken meat, which accounts for about 90.0% of the total volume of the poultry market, with other poultry forms, such as quail and turkey, belonging to the niche categories.

The consumption of poultry meat in the Kingdom is high compared to other animal protein alternatives. The per capita consumption of poultry meat in 2020G was estimated at approximately 40 – 43 kg (the estimates are subject to oversupply and surplus), which increased from about 39 kg in 2018G as per Saudi poultry sector trend analysis for 2019G by Agriculture and Agri-Food Canada and USDA reports. While most poultry meat consumption is in the form of whole chicken, the demand for chicken parts has soared in the past several years due to expansion of the food catering industry, the growth of fast-food outlets, the establishment of informal restaurants with table settings, and higher demand by hotels for chicken parts. Higher demand for chicken parts accounted for 32.0% of the market in 2020G, as compared to 28% of the market in 2018G. More than 80.0% of the local chicken meat is sold in the form of chilled meat as many domestic poultry producers have switched their chicken meat production lines from frozen to chilled products. Fresh and frozen poultry meat is sold, either raw or prepared at an additional fee, to entities that transform it into chicken fingers, burgers, mortadella, sausages, etc.

Nearly half of the local market demand was fulfilled by frozen chicken meat imports from countries such as Brazil from 2018G to 2020G. In 2020G, the Kingdom imported 550,000 mt of poultry meat, which was down by about 12.7% compared to 2018G, as reported by supplying countries. This was due to (i) trade disruptions due to the novel coronavirus pandemic, and (ii) increasing local production against the backdrop of Government support. On the other hand, imports were temporarily interrupted primarily from Brazil, the biggest importing country, due to Halal issues or non-tariff measures. Such interruption was intended to assist the competitiveness of local poultry producers, who are getting multiple support initiatives from the Government, with local production reaching 930,000 mt in 2020G.

Breeders and veterinarians are the key stakeholders during the farming and processing stages, as they decide on the poultry feed and vaccination doses that are to be administered to the chickens under directives and guidelines from MEWA.

3.1.2.1 Market Size Evolution

The following table shows the size of the poultry meat market from 2018G to 2020G:

Table 3.5: The Kingdom's Poultry Meat Market (2018G - 2020G)

Kingdom's Poultry Meat Market	2018G Actual	2019G Actual	2020G Estimated	CAGR (2018G - 2020G)
Domestic Production (kt)	710	800	930	14.4%
Import (kt)	630	601	550	(6.5%)
Export (kt)	40	44	45	6.1%
Net Market Size (kt)	1,300	1,357	1,435	5.1%

Source: ITC Trademap, USDA, FAO, Indexmundi, the Market Consultant' market study report.

Note: Poultry meat includes chicken only.

The share of domestic production has increased steadily over the last three years, while the imports have decreased in light of the Government's policy for self-sufficiency, changing regulatory frameworks such as Halal poultry certificates and concerns of compliance with trade regulations by key exporting countries. Domestic production of chicken meat has grown according to a level of target self-sufficiency achievement of 60%.

The Government is supporting the domestic poultry industry in the form of various subsidies, especially in critical areas such as animal feed and poultry health. The Kingdom has had multiple bird flu cases in recent years, which has been tackled with extensive support from the Government through subsidies and vaccination campaigns. There are several methods to enhance local chicken meat production: (1) quickly send subsidy payments to producers (depending on the production rate of chicken and chicks), (2) reduce chicken mortality rates, and (3) provide strong Government support to overcome obstacles that prevent expansion, especially by quickly granting land licenses.

Farmers reported that MEWA provided assistance in order to overcome obstacles to planned expansion goals, such as high land prices, disputes over land ownership, and zoning / environmental restrictions. The following table sets out the Kingdom's poultry market divided by product type in 2020G:

Table 3.6: Kingdom's Poultry Market Break-Up by Product Type (2020G)

<table>
<tr><th colspan="4">Poultry Meat</th></tr>
<tr><td colspan="4">1,435 kt</td></tr>
<tr><td colspan="2">Fresh</td><td colspan="2">Frozen</td></tr>
<tr><td colspan="2">52.0%</td><td colspan="2">48.0%</td></tr>
<tr><td>Whole</td><td>Parts</td><td>Whole</td><td>Parts</td></tr>
<tr><td>70.0%</td><td>30.0%</td><td>65.0%</td><td>35.0%</td></tr>
</table>

Source: The Market Consultant's market study report.

3.1.2.2 Market Break-Up by Distribution Channels (Retail vs. HORECA)

The following table shows the Kingdom's poultry meat market in kilotons, segmented by channel from 2018G to 2020G:

Table 3.7: Kingdom's Poultry Meat Market in Kilotons, Segmented by Distribution Channels (2018G - 2020G)

Kingdom's Poultry Meat Market	2018G Actual	2019G Actual	2020G Estimated
Net Market (kt)	1,300	1,357	1,435
Retail (%)	50.0	55.0	70.0
HORECA (%)	50.0	45.0	30.0

"Retail" refers to modern and traditional stores and wholesale outlets.

Source: The Market Consultant 's market study report.

The Government has strengthened a push towards increasing the number of tourist footfalls (for both religious and business purposes). It is further aided by the number of fast-food restaurants opened up in the past three years, targeting the local population, as well as the tourists. This has resulted in a heavier participation of the hotels, restaurant and catering ("HORECA") sector in the Distribution Channel of poultry meat.

However, due to the slowdown in 2020G caused by lock downs, there was a significant decline in market demand. HORECA is still recovering from the massive losses it incurred during the lock downs. QSRs are the fastest to recover, with customers preferring to order takeaways rather than eat at restaurants. The pandemic has led to a return to traditional forms of commerce, while modern forms of commerce have maintained their superiority thanks to improved logistics and e-commerce.

Fresh chicken is preferred in its whole form by Saudi consumers, and is primarily supplied by local producers, while frozen chicken from imported sources is preferred in parts. Local producers take into account import prices and have modified their production lines to suit fresh/chilled requirements of the market for both the retail and HORECA segment. While traditionally meat consumption in the Kingdom is in the form of whole chicken, the demand for chicken parts soared in the past several years due to expansion of the food catering industry, the growth of fast-food outlets and casual dining establishments, and higher demand from hotels.

Local consumers prefer chicken weighing 900-1,100g, while large chickens 1,200-1,500g are perceived as old and not tender and consumers associate them with artificial fattening. The HORECA segment usually prefers to buy birds that weigh between 900-1,000g at the lowest possible price, as their end product is also dependent on yield of meat along with method and scale of preparation. The shelf life for fresh chicken is nine days from the date of its slaughter in the Kingdom, which presents an opportunity for local producers to meet the demand for fresh chicken. Locally produced chicken is also popular with catering companies serving the armed forces, hospitals and Government institutions.

3.1.2.3 Market Drivers and Challenges

(A) Market Drivers

Population: Population is a key driver of poultry market. Their active social media participation and financial independence are set to upgrade consumer preferences to premium products which offer unique consumption experience. Poultry consumption in the Kingdom is driven by the centre of plate placement of poultry in the Saudi diet, driving retail consumption and the Government's support to tourism and entertainment, which directly increases consumption in the HORECA segment.

Urbanisation is also a key driver, with almost 90.0% of the Kingdom's population living in urban areas where modern retail is growing rapidly due to increased demand for convenience products.

The Kingdom's per capita poultry consumption is among the highest rates in the world. Poultry meat is the major ingredient in almost all cuisines and the most popular food. The following table shows the ranking of countries in terms of per capita poultry consumption in 2019G:

Table 3.8: Ranking of Countries in Terms of Per Capita Poultry Consumption (2019G)

Rank	Country
1	United States of America
2	Malaysia
3	Peru
4	Australia
5	New Zealand
6	Brazil
7	Argentina
8	Chile
9	Canada
10	Kingdom of Saudi Arabia

Source: OECD Agriculture Statistics: OECD-FAO Agricultural Outlook (Edition: 2019G).

Enhanced Consumer Spending Power: The consumption of poultry meat has been increasing in the Kingdom due to, inter alia, higher household income and the subsequent increase in the disposable income, which covers spending on improved quality and higher priced products within the commodity food categories. The cost-of-living allowance effective from 2018G to 2019G was suspended in 2020G due to higher Government spending on financial support measures. In April 2020G, the Unemployment Insurance Fund (SANED) provided wage subsidies to private sector companies that retained their Saudi employees (0.4% of GDP). Furthermore, no additional increases were applied to the expat tax in 2020G.

Tourism and Entertainment: The Government's focus is to increase tourism (including religious tourism) and entertainment revenues as part of its economic diversification plan and Vision 2030G. Implementation of huge infrastructure projects (such as the Neom, Qiddiya, Red Sea, and Amaala projects) is underway to accommodate increased footfalls.

The Government aims to develop the tourism and entertainment sector in order to attract local (Saudi) tourists to spend part of their expenditures on local tourism and entertainment. As the pandemic has caused a slowdown and cessation of projects, the comprehensive vaccination campaign of 2021G will help to revitalise the sector. Most of the tourists' demand for poultry in F&B sector is met by catering companies and fast-food restaurants, such as KFC, McDonald's, Pizza Hut, Burger King, Subway, Domino's, Al-Baik, and others, which are extremely price-conscious. Some of these establishments feature chicken as a major item on the menu, contributing to the poultry demand.

(B) Market Challenges

Poultry Health has been a pertinent challenge for the Kingdom's poultry industry. The industry has been constantly battling viral outbreaks such as Newcastle Disease, Gumboro (IBD), Infectious Bronchitis and Avian Influenza since past many years. The Government has taken multiple initiatives to minimise the mortality rate including vaccination support to poultry farms, education of poultry handlers and feed quality maintenance.

3.1.3 Kingdom's Processed Meat Market

The Kingdom's processed meat market is regarded as a highly active market, with eating out in restaurants being a major leisure activity of local residents. While this activity has been negatively affected by the pandemic and subsequent lock down operations, the food sector has quickly adopted measures to reduce contact, such as eating in cars, takeaway orders, and home delivery. Fast food cuisine has gained tremendous popularity, due to heavy marketing by restaurants and increased need for convenience among consumers. Key producers are focusing more on flavours, packaging and processing techniques to enhance taste and shelf life of processed meat products. For instance, whole chicken is pre-marinated and made available in different flavours and seasonings making it ready-to-cook to save consumers' time. The following table shows the Kingdom's processed meat market in kilotons from 2018G to 2020G:

Table 3.9: Kingdom's Processed Meat Market in Kilotons (2018G - 2020G)

Kingdom's Processed Meat Market	2018G Actual	2019G Actual	2020G Estimated	CAGR (2018G - 2020G)
Domestic Production	196	200	210	3.5%
Import (kt)	42	42	40	0%
Export (kt)	38	36	35	(4.0%)
Net Market Size (kt)	200	206	215	3.7%

Source: ITC Trademap, the Market Consultant's market study report.

Imports of RTE Meet into the Kingdom are primarily from the UAE and Brazil, with companies from both countries making a diverse range of consumer centred campaigns on traditional as well as social media to lure consumers. It should be noted that the increased awareness of consumers regarding health and wellness has triggered consumer sentiments to find more information about the product they are consuming.

3.1.3.1 Segmental Analysis

Breaded processed chicken products, such as nuggets, fillets and burgers, are prominent in modern trade, accounting for 65.0% of the processed meat market. Non-breaded patties, such as beef and sausages, are popular in hotels, café and QSRs, with the remaining 35.0% of the processed meat market.

Burgers are the most popular format in both breaded and non-breaded categories at 40.0% and 50.0% respectively, with lunch being the most popular consumption occasion. Chicken parts and nuggets are also a very popular format, controlling 30.0% of the breaded processed meat market, with the children being the main user thereof as a snack.

Fillets and other fried products like breasts and strips account for 25.0% of the breaded processed meat market. Along with the closures of hotels, restaurants, and food offering services during the pandemic, this led to the launch of more innovative products. Beef segment (currently at 20.0% of the total processed meat market) is gaining popularity owing to the population's exposure to international-style preparation of processed beef. Non-breaded items, such as mortadella, meatballs and koftas, are popular only among expat population, accounting for 30.0% of the non-breaded processed meat market.

Sausage constitutes the lowest segment by volume, as it is a mixture of post-processing meat, and therefore it constitutes only 15.0% of the non-breaded processed meat market. However, some groups of expats prefer sausages due to their versatility in various cuisines and their convenience of preparation.

3.1.3.2 Market Drivers

(A) Increasing Demand for Convenience and Cuisine Driven Processed Meat

Saudi consumers are being driven towards convenience-centred consumption owing to the rise in number of women in the workforce and the demand for restaurant-like food at home due to the adoption of fast-food cuisine by consumers in the Kingdom, largely for lunch and breakfast.

(B) New Product Forms Launched in the Market

Processed meat manufacturers have focused on innovation in product format along with enhancing the health factor and improving storage shelf life in line with consumer demands, all of which will positively drive the market. While this trend is currently prevailing in retail, it can trickle down to the HORECA segment as well.

(C) Enhanced Marketing Efforts in Retail/HORECA

Owing to the Government's push on tourism and entertainment, the HORECA segment, particularly the QSRs, are focusing on marketing their products in a highly competitive market, which will drive the market.

3.1.3.3 Market Challenges

(A) Increased Health Awareness

The Government has mandated display of caloric information on all point-of-sales of processed food due to the growing incidences of obesity and diabetes. Consumers are also gaining awareness about the impact of processed food in a daily diet, and this factor could negatively affect the market growth.

(B) HORECA Sector Slowdown:

The HORECA market has lost a large share of the retail sector, losing, as forecast, about 50% of demand amid lock downs (compared to previous years). HORECA is expected to regain its previous market share by 2022G. QSRs are getting back on the horse thanks to the multiple forms of delivery and service provision to customers. In 2021G, QSRs achieved strong sales and great turnout.

(C) Import Regulations for Government

The majority of poultry imports come from Brazil, which recently has faced issues with the Saudi Food and Drug Authority (SFDA) regarding the Islamic slaughter (Halal) certification. This has led to reduction in the amount of imports, and in some cases, even a complete ban on imports from the country in question. These regulations cause disruption in raw material supply, hence restraining the market.

3.1.4 Kingdom's Feed Market and Animal Vaccine Market

3.1.4.1 Kingdom's Feed Market

(A) Overview of Feed Market

The animal feed industry is broadly classified into forage and compound feeds with the former including hay, alfalfa, straw, weeds and other roughage in single or double compressed bales. Compound feeds include grains/cereals and feed additives mixed and processed in the form of pellets, mash, crumbles and grain mixtures. The Kingdom has adopted a policy to phase out production of water intensive forage crops since 2017G. This policy was to take full effect by the end of 2019G. However, the Government has since then partially rescinded the ban on forage cultivation, with production (including wheat) being permitted (post issuance of proper licenses) to provide medium and smaller size forage producers with an alternative field crop. This continued during 2020G. It is noteworthy that the need to enhance food security and abundance of food supplies at the time of the Covid-19 pandemic outbreak served as a driver to continue to grow fodder, given the closure of borders with neighbouring countries.

Also, in contrast to the earlier planned ban, "limiting forage cultivation" is the new approach being used instead of the "no forage cultivation" and the quantum of this is yet to be sized based on shift in trade dynamics.

Under the new policy, farmers cultivating less than 100 hectares prior to the issuance of the order, are given the option of planting either wheat or forage only on 50 hectares. Farmers who opt to produce wheat or forage are required to obtain a farming permit from MEWA to plant the licensed crop two seasons before they are allowed to switch. Along with these guidelines, the Government has mandated domestic dairy and livestock producers to increase their dependency on imported rather than domestic forage, with the latter constituting around 6 million MT in 2019G. Forage requirements of the Kingdom are being met by imports from the United States, Canada, Africa and Europe in the form of bales and pellets.

Compound animal feed is further split into poultry and ruminant (cattle, sheep, goat, camel and other animals), with the ruminant segment consuming both forage and compound animal feed. Compound animal feed is manufactured by semi-government organisations, stand-alone private players and integrated poultry players. A major challenge and opportunity for the animal feed industry in the Kingdom is educating the large number of livestock owners who are still dependent on traditional forage and grazing of livestock.

Compound feed accounts for a dominant share of the Kingdom feed market despite the livestock owners relying heavily on forage rather than compound feed. The Government's effort at making the unorganised sector switch to feed from forage has also seen some success with the involvement of feed companies in educating the livestock owners regarding better yield and cost effectiveness. Exports are negligible, given the Kingdom's focus on achieving self-sufficiency and lesser opportunities for re-exports. The following table shows the Kingdom's feed production market from 2018G to 2020G:

Table 3.10: Kingdom's Feed Production Market, in MMT (2018G - 2020G)

Parameter	2018G Actual		2019G Actual		2020G Estimated	
	Animal Feed	Compound Feed	Animal Feed	Compound Feed	Animal Feed	Compound Feed
Domestic Production (MMT)	21.0	13.5	23.0	13.8	25.0	14.0
Import (MMT)	5.0	0.2	6.0	0.5	4.0	0.5
Export (MMT)	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Net Market (MMT)	26.0	13.7	29.0	14.3	29.0	14.5

Source: The Market Consultant's market study report.

(B) Feed Product Split

Animal feed and compound feed constituted 44.0% and 52% of the Kingdom feed market in 2020G. December to March is the period where the majority of the livestock feeding is done through natural grazing and forage. The majority of the imported green forage comprises high-protein alfalfa hay which is used in the Kingdom's commercial dairy farms for direct feeding of animals, with a minor portion going to the compound feed industry to be used as a fibre ingredient. Additionally, the Government offers incentives, such as long-term, interest-free loans and import subsidies, on 31 feed grains and feed ingredients to manufacturers. Due to the Government's education initiatives, livestock owners have discovered better nutritional value and cost savings in compound feed over forage. Both the Saudi Ministry of Environment, Water and Agriculture (MEWA) and feed processors report that more than 20% of raw feed ingredients, like barley, fed to livestock is wasted without being digested, thereby providing no benefit in terms of weight gain or nutrition to the animals. Given the Government's support for improving domestic animal feed production, almost all major domestic dairy, poultry and meat companies are focusing on vertical integration for feed production as it offers a cheaper alternative than imported feed. The following table shows Kingdom's animal feed consumption market segmentation by livestock type in 2020G:

Table 3.11: Kingdom's Feed Consumption Market Segmentation by Livestock Type in 2020G

Kingdom Compound Feed Market 14.3 MMT	Market Share (%)
Poultry Feed	44.0%
Ruminant Feed (Including Cattle, Sheep, Goat, Camel and Others)	56.0%

Source: The Market Consultant's market study report.

(C) Compound Feed Market by Poultry Type

Poultry feed products are further segmented into broiler and layer feed based on their protein and calcium content and the eventual end usage of the bird. The Saudi poultry market is dominated by three major companies which are integrated in terms of feed production. The Kingdom is estimated to have had more than 625 poultry farms in 2019G and the Government is promoting further development in line with its vision to make the country self-reliant in terms of poultry production, increasing the number of farms from a total of 536 farms in 2018G. Most compound feed plants currently operate at less than 80% of their capacity and plans are underway for expansion, keeping in mind the push from the Government. The poultry feed market is directly driven by the dynamics of the domestic poultry market which, in recent years, has seen a major upswing as domestic poultry production increased from 710 kt in 2018G to 930 kt in 2020G. Within the poultry compound feed segment, broiler feed accounts for the majority of the market, largely contributed to by the integrated facilities of large domestic poultry producers. Compound poultry feed and its traceability have been a key area of focus, with all major players highlighting completely vegetarian and natural have gained recent importance, in light of some reports from the unorganised sector about mixing of waste meat/offal in feed as protein sources. The Government has been providing import subsidies for feed corn and other feed ingredients, including DDGS and CGF, to help reduce the production cost of poultry meat, table eggs, dairy and other livestock products. In the case of stand-alone producers, the feed composition is also customised as per the end-consumer's requirement and focused on the type of breeding practice.

(D) Market Drivers

Comprehensive steps have been taken by feed companies in guidance with MEWA to educate the large portion of livestock owners on the benefits of compound feed over forage. The traditional livestock owners have responded well as per industry sources and it will affect the ruminant market positively in the medium and long term.

The Government, with the aim of making the Kingdom self-sufficient in compound feed, provides subsidies on more than 30 raw materials, such as barley, corn, etc.

Saudi poultry farms are in an expansion phase. While most of these farms are integrated in terms of feed, smaller farms are also growing their production aided by stand-alone feed manufacturers educating them on different feed types and achieving better feed conversion ratio and overall poultry health.

(E) Market Challenges

Sporadic disease outbreaks are a factor in the region owing to the climatic conditions. While the disease outbreaks and general mortality rates have decreased over the past three to five years, due to better management of the climatic conditions of the Kingdom and the scale of operations, certain unorganised poultry and ruminant farms are still battling the resurgence of disease outbreaks. This remains a constant risk as per industry insiders, any more maintenance initiatives will lead to increased operating cost.

Animal feed is a low-margin market with margins ranging from 5% to 10% in the best-case scenario. This is an outcome of the high cost of raw materials, despite the Government subsidy. The operational cost is not expected to come down in the long term with the addition of a Government mandate to import all forage needs of livestock raised by dairy and meat companies. Smaller livestock-raising companies are facing higher overheads with the additional cost of imported forage above the already existing overheads to maintain animal health. Presently, only major companies have been able to convert their feed practices to a 100% imported forage pattern.

3.1.4.2 Kingdom's Animal Vaccine Market

(A) Animal Vaccine Market Overview

The Kingdom commanded the largest animal vaccines market in the GCC in 2020G with a total value of more than SAR 1 billion, with the total requirement of 316 million doses for the same year. Since the production of vaccines in the country is limited, the Kingdom imports vaccines for FMD, infectious bovine rhinotracheitis, bovine viral diarrhoea, rotavirus and corona virus combined and e-coli vaccine. The following table shows the Kingdom's animal vaccine market from 2018G to 2020G.

Table 3.12: Kingdom's Animal Vaccine Market (2018G to 2020G)

Year	2018G Actual	2019G Actual	2020G Estimate
Revenue (SAR Million)	910	960	1,012
Volume (Million Doses)	280	298	316

Source: The Market Consultant's market study report.

The Saudi Veterinary Medical Association is responsible for instituting new regulations and laws enacted by the Ministry of Health. The National Drug and Poison Information Centre is responsible for ensuring that information regarding new drugs and poisons is disseminated and made accessible to health practitioners as well as the general public. The information that they are responsible for processing is made available to them by the Saudi Food and Drug Authority.

Table 3.13: Kingdom's Livestock Population, in Thousands (2018G – 2020G)

	2018G	2019G	2020G (Estimate)
Camels	491	501	511
Sheep	9,409	9,597	9,780
Goat	3,707	3,781	3,857
Cows	368	375	388
Poultry	54,510	56,145	59,670
Total	68,484	70,399	74,206

Source: MEWA.

The Kingdom commands the largest poultry vaccines market in the GCC, with a total value of approximately SAR 457 million in 2020G. The market is dominated by the Newcastle disease (Lasota) vaccine, occupying around 24.0% market share.

(B) Poultry Vaccine Market Overview

Similar to the poultry vaccines market, the Kingdom's large animal vaccines market is the largest in the GCC with a total value of SAR 244 million in 2020G divided as follows: SAR 443 million for poultry, SAR 244 million and SAR 26 million for horses and finally SAR 263 million for other animals. The majority of the market share is occupied by FMD (19.0%) and PPR (18.0%) vaccines, which are highly prevalent across the Middle East. Lumpy skin disease (LSD), a highly infectious disease of cattle, is a major concern for the dairy industry in the Kingdom, due to an outbreak in 2016G, which led to the death of around 1,000 cattle.

3.1.5 Competitive Landscape

3.1.5.1 Poultry

The Kingdom's poultry meat market can be divided into domestic and imported brands, which occupy 65.0% and 35.0% of the market, respectively in 2020G. The top domestic brands include Al Watania Poultry, Alyoum (subsidiary of Almarai), Fakieh Poultry Farms, and Tanmiah Chicken. Other major domestic brands include Golden Chicken and Entaj (subsidiary of ARASCO). The top three international brands belong to Brazil and France with Sadia and Perdix brand (of BRF group), Seara and Frangosul brand (of JBS group) and Doux (of LDS and Al Munajem Group). Trade from international brands has seen a lot of turbulence due to health issues and changing regulatory landscape both inside and outside the Kingdom. The following table shows the market shares of the largest domestic poultry production companies and importing companies in 2020G:

Table 3.14: Market Share of the Largest Poultry Companies in the Kingdom by Volume of Birds (2020G-Estimated)

Al Watania	BRF	JBS	Alyoum	Fakieh	Al Munajem	Tanmiah	Others	Total
22.0%	19.0%	16.0%	12.0%	8.0%	8.0%	7.0%	8.0%	100%

Source: The Market Consultant's market study report.

The eight largest companies control around 95% of production. The majority of the poultry farms in the Kingdom are located in 12 regions, but 88.0% of chicken meat production comes from six regions. In 2020G, the Al Qassim region accounted for 37.0% of total chicken meat production in the Kingdom, followed by Mecca with 16.0%, Riyadh with 15.0%, Aseer with 14.0%, Hail with 13.0% and Eastern Region with 5.0%. Since Fakieh moved most of its poultry farms to the Najran region, this area currently represents nearly 1% of production, and this governorate is expected to become an important chicken producer. The following table shows the distribution of local chicken production by region in 2020G:

Table 3.15: Percentages of Distribution of Domestic Poultry Production by Region in 2020G (Estimated)

Al-Qassim	Makkah	Riyadh	Aseer	Hail	Eastern Region
37.0%	16.0%	15.0%	14.0%	13.0%	5.0%

Source: The Market Consultant's market study report.

3.1.5.2 Processed Meat

In contrast to the poultry meat market, which still has a suitably sized share of domestic and international brands, the processed meat market is dominated by domestic brands, which occupy 83.0% of the market in 2020G. Top domestic brands include Americana, Sunbulah and Herfy, and the top three collectively account for about 56.0% of the market share in the Kingdom in 2020G. Other key players/brands in the market include Sadia, Al Kabeer and Supreme (from Tanmiah Food Company). The majority of the processed meat companies are located in Jeddah for easy transport of raw material from the port to the factory. "Al Kabeer" has also opened up their first factory outside of the UAE in Jeddah in 2017G and operates at the same high capacity, owing to the great demand and potential in the Kingdom market, which is aided by a predominantly fast food-oriented diet, need for convenience and a rising HORECA segment. Major domestic and imported players are taking a channel-specific strategy to maintain a stable performance.

3.1.5.3 Feed

The feed market in the Kingdom is quite organised, with ARASCO (Arabian Agricultural Services Company) leading the market through a diversified portfolio of products. Major ARASCO products include the Wafi feed for livestock, which directly competes with grain barley, traditionally fed to camels, sheep and goats. Other major companies include Feedco, United Feed, Al Khumasia, Desert Hills Veterinary Services Company and other integrated companies such as Almarai (poultry and dairy livestock), Al Watania (poultry) and Fakieh Farms (poultry). Major feed companies operate from Al Kharj (ARASCO), Dammam (ARASCO, Al Khumasia, Feedco, United Feeds) and Al Khobar (ARASCO). The top three companies (ARASCO, Al Khumasia and Feedco) are estimated to account for 65.0% of Saudi market in 2020G.

3.1.6 Kingdom's Recent Trends

3.1.6.1 Implications of Covid-19

The Kingdom pro-actively dealt with the pandemic in various sectors. HORECA has been the most affected sector since it has lost significant turnout due to the lock downs. Nearly a year after the lock downs, and with the vaccination campaign making tremendous progress, HORECA is recovering from the substantial losses it incurred during the lock downs. QSRs are the fastest to recover, since customers prefer to order takeaways rather than eat at restaurants. With HORECA dramatically recovering in H2 of 2020G, QSRs have completely adapted to external circumstances, having applied an operational model focused on delivery and e-service provision, which contributed positively to higher demand.

Initial safety stocks during the lock downs were favourable to the retail sector, as consumers tried and experienced different brands and offers. Retail companies have also been able to address this crisis. They launched a variety of different services targeting the experimental consumer who has shown a desire to cook and eat at home until dining is allowed at restaurants.

3.1.6.2 Regulations and Certifications

Some key regulations include a complete ban on poultry stunning which specifies and mandates that chickens must be slaughtered without the use of electrical immobilisation or stunning. A ban on animal protein feeding is also a key SFDA poultry meat regulation which requires that the Government health certificate accompanying shipments of poultry meat must clearly indicate that the birds slaughtered were not fed animal protein, animal fats, or any animal by-products.

Certifications include hormone-free certification that pertains to the official health certificate accompanying a shipment of poultry meat and must include a statement confirming that the poultry meat was tested and found to be free from hormones by the responsible Government agency of the exporting country. Among the key certifications is the Halal certifications, which pertain to poultry slaughtering taking place in an officially licensed slaughterhouse and in accordance with the Islamic slaughtering procedures: GS 993/1998G "Animal slaughtering Requirements According to Islamic Law". The Government also mandates a laboratory test certification that deals with all the poultry meat and products imported. This certification requires laboratory checking and testing at Saudi ports of entry to ascertain that they meet all of the health and certification requirements.

3.1.6.3 Customer Preference and Behaviours

Domestically produced chicken has gained popularity with retail consumers and HORECA clients as it is guaranteed Halal characterised by quality of meat and flavour.

In light of import issues like certifications and increased prices, the consumers find the local chicken to be more cost competitive and some Government institutions like hospitals, ministry offices and army centres in Riyadh mandate catering companies to use minimum 70.0% local produce in their contracts.

3.1.6.4 Impact of Vision 2030G on Local Manufacturing across Industries

Vision 2030G aims to be an ambitious economic development road map that seeks to diversify the economy beyond the oil sector, with value-added industry and mining set to play substantial roles. The National Transformation Program (NTP) is expected to create 450,000 jobs, as per the Saudi Council of Ministers' statements published by Arab News newspaper, while the Government has prioritised investments in the industrial sector by opening economic and industrial cities. The Saudi Industrial Development Fund (SIDF), which has an estimated capital of at least SAR 65 billion, provides loans to industries, including chemicals, construction materials and food.

3.1.6.5 Impact of Vision 2030G on Food and Beverage (F&B) Industry

Considering Government initiatives towards privatisation, diversification and urbanisation, along with the rising need for food security, the F&B market is expected to grow substantially, further creating demand and opportunities for the processed food sector. Rising disposable income and a growing population continue to fuel demand within the F&B and consumer goods sectors. Government initiatives, along with rapid urbanisation and the rising need for food security and preservation, are emerging as the key driving factors for the growth of processed food and ready-to-eat markets. Increasing demand for packaged Halal foods, strong import and export regulations, and policies regarding Halal food and beverages have further spurred the growth of the segment in the Kingdom. However, the recent implementation of VAT is expected to affect the food industry in the short term, which can be a challenge for the industry in terms of increased prices. For the HORECA segment, positive outcomes from Vision 2030G include extensive investment in the areas of shopping, entertainment and hospitality. The Government also aims to achieve food security by supporting national companies. The National Transformation Program 2020G has set a target of increasing self-sufficiency of broiler chickens from 42% to 60% by 2020G, which has been increased to 80% by 2025G after meeting the earlier target.

3.2 UAE Market Overview

3.2.1 Macroeconomic Indicators

The following table shows the UAE key macroeconomic indicators from 2018G to 2020G:

Table 3.16: UAE Key Macroeconomic Indicators (2018G - 2020G)

Indicator	2018G Actual	2019G Actual	2020G Estimate	CAGR (2018G - 2020G)
Real GDP (AED Billion)	1,461.7	1,486.3	1,397.1	(2.2%)
Nominal GDP (AED Billion)	1,550.6	1,546.6	1,299.7	(8.4%)
Real GDP Growth (%)	1.2	1.7	(6.0)	-
Population (Million)	9.6	9.8	9.9	1.6%
GDP Per Capita (AED)	160,999	158,289	131,415	(9.7%)
CPI Inflation (%)	3.1	(1.9)	(2.1)	-
Consumer Price Index	284	278	272	(2.1%)

Source: UAE Annual Economic Report, IMF WEO, Central Bank of the United Arab Emirates – Q4 Economic Review.

CPI in the UAE decreased by 1.9% in 2019G, due to the continuous decline in rental rates and public services, appreciation of the UAE dirham, lower oil prices, and the further impact of VAT in 2018G.

The decline in global oil prices in 2020G was more severe than any period before due to weak global oil demand and continued production cuts in the midst of the pandemic, which led to lower fuel and transportation prices.

3.2.2 UAE Poultry Market

UAE's domestic poultry production was estimated at 50 kt in 2020G, an increase of 3.1% compared with 2018G.

Local production covers less than 8.0% of the country's poultry consumption, despite the fact that local companies have tried to extend their businesses and production capacity. The UAE's poultry imports are based on Brazilian and USA products, with Brazil comprising 70.0% of the overall imports. The main obstacles in expanding the local businesses remain the feed costs, animal disease and strong price competition from imports. The majority of the poultry meat produced in the UAE is broiler, with less than 1.0% of the total production coming in the form of spent hens.

A series of factors, including tempered consumer spending, a newly introduced VAT, and traders' lack of on-hand capital have caused challenges for the poultry meat market in the UAE.

3.2.2.1 Market Size Evolution

The following table shows the UAE poultry meat market from 2018G to 2020G:

Table 3.17: UAE Poultry Meat Market (2018G - 2020G)

UAE Poultry Meat Market	2018G Actual	2019G Actual	2020G Estimated	CAGR (2018G - 2020G)
Domestic Production (kt)	47.0	49.0	50.0	3.1%
Import (kt)	597.4	675.7	678.1	6.5%
Export (kt)	40.8	62.0	62.9	24.2%
Net Market (kt)	603.6	662.7	665.2	4.9%

Source: ITC Trademap, USDA, FAO, Indexmundi, the Market Consultant's market study report.

According to ADAFSA, the Emirati government aims to double local poultry production in the near future in order to achieve food security due to concerns related to securing imports, which were evident in the wake of the coronavirus pandemic per ADAFSA's report. In this regard, ADAFSA announced an allocation program of USD 272 million for agricultural projects.

Merchants and producers had to change their strategies by redirecting poultry stocks to the Retail sector due to the global lock down, which led to the temporary closure of hotels, restaurants and catering services (HORECA).

With the majority of the population (both locals and expats) forced to work from home, the retail sector saw a sudden increase in demand due to the procurement of large quantities of groceries, including poultry.

UAE poultry producers were able to meet the temporary increase in the demand through retail channels, and therefore had no stock of frozen poultry this year (usually 10% of the poultry produced in the UAE is frozen during the usual temporary stagnation of demand during the summer).

Sadia, the leading imported poultry brand, often sells at a similar (or lower) price compared to local brands. The Company has been able to sell products at this price point, aided by its scale of business. The following table shows the UAE poultry market break-up by product type in 2020G:

Table 3.18: UAE Poultry Market Break-up by Product Type (2020G)

Poultry Meat			
665.2 kt			
Fresh		Frozen	
9.0%		91.0%	
Whole	Parts	Whole	Parts
70.0%	30.0%	43.0%	57.0%

Source: The Market Consultant's market study report.

Fresh whole chicken is the preferred choice amongst the locals, while frozen chicken is popular amongst the expat and HORECA segments. The demand for poultry was dependent on modern retail outlets that include supermarkets and hypermarkets, with these outlets accounting for 60-70% of the demand at the level of retail consumers. The retail sector continued favouring frozen imports from Brazil and Ukraine due to their lower prices, compared to those of domestic products. HORECA is still recovering from the unprecedented losses it incurred during the lock downs, while QSRs are the fastest to recover, with customers preferring to order takeaways rather than eat at restaurants.

The preferred dressed weight for fresh whole chicken in the UAE largely varies between 900g and 1,000g, comprising more than 70.0% of the fresh chicken sales. The retail sector share of poultry consumption increased from 55% in 2019G to 70% in 2020G, while the HORECA share decreased from 45% to 30% during the same period. This is attributed to the omni-channel-based consumption that emerged due to lock downs, with people forced to buy ingredients from retail stores and cook special foods by following different recipes. In terms of popularity, leg quarters are the most popular parts, followed by breasts, thighs and wings.

3.2.2.2 Market Break Up by Distribution Channel (Retail vs. HORECA)

The following table shows the UAE poultry meat market in kilotons, segmented by Distribution Channel from 2018G to 2020G:

Table 3.19: UAE Poultry Meat Market in Kilotons, Segmented by Distribution Channel (2018G - 2020G)

UAE Poultry Meat Market	2018G Actual	2019G Actual	2020G Estimate
Net Market (kt)	603.6	662.7	665.2
Retail (%)	55.0	55.0	70.0
HORECA (%)	45.5	45.5	30.0

"Retail" includes modern trade, traditional trade and wholesale

Source: The Market Consultant's market study report.

The retail segment contributes around 70.0% of the overall chicken consumption within the UAE, while HORECA accounts for the rest.

The HORECA segment prefers frozen chicken because of its lower price, as against locally produced fresh chicken. Some institutional buyers (the largest users of imported frozen chicken) believe that, regardless of price, they prefer to use imported frozen chicken, particularly from Brazil. They claim that locally produced frozen broilers have high fat and moisture content, which causes a high degree of shrinkage.

3.2.3 UAE Processed Meat Market

The UAE has positioned itself as a country with superior quality production facilities for meat processing. The Government works closely with manufacturing companies to help them meet the requirements in accordance with Islamic Shariah. Frozen raw meat and spices/additives are imported from Germany, the United States, and the United Kingdom, amongst others. These are essentially called value-added products as they are highly priced and the percentage of meat in these products varies from 60.0% to 90.0%; water and extenders occupy the rest. While branded processed meat products are imported from the United States, Europe and Brazil, repacked products are imported from Thailand and Malaysia. The following table shows the UAE processed meat market in kilotons from 2018G to 2020G:

Table 3.20: UAE Processed Meat Market in Kilotons (2017G - 2019G)

UAE Processed Meat Market	2018G Actual	2019G Actual	2020G Estimate	CAGR (2018G - 2020G)
Domestic Production	126	133	140	5.4%
Import (kt)	33	37	40	10.1%
Export (kt)	45	50	50	5.4%
Net Market (kt)	114	120	130	6.8%

Source: ITC Trademap, the Market Consultant's market study report.

The value-added processed meat segment is capital intensive with requirements for special machines to heat and cool meat for preservation and packing. Though there was an overcapacity of meat processing activities in the UAE before 2012G, manufacturers are currently running at almost full capacity 95.0%.

Breaded processed chicken products, such as nuggets, fillets and burgers, are prominent in modern trade and comprise 60.0% of the market. Non-breaded patties, such as beef and sausages, are popular in hotels, café and QSRs and occupy the remaining 40.0% of the processed meat market.

Among breaded processed chicken products, breaded chicken burgers are the most prominent category, with 40.0% product share, followed by chicken strips at 30.0%, and chicken nuggets or chicken fingers at 30.0%. Among the unbreaded category, chicken franks and sausages are the most popular 45%, followed by beef patties at 35.0%, while other non-fried categories like kebab and meatballs represent 20%. Sausages have been gaining popularity owing to the convenience, taste and variety they offer. They are also cheaper compared to other value-added products. Within the HORECA segment, non-breaded products are popular. These include kebabs, koftas, and meatballs, followed by sausages, mortadellas and breaded chicken products. With chicken nuggets, fillets, wings and fingers widely consumed as snacks items in the UAE, manufacturers are strategizing on healthy variants such as no preservatives, no MSG, no mechanically deboned meat and no trans-fat.

3.2.4 UAE Feed Market and Animal Vaccine Market

3.2.4.1 UAE Feed Market

Forage is mainly imported into the UAE. Compound feed is domestically manufactured and 5.0% of the total production is exported.

Consumption of ruminant feed is higher in the UAE owing to the increase in the number of dairy, camel and livestock farms. Poultry feed accounts for 45.0% and ruminant feed accounts to 55.0% of the overall compound feed market of 1.5 million tonnes in 2020G. Poultry feed is further segmented into broiler and layer feed based on protein and calcium content. The UAE has a higher number of broiler farms than layer farms owing to the high investments, low margin and high-priced competition on eggs posed by market participants from nearby countries.

Poultry feeds are not subsidised in the United Arab Emirates and hence, prominent companies such as Al Rawdah (Greenfield), Al Ghurair (Al Jabal Poultry) and IFFCO (egg farm) have an integrated feed manufacturing business. These companies are self-sufficient and sell a substantial amount of their produce to other farms. There are at least 12-15 farms in the UAE having in-house feed manufacturing facilities. However, not all of them are completely self-sufficient, and they meet more than 80% of their feed demand by sourcing it from bigger manufacturers.

The following table shows the UAE feed market from 2018G to 2020G:

Table 3.21: UAE Animal Feed Market, in MMT (2018G - 2020G)

Parameter	2018G Actual		2019G Actual		2020G Estimated	
	Animal Feed	Compound Feed	Animal Feed	Compound Feed	Animal Feed	Compound Feed
Domestic Production (MMT)....	1.2	1.2	1.2	1.2	1.4	1.3
Import (MMT)	1.9	0.20.2	2.0	0.2	2.0	0.2
Export (MMT)	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Net Market (MMT)	3.1	1.4	3.2	1.4	3.4	1.5

Source: The Market Consultant's market study report.

3.2.4.2 UAE Animal Vaccine Market

It has been estimated that UAE requires around 35 million doses of vaccines in ٢٠20G. The growth in the animal vaccines market over recent years may be attributed to the region's growing population (particularly in Dubai and Abu Dhabi, the most populous cities) and subsequent demand for high-quality, safe, animal-derived protein products that are fit for human consumption. Smaller ruminants, including goats and sheep, as well as broiler chickens, contribute greatly towards local consumption. Well-organised and coordinated veterinary organisations, as well as experienced veterinarians, are needed to supply the growing need for animal health services.

The expansion of the livestock industry may have major ecological and epidemiological consequences that could have an impact on national disease security. Although the UAE livestock industry has a limited effect on the country's economy, with agriculture representing 0.8% of the GDP, disease security is costly due to agricultural advisory services as well as veterinary research practices, including investigation laboratories, and veterinary field services. Control of the major livestock diseases is a necessary step in improving livestock productivity on a national scale. The following table shows the UAE animal vaccine market from 2018G to 2020G:

Table 3.22: UAE Animal Vaccine Market (2018G - 2020G)

Year	2018G Actual	2019G Actual	20w0G Actual
Revenue (AED Million)	115	120	124
Volume (Million Doses)	32	33	35

Source: The Market Consultant's market study report.

3.3 Bahrain Market Overview

3.3.1 Macroeconomic Indicators

The following table shows the key macroeconomic indicators in Bahrain from 2018G to 2020G:

Table 3.23: Key Macroeconomic Indicators in Bahrain (2018G-2020G)

Indicator	2018G (Actual)	2019G (Actual)	2020G (Actual)	CAGR (2017G-2019G)
Real GDP (BD Billion)	12.7	12.9	12.3	(1.6%)
Nominal GDP (BD Billion)	14.2	14.5	13.0	(4.3%)
Real GDP Growth (%)	1.8	1.8	(4.9)	-
Population (Million)	1.6	1.6	1.7	3.1%
GDP per capita (BD)	8,848.1	9,065.0	7,657.6	(7.0%)
CPI Inflation (%)	2.1	1.0	(2.4)	-
Consumer Price Index	98.9	99.9	99.9	0.5%

Source: IMF Global Economic Outlook, World Bank, World Tourism Forum Institute.

Bahrain's economy declined in 2020G by about 5% due to lower oil prices, coupled with the outbreak of the coronavirus pandemic, resulting in restrictions on production, demand and the supply chain. This also led to greater fiscal deficit in 2020G. The non-oil economy was negatively affected by social distancing restrictions that severely limited activities in the tourism sector, which contributes about 7% of Bahrain's GDP per annum. Moreover, weakening demand and uncertainties over the outbreak of the pandemic caused deflationary pressures on the economy as of March 2020G, which resulted in an annual inflation rate of -2.4% in 2020G.

3.3.2 Poultry Market in Bahrain

The Bahrain market is mainly dominated by brands imported from Brazil and the United States. Delmon Poultry Company is the only local manufacturing company in Bahrain. The United States and Bahrain have signed a foreign trade agreement that creates export opportunities for US companies and job opportunities for US farmers and workers. The United States accounts for the fifth of Bahrain's poultry imports.

In 2020G, domestic production covers less than 10.0% of the country's poultry consumption, and Brazilian brands remain popular in the imported category due to the lower cost of production compared to the domestic manufacturers. The cost of foodstuff production, especially meat in Bahrain, has increased in previous years due to the removal of government subsidies and the strong dominance of imports on the market. Tanmiah is the largest fresh poultry sales brand in Bahrain, and its poultry is shipped daily from the Kingdom. Almarai's "Alyoum" brand is also one of the larger retail brands in Bahrain.

The following table shows the poultry market in Bahrain from 2018G to 2020G:

Table 3.24: Poultry Meat Market in Bahrain (2018G-2020G)

Poultry Meat Market in Bahrain	2018G (Actual)	2019G (Actual)	2020G Estimated	CAGR (2018G-2020G)
Domestic Production (kt)	9.5	9.0	9.0	(2.7%)
Import (kt)	86.8	92.0	94.0	4.1%
Export (kt)	Negligible	Negligible	Negligible	-
Net Market (kt)	96.3	96.3	103.0	3.4%

Source: ITC Trademap, USDA, FAO, Indexmundi, the Market Consultant's market study report.

3.3.3 Processed Meat Market in Bahrain

The removal of government subsidies has increased raw material costs for processed meat companies, as they rely on imported raw materials at lower prices.

While brands, such as Americana, Al Kabeer, Freshly Frozen and Sadia, seek to cover residents' demand, local brands target local residents, as they fulfil the requirements of Islamic slaughter certificates (Halal). Local brands also export their products to foreign markets, such as the Kingdom Saudi Arabia, Iraq and other Middle Eastern countries.

Breaded processed poultry products such as fillets and chicken nuggets are the preferred choice for the retail segment. Processed meat products are mostly consumed by the retail segment, while poultry meat products are of great importance in both the retail and HORECA segments. The fillet category has emerged among those products due to their increasing and rapid demand due to their high percentage of meat compared to other breaded processed meat products, such as chicken nuggets and other products. Chicken nuggets represented 25% of the 2020G market, followed by sausages (20%), filets (18%), burgers and other breaded products (18%), while other non-breaded products, like kofta and meat patties, accounted for the remaining percentage in 2020G.

The following table sets out Bahrain's processed meat market in kilotons from 2018G to 2020G:

Table 3.25: Bahrain's Processed Meat Market in Kilotons (2018G-2020G)

Bahrain's Processed Meat Market	2018G (Actual)	2019G (Actual)	2020G Estimated	CAGR (2018G-2020G)
Domestic production	4.7	5	5	3.1%
Imports (kt)	14.2	14.7	15	2.8%
Exports (kt)	1	1	1	0.0%
Net Market (kt)	17.9	18.7	19	3.0%

Source: ITC Trademap, the Market Consultant's market study report.

3.3.4 Feed Market and Animal Vaccine Market of the Bahrain

3.3.4.1 Feed Market of the Bahrain

The following table shows the feed market of Bahrain from 2018G to 2020G:

Table 3.26: Bahrain's Animal Feed Market, in KT (2018G-2020G)

Parameter	2018G (Actual)		2019G (Actual)		2020G Estimated	
	Animal Feed	Compound Feed	Animal Feed	Compound Feed	Animal Feed	Compound Feed
Domestic Production (kt)	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Import (kt)	10	12.3	9.0	11.4	9.0	11.0
Export (kt)	Negligible	Negligible	Negligible	Negligible	Negligible	Negligible
Net Market (kt)	10	12.3	9.0	11.4	9.0	11.0

Source: The Market Consultant's market study report.

Plant and compound feeds are mainly imported into Bahrain, and Delmon Poultry Company is the sole consumer of compound fee in the consumer-regulated segment. Bahrain Livestock Company is responsible for importing plant and compound feeds to Bahrain.

3.3.4.2 Animal Vaccines Market in Bahrain

The following table sets out Bahrain's animal vaccine market from 2018G to 2020G:

Table 3.27: Bahrain's Animal Vaccines Market (2018G-2020G)

Year	2018G Actual	2019G Actual	2020G Actual
Revenues (BD million)	1.08	1.07	1.10
Volume (million doses)	2.1	2.2	2.3

Source: The Market Consultant's market study report.

Bahrain has a smaller population compared to the GCC Countries and thus the demand for meat products is lower in Bahrain, which in turn limits the size of the market for animal vaccines. The Animal Resources Department in the Kingdom of Bahrain is responsible for coordinating animal health care strategies in Bahrain, including animal vaccination programs.

4. BUSINESS DESCRIPTION

4.1 Overview

Tanmiah Food Company is a Saudi closed joint stock company registered under Commercial Registration No. 1010087483 dated 06/04/1412H (corresponding to 15 October 1991G) pursuant to Ministerial Resolution No. Q/148 dated 26/06/1440H (corresponding to 3 March 2019G), approving the Company's conversion from a limited liability company to a closed joint stock company. The Company's head and registered office is located in AlRabwa District, Omar bin Abdulaziz Road, P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia. The Company's current capital is SAR two hundred million (200,000,000), divided into twenty million (20,000,000) ordinary shares with a fully paid nominal value of SAR ten (10) per share.

The Group's core activities consist of the following three principal business segments (for further details, see Section 4.7 (**Overview of the Group's Business**)):

- **Poultry Production Segment**: primarily consisting of the production and selling of fresh poultry products;
- **Further Food Processing Segment**: primarily consisting of the manufacturing, processing and selling of processed poultry and other meat products; and
- **Feed and Veterinary Services Segment**: primarily consisting of the manufacturing and sales of animal feed, selling of broiler chicks, hatching eggs, animal health products, turnkey poultry and greenhouse projects, and sale of poultry and greenhouse equipment.

As of 31 December 2020G, the Group operated 84 farms, six hatcheries, one feed mill, two slaughterhouses, three food processing plants and 13 dry and cold storage facilities located across the Kingdom, Bahrain and the United Arab Emirates. In addition, the Group sells its products in seven countries through a network of distributors, wholesalers and retailers (for further details, see Section 4.7.5 (**Geographic Locations and Operations**)).

As of 31 December 2020G, the Group employed 1,772 people across all the countries where it operates. For further details, see Section 5.8 (**Employees**).

As of 31 December 2020G, the Group's total equity was SAR 347.5 million (compared to SAR 286.9 million and SAR 178.3 million as of 31 December 2019G and 2018G, respectively), with total assets of SAR 1,197.3 million as of 31 December 2020G (compared to SAR 1,073 million and SAR 829.5 million as of 31 December 2019G and 2018G, respectively). The Group generated revenue of SAR 1,211.9 million for the financial year ended 31 December 2020G (compared to SAR 1,145.7 million and SAR 1,091.4 million as of 31 December 2019G and 2018G, respectively), and consolidated net income of SAR 74.4 million for the financial year ended 31 December 2020G (compared to SAR 70.8 million and SAR 74.9 million for the financial years ended 31 December 2019G and 2018G, respectively).

4.2 Corporate History and Evolution of Capital

The predecessor legal entity of the Company was originally established as a proprietorship under the name of "Agricultural Development Establishment Owned by Abdullah Mohammad Ali Abu Al-Qasim AlDabbagh" (the "**Establishment**") registered in the city of Jeddah under the Commercial Registration No. 4030009579 dated 27/01/1396H (corresponding to 29 January 1976G), under which it operated five branches: in Jeddah, Dammam, and Medina, and two in Riyadh.

On 01/06/1412H (corresponding to 7 December 1991G), Hussein Abdullah Al-Dabbagh, Jamal Abdullah Al-Dabbagh, Amr Abdullah Al-Dabbagh and Tanmiah Commercial Group Company entered as shareholders in the Establishment and it was divided and converted into two limited liability companies: "Supreme Foods Company Limited" (now known as Tanmiah Food Company) and "Agricultural Development Company" (for further details, see Section 4.3.2.1 (**Agricultural Development Company**)).

As a result, Supreme Foods Company Limited was established as a limited liability company registered in the city of Riyadh under the Commercial Registration No. 1010087483, dated 06/04/1412H (corresponding to 15 October 1991G), with a capital of SAR 3,000,000 divided into 3,000 shares with a nominal value of SAR 1,000 per share. Consequently, the five branches of the Establishment were transferred to Supreme Foods Company Limited.

Upon incorporation, the shares of the Company were distributed as follows:

Table 4.1: Shareholders of the Company upon Incorporation Dated 06/04/1412H (Corresponding to 15 October 1991G)

Shareholder	Number of Shares	Ownership Percentage
Tanmiah Commercial Group Company	2,880	96%
Abdullah Mohammad Al-Dabbagh	30	1%
Amr Abdullah Al-Dabbagh	30	1%

Shareholder	Number of Shares	Ownership Percentage
Hussein Abdullah Al-Dabbagh	30	1%
Jamal Abdullah Al-Dabbagh	30	1%
Total	**3,000**	**100%**

Source: The Company.

On 02/07/1413H (corresponding to 26 December 1992G), Abdullah Mohammad Al-Dabbagh, Amr Abdullah Al-Dabbagh, Hussein Abdullah Al-Dabbagh and Jamal Abdullah Al-Dabbagh transferred all of their 120 shares in the Company with a nominal value of SAR 1,000 per share (representing 4% of the total shares of the Company) to Al-Dabbagh Group Holding Company as a new shareholder in the Company. Simultaneously, Tanmiah Commercial Group Company transferred 2,760 shares with a nominal value of SAR 1,000 per share (representing 92% of the total shares of the Company) to Al-Dabbagh Group Holding Company. Accordingly, the shares of the Company were distributed as follows:

Table 4.2: Ownership Structure as of 02/07/1413H (Corresponding to 26 December 1992G)

Shareholder	Number of Shares	Ownership Percentage
Al-Dabbagh Group Holding Company	2,880	96%
Tanmiah Commercial Group Company	120	4%
Total	**3,000**	**100%**

Source: The Company.

On 22/07/1425H (corresponding to 7 September 2004G), the capital of the Company was increased from SAR 3,000,000 divided into 3,000 shares with a nominal value of SAR 1,000 per share, to SAR 50,000,000 divided into 50,000 shares with a nominal value of SAR 1,000 per share, through a capitalisation of SAR 47,000,000 of debts owed to shareholders. The shares of the Company were distributed as follows:

Table 4.3: Ownership Structure as of 22/07/1425H (Corresponding to 7 September 2004G)

Shareholder	Number of Shares	Ownership Percentage
Al-Dabbagh Group Holding Company	48,000	96%
Tanmiah Commercial Group Company	2,000	4%
Total	**50,000**	**100%**

Source: The Company.

On 11/09/1430H (corresponding to 1 September 2009G), the capital of the Company was further increased from SAR 50,000,000 divided into 50,000 shares with a nominal value of SAR 1,000 per share, to SAR 100,000,000 divided into 100,000 shares with a nominal value of SAR 1,000 per share, through a capitalisation of SAR 50,000,000 from the Company's retained earnings. The shares of the Company were distributed as follows:

Table 4.4: Ownership Structure as of 11/09/1430H (Corresponding to 1 September 2009G)

Shareholder	Number of Shares	Ownership Percentage
Al-Dabbagh Group Holding Company	96,000	96%
Tanmiah Commercial Group Company	4,000	4%
Total	**100,000**	**100%**

Source: The Company.

On 26/06/1440H (corresponding to 3 March 2019G), the Company was converted into a closed joint stock company under the name of "Tanmiah Food Trading Company" pursuant to the Ministerial Resolution No. Q/148 with a capital of SAR 100,000,000 divided into 10,000,000 ordinary Shares with a nominal value of SAR 10 per Share.

Table 4.5: Ownership Structure as of 26/06/1440H (Corresponding to 3 March 2019G)

Shareholder	No. of Shares	Ownership Percentage
Al-Dabbagh Group Holding Company	9,600,000	96%
Tanmiah Commercial Group Company	400,000	4%
Total	**10,000,000**	**100%**

Source: The Company.

On 12/08/1440H (corresponding 17 April 2019G), the Company's name was changed to "Tanmiah Food Company" and its share capital was increased to SAR 200,000,000 divided into 20,000,000 Shares, with an equal nominal value of SAR 10 each, by capitalizing SAR 50,000,000 of the reserve capital, SAR 21,216,697 of the statutory reserve and SAR 28,783,303 of the retained earnings. The shares of the Company were distributed as follows:

Table 4.6: Ownership Structure as of 12/08/1440H (Corresponding to 17 April 2019G)

Shareholder	Number of Shares	Ownership Percentage
Al-Dabbagh Group Holding Company	19,200,000	96%
Tanmiah Commercial Group Company	800,000	4%
Total	**20,000,000**	**100%**

Source: The Company.

In summary, the main historical changes to the Company's capital and ownership are as follows:

Table 4.7: Historical Changes to the Company's Capital and Ownership

Date	Change
1976G	"Agricultural Development Establishment Owned by Abdullah Mohammad Ali Abu Al-Qasim Al-Dabbagh" was established.
1991G	Hussein Abdullah Al-Dabbagh, Jamal Abdullah Al-Dabbagh, Amr Abdullah Al-Dabbagh and Tanmiah Commercial Group Company entered as shareholders in "Agricultural Development Establishment Owned by Abdullah Mohammad Ali Abu Al-Qasim Al-Dabbagh", which was converted into a limited liability company under the name of "Supreme Foods Company Limited" with a capital of SAR 3,000,000, divided into 3,000 shares with a nominal value of SAR 1,000 per share.
1992G	Al-Dabbagh Group Holding Company acquired a 96% ownership interest in the Company.
2004G	The capital of the Company was increased from SAR 3,000,000 to SAR 50,000,000, through a capitalisation of debts owed to the shareholders.
2009G	The capital of the Company was increased from SAR 50,000,000 to SAR 100,000,000 through capitalizing the Company's retained earnings.
2019G	The Company was converted into a closed joint stock company under the name of Tanmiah Food Trading Company and was then renamed Tanmiah Food Company. Its share capital was increased to SAR 200,000,000 divided into 20,000,000 Shares, with an equal nominal value of SAR 10 each, by capitalizing SAR 50,000,000 of the reserve capital, SAR 21,216,697 of the statutory reserve and SAR 28,783,303 of the retained earnings.

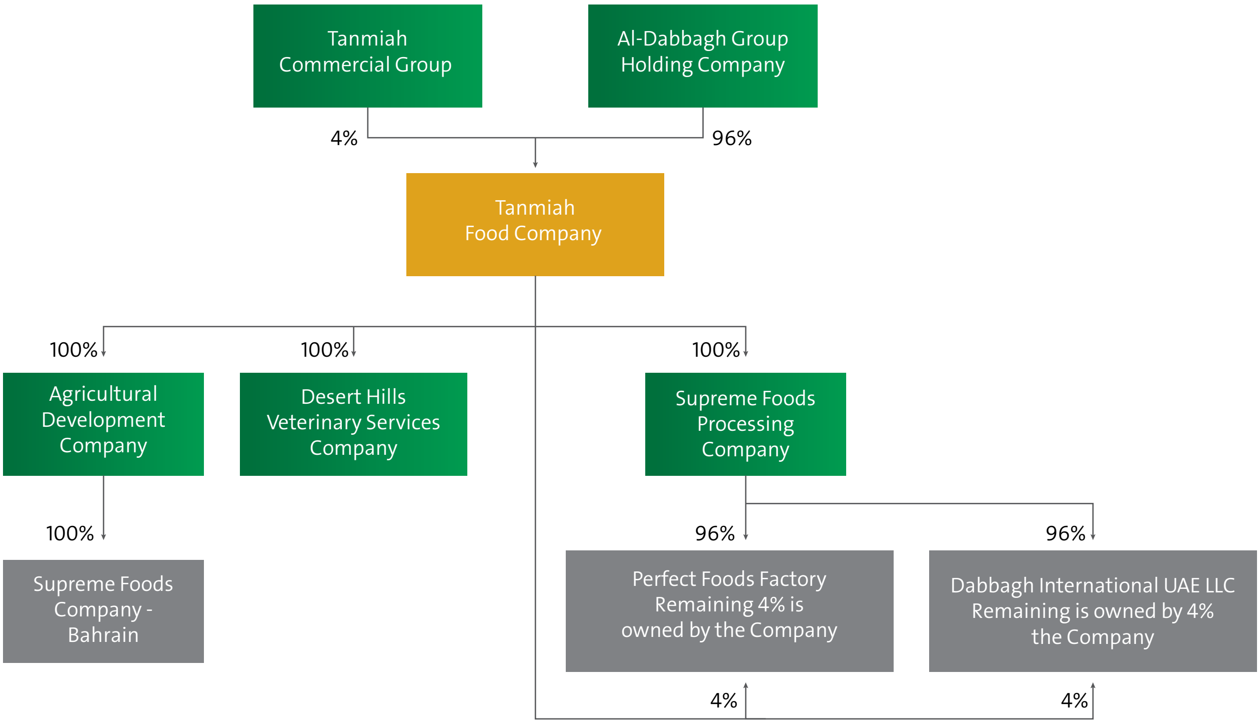
Source: The Company.

4.3 Group Structure

4.3.1 Overview

The Company holds ownership interests in seven direct and indirect Subsidiaries, both domestic and foreign. The following chart sets out the current structure of the Group:

Exhibit 4.1: The Current Structure of the Group



Source: The Company.

The table below lists all the direct and indirect Subsidiaries and indicates the Company's direct and indirect interest therein:

Table 4.8: Details of the Company's Direct and Indirect Subsidiaries

Name of Subsidiary	Country of Incorporation	Direct Interest (%)	Indirect Interest (%)	Remaining Ownership
Agricultural Development Company	Kingdom	100%	-	N/A
Desert Hills Veterinary Services Company	Kingdom	100%	-	N/A
Supreme Foods Processing Company	Kingdom	100%	-	N/A
Perfect Foods Factory	UAE	4%	96%[1]	N/A
Tanmiah International Company	UAE	4%	96%[1]	N/A
Supreme Foods Company - Bahrain	Kingdom of Bahrain	-	100%[2]	N/A

Source: The Company.

1 Through SFPC

2 Through ADC

4.3.2 Overview of Subsidiaries

4.3.2.1 Agricultural Development Company

The Agricultural Development Company was established as a limited liability company registered in Riyadh, Kingdom of Saudi Arabia, under the Commercial Registration No. 1010395711 dated 06/04/1412H (corresponding to 15 October 1991G) with a capital of SAR 3,000,000 divided into 3,000 shares with a nominal value of SAR 1,000 per share. The Agricultural Development Establishment owned by Abdullah Mohammad Ali Abu Al-Qasim Al-Dabbagh was converted on 01/06/1412H (corresponding to 7 December 1991G) into two limited liability companies, one of which being "Supreme Foods Company Limited" (now known as Tanmiah Food Company) and the other being Agricultural Development Company. Supreme Foods Company (Bahrain) is wholly owned by ADC.

Agricultural Development Company ("ADC") is a single shareholder limited liability company registered in Riyadh, Kingdom of Saudi Arabia under the Commercial Registration No. 1010395711 dated 21/1/1435H (corresponding to 24 November 2013G). The head office of ADC is located in AlRabwa District, Omar bin Abdulaziz Road, P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia. The current capital of ADC is SAR 20,000,000, divided into 20,000 shares with a fully paid nominal value of SAR 1,000 per share. The following table summarises the ownership structure of ADC:

Table 4.9: The Current Ownership Structure of ADC

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Tanmiah Food Company	20,000	1,000	20,000,000	100%
Total	**20,000**	-	**20,000,000**	**100%**

Source: The Company.

The principal activities of ADC include rearing and production of broilers and operation of hatcheries, egg production and wholesale, and meat and chicken wholesale. As of the date of this Prospectus, ADC operates 14 branches in the Kingdom, and one branch in Dubai, United Arab Emirates.

4.3.2.2 Desert Hills Veterinary Services Company

Desert Hills Veterinary Services Company ("DHV") is a single shareholder limited liability company registered in Riyadh, Kingdom of Saudi Arabia under the Commercial Registration No. 1010202286 dated 22/8/1425H (corresponding to 6 October 2004G). The head office of DHV is located in AlRabwa District, Omar bin Abdulaziz Road, P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia. The current capital of DHV is SAR 1,000,000, divided into 1,000 Shares with a fully paid nominal value of SAR 1,000 per share. The following table summarises the ownership structure of DHV:

Table 4.10: The Current Ownership Structure of DHV

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Tanmiah Food Company	1,000	1,000	1,000,000	100%
Total	**1,000**	-	**1,000,000**	**100%**

Source: The Company.

The principal activities of DHV include agriculture, fishing, transport, storage and refrigeration. As of the date of this Prospectus, DHV operates one branch in the Kingdom.

4.3.2.3 Supreme Foods Processing Company

Supreme Foods Processing Company ("SFPC") is a single shareholder limited liability company registered in Riyadh, Kingdom of Saudi Arabia under the Commercial Registration No. 1010155952 dated 16/7/1420H (corresponding to 25 October 1999G). The head office of SFPC is located in the Second Industrial Area, P.O. Box 9808, Riyadh 11423, Kingdom of Saudi Arabia. The current capital of SFPC is SAR 8,625,000, divided into 86,250 shares with a fully paid nominal value of SAR 100 per share. The following table summarises the ownership structure of SFPC:

Table 4.11: The Current Ownership Structure of SFPC

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Tanmiah Food Company	86,250	100	8,625,000	100%
Total	**86,250**	-	**8,625,000**	**100%**

Source: The Company.

The principal activities of SFPC include agriculture, fishing, transport, storage and refrigeration. As of the date of this Prospectus, SFPC operates two branches in the Kingdom and holds an ownership interest in Perfect Foods Factory ("PFF") and Tanmiah International (representing 96% of their capital).

4.3.2.4 Perfect Foods Factory

PFF is a limited liability company registered in Dubai, United Arab Emirates under the Commercial Registration No. 1091230 dated 12/4/1433H (corresponding to 5 March 2012G). The head office of PFF is located in Dubai Investment Park, P.O. Box 487923, Dubai 11423, United Arab Emirates. The current capital of PFF is AED 20,000,000 (equivalent to SAR 20,760,000), divided into 100 shares with a fully paid nominal value of AED 200,000 (equivalent to SAR 207,600) per share. The following table summarises the ownership structure of PFF:

Table 4.12: The Current Ownership Structure of PFF

Shareholders	Number of Shares	Nominal Value per Share (AED)	Overall Nominal Value (AED)	Ownership Percentage
Supreme Foods Processing Company	96	200,000	19,200,000	96%
Tanmiah Food Company	4	200,000	800,000	4%
Total	**100**	**-**	**20,000,000**	**100%**

Source: The Company.

The principal activities of PFF include the manufacturing of poultry and beef, trading in fresh and chilled meat, and self-storage services. As of the date of this Prospectus, PFF operates one branch in the United Arab Emirates.

4.3.2.5 Tanmiah International Company

Tanmiah International LLC ("**Tanmiah International Company**") is a limited liability company registered in Dubai, United Arab Emirates under the Commercial Registration No. 52612 dated 25/12/1419H (corresponding to 12 April 1990G). The head office of Tanmiah International is located in Dubai Industrial City, P.O. Box 487923, Dubai, United Arab Emirates. The current capital of Dabbagh International is AED 3,000,000 (equivalent to SAR 3,114,000), divided into 3,000 shares with a fully paid nominal value of AED 1,000 (equivalent to SAR 1,038) per share. The following table summarises the ownership structure of Tanmiah International:

Table 4.13: The Current Ownership Structure of Tanmiah International Company

Shareholders	Number of Shares	Nominal Value per Share (AED)	Overall Nominal Value (AED)	Ownership Percentage
Supreme Foods Processing Company	2,880	1,000	2,880,000	96%
Tanmiah Food Company	120	1,000	120,000	4%
Total	**3,000**	**-**	**3,000,000**	**100%**

Source: The Company.

The principal activities of Tanmiah International include general trading activities. Tanmiah International has been used actively up to 2016G for import of fresh poultry products from the Kingdom for sale in the UAE. It is currently not performing any material commercial activities as of the date of this Prospectus.

4.3.2.6 Supreme Foods Company (Bahrain)

Supreme Foods Company (Bahrain) "S.P.C" (single person company) (referred to as "**SFC (Bahrain)**") is a single person-limited liability company registered in Manama, Bahrain under Commercial Registry No. 1-133727 dated 1/2/1441H (corresponding to 30 September 2019G). The head office of SFC (Bahrain) is located in Umm Al Hassam area in Manama, P.O. Box 15588, Manama, Kingdom of Bahrain. The current capital of SFC (Bahrain) is BD 2,500 (equivalent to SAR 24,870), divided into 50 shares with a fully paid nominal value of BD 50 (equivalent to SAR 498) per share. The following table summarises the ownership structure of SFC (Bahrain):

Table 4.14: Current Ownership Structure of SFC (Bahrain)

Shareholders	No. of shares	Nominal Value per Share (BD)	Total Nominal Value (BD)	Ownership Percentage
ADC	50	50	2,500	100%
Total	**50**	**-**	**2,500**	**100%**

Source: The Company.

The main activities of SFC (Bahrain) include trade and sale of food and beverages and general trading. Moreover, the SFC (Bahrain) is used as the commercial arm of ADC, which owns the entire capital of the SFC (Bahrain).

4.4 Current Ownership Structure

4.4.1 Overview

The current capital of the Company is SAR 200,000,000 divided into 20,000,000 ordinary Shares with a fully paid nominal value of SAR 10 per Share. The following table describes the capital and ownership structure of the Company pre- and post-Offering:

Table 4.15: Ownership Structure of the Company Pre- and Post-Offering

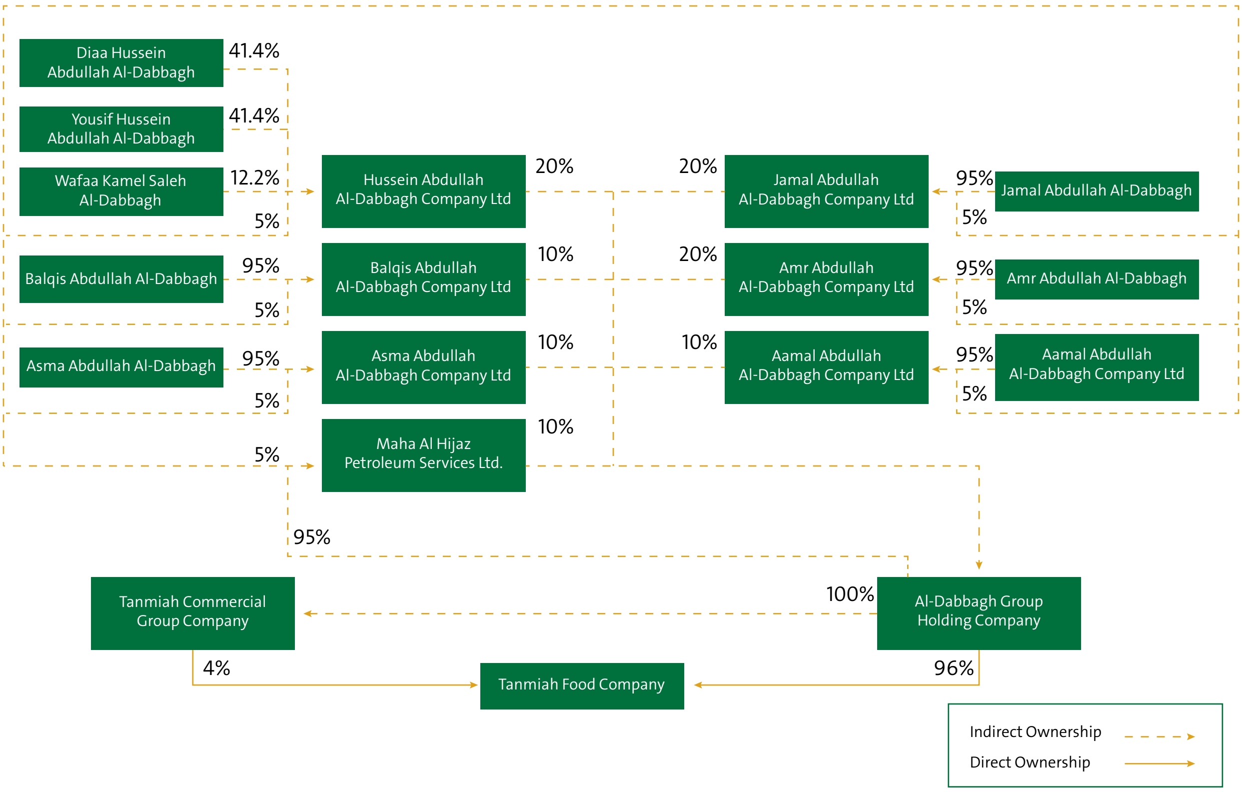
Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)[1]	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)[1]	Overall Nominal Value (SAR)
Al-Dabbagh Group Holding Company	19,200,000	96%	192,000,000	14,000,000	70%	140,000,000
Tanmiah Commercial Group Company	800,000	4%	8,000,000	-	-%	-
Public	-	-	-	6,000,000	30%	60,000,000
Total	**20,000,000**	**100%**	**200,000,000**	**20,000,000**	**100%**	**200,000,000**

Source: The Company.

1 The ownership percentages are rounded.

The following chart illustrates the current ownership structure of the Company:

Exhibit 4.2: Ownership Structure of the Company[1]



Source: The Company.

1 For further details on the Company's ultimate individual owners and their indirect ownership percentages in the Company, see Appendix A of this Prospectus.

The following tables set out the details of Shareholders directly or indirectly holding 5% or more of the Shares:

Table 4.16: Details of Shareholder Directly Holding 5% or more of the Shares

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)[1]	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)[1]	Overall Nominal Value (SAR)
Al-Dabbagh Group Holding Company	19,200,000	96%	192,000,000	14,000,000	70%	140,000,000

Source: The Company.

Table 4.17: Details of Individual Shareholders Indirectly Holding 5% or more of the Shares

Shareholder	Pre-Offering	Post-Offering
	Indirect Interest[1] %	Indirect Interest[1] %
Jamal Abdullah Al-Dabbagh	22.2%	15.6%
Amru Abdullah Al-Dabbagh	22.2%	15.6%
Balqis Abdullah Al-Dabbagh	11.1%	7.8%
Aamal Abdullah Al-Dabbagh	11.1%	7.8%
Asma Abdullah Al-Dabbagh	11.1%	7.8%
Diaa Hussein Abdullah Al-Dabbagh	9.67%	6.77%
Yousif Hussein Abdullah Al-Dabbagh	9.67%	6.77%
Total	**97%**	**68.1%**

Source: The Company.

1 The ownership percentages are rounded; for further details on the Company's ultimate individual owners and their indirect ownership percentages in the Company, see Appendix A of this Prospectus.

4.4.2 Overview of the Selling Shareholders

4.4.2.1 Al-Dabbagh Group Holding Company

Al-Dabbagh Group Holding Company is a limited liability company registered in Jeddah, Kingdom of Saudi Arabia under the Commercial Registration No. 4030088071 dated 7/1/1413H (corresponding to 8 July 1992G). Al-Dabbagh Group Holding Company's head and registered office is located in Jeddah at P.O. Box 1039, Jeddah 21431, Kingdom of Saudi Arabia. The current capital of Al-Dabbagh Group Holding Company is SAR 34,000,000, divided into 34,000 shares with a fully paid nominal value of SAR 1,000 per share. The following table summarises the ownership structure of Al-Dabbagh Group Holding Company:

Table 4.18: The Current Ownership Structure of Al-Dabbagh Group Holding Company

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage	Ultimate Ownership Percentage[1]
Hussein Abdullah Al-Dabbagh Co Ltd.	6,800	1,000	6,800,000	20%	22%
Jamal Abdullah Al-Dabbagh Co Ltd.	6,800	1,000	6,800,000	20%	22%
Amr Bin Abdullah Al-Dabbagh Co Ltd.	6,800	1,000	6,800,000	20%	22%
Balqis Abdullah Al-Dabbagh Co Ltd.	3,400	1,000	3,400,000	10%	11%
Aamal Abdullah Al-Dabbagh Co Ltd.	3,400	1,000	3,400,000	10%	11%
Asma Abdullah Al-Dabbagh Co Ltd.	3,400	1,000	3,400,000	10%	11%
Maha AlHejaz for Petroleum Services Co Ltd.	3,400	1,000	3,400,000	10%	-
Total	**34,000**	**-**	**34,000,000**	**100%**	

Source: The Company.

1 For further details on the Company's ultimate individual owners and their indirect ownership percentages in the Company through ADGHC, see Appendix A of this Prospectus.

Al-Dabbagh Group Holding Company comprises more than 60 companies operating in diversified businesses in over 30 countries with more than 10,000 employees. It was founded in 1962G by HE Sheikh Abdullah Muhammad Ali Al-Dabbagh, a former Minister of Agriculture in Saudi Arabia. In addition to the Group's business segments such as industry, agriculture, real estate, food production, and various commercial investments, it has a 70% (direct and indirect) ownership interest in Red Sea International Company, a leading international manufacturer of modular buildings listed on Tadawul, 100% direct and indirect ownership interest in Petromin Corporation, a leading maker of lubricants in the Kingdom, and 50% ownership in a global Joint Venture in flexible packaging between Al-Dabbagh Group and Greif Inc., a leading American company in the field of packaging.

Al-Dabbagh Group Holding Company's shareholders are set out below:

(A) Hussein Abdullah Al-Dabbagh Co Ltd

Hussein Abdullah Al-Dabbagh Co Ltd is a Saudi limited liability company registered under the Commercial Registration No. 4030152317 dated 11/10/1425H (corresponding to 24 November 2004G). Its head and registered office is located in Jeddah at P.O. Box 1039, Jeddah 21431, Kingdom of Saudi Arabia. The current share capital of Hussein Abdullah Al-Dabbagh Co Ltd is SAR 500,000 divided into 500 shares with a fully paid nominal value of SAR 1,000 per share. As of the date of this Prospectus, Hussein Abdullah AlDabbagh Co Ltd operates primarily as a holding company owning 6,800 shares in Al-Dabbagh Group Holding Company (representing 20% of its capital). The main activities of Hussein Abdullah AlDabbagh Co Ltd include providing commercial services related to marketing and exports. However, as of the date of this Prospectus, there are no operating revenues or activities attributed to Hussein Abdullah AlDabbagh Co Ltd.

The following table sets out the ownership structure of Hussein Abdullah Al-Dabbagh Co Ltd as of the date of this Prospectus:

Table 4.19: The Current Ownership Structure of Hussein Abdullah Al-Dabbagh Co Ltd

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Diaa Hussein Abdullah Al-Dabbagh	207	1,000	207,000	41.4%
Yousif Hussein Abdullah Al-Dabbagh	207	1,000	207,000	41.4%
Wafaa Kamel Saleh Al-Dabbagh	61	1,000	61,000	12.2%
Tanmiah Commercial Group Company	25	1,000	25,000	5%
Total	**500**	**-**	**500,000**	**100%**

Source: The Company.

(B) Jamal Abdullah Al-Dabbagh Co Ltd

Jamal Abdullah Al-Dabbagh Co Ltd is a Saudi limited liability company registered under the Commercial Registration No. 4030152318 dated 11/10/1425H (corresponding to 24 November 2004G). Its head and registered office is located in Jeddah at P.O. Box 1039, Jeddah 21431, Kingdom of Saudi Arabia. The current share capital of Jamal Abdullah Al-Dabbagh Co Ltd is SAR 500,000 divided into 500 shares with a fully paid nominal value of SAR 1,000 per share. As of the date of this Prospectus, Jamal Abdullah Al-Dabbagh Co Ltd operates primarily as a holding company owning 6,800 shares in Al-Dabbagh Group Holding Company (representing 20% of its capital). The principal activities of Jamal Abdullah Al-Dabbagh Co Ltd include providing commercial services related to marketing and exports. However, as of the date of this Prospectus, there are no operating revenues or activities attributed to Jamal Abdullah Al-Dabbagh Co Ltd.

The following table sets out the ownership structure of Jamal Abdullah Al-Dabbagh Co Ltd as of the date of this Prospectus:

Table 4.20: The Current Ownership Structure of Jamal Abdullah Al-Dabbagh Co Ltd

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Jamal Abdullah Al-Dabbagh	475	1,000	475,000	95%
Tanmiah Commercial Group Company	25	1,000	25,000	5%
Total	**500**	**-**	**500,000**	**100%**

Source: The Company.

(C) Amr Bin Abdullah Al-Dabbagh Co Ltd

Amr Bin Abdullah Al-Dabbagh Co Ltd is a Saudi limited company registered under the Commercial Registration No. 4030239580 dated 8/3/1434H (corresponding to 20 January 2013G). Its head and registered office is located in Jeddah at P.O. Box 1039, Jeddah 21431, Kingdom of Saudi Arabia. The current share capital of Amr Bin Abdullah Al-Dabbagh Co Ltd is SAR 50,000 divided into 500 shares with a fully paid nominal value of SAR 100 per share. As of the date of this Prospectus, Amr Bin Abdullah Al-Dabbagh Co Ltd operates primarily as a holding company owning 6,800 shares in Al-Dabbagh Group Holding Company (representing 20% of its capital). The principal activities of Amr Bin Abdullah Al-Dabbagh Co Ltd include the retail trading of lubricants and fuel. However, as of the date of this Prospectus, there are no operating revenues or activities attributed to Amr Bin Abdullah Al-Dabbagh Co Ltd.

The following table sets out the ownership structure of Amr Bin Abdullah Al-Dabbagh Co Ltd as of the date of this Prospectus:

Table 4.21: The Current Ownership Structure of Amr Bin Abdullah Al-Dabbagh Co Ltd

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Amr Abdullah Al-Dabbagh	475	100	47,500	95%
Tanmiah Commercial Group Company	25	100	2,500	5%
Total	**500**	**-**	**50,000**	**100%**

Source: The Company.

(D) Balqis Abdullah Al-Dabbagh Co Ltd

Balqis Abdullah Al-Dabbagh Co Ltd is a Saudi liability limited company registered under the Commercial Registration No. 4030165402 dated 18/11/1427H (corresponding to 9 December 2006G). Its head and registered office is located in Jeddah at P.O. Box 1039, Jeddah 21431, Kingdom of Saudi Arabia. The current share capital of Balqis Abdullah Al-Dabbagh Co Ltd is SAR 500,000 divided into 500 shares with a fully paid nominal value of SAR 1,000 per share. As of the date of this Prospectus, Balqis Abdullah Al-Dabbagh Co Ltd operates primarily as a holding company owning 3,400 shares in Al-Dabbagh Group Holding Company (representing 10% of its capital). The principal activities of Balqis Abdullah Al-Dabbagh Co Ltd include providing commercial services related to marketing and exports. However, as of the date of this Prospectus, there are no operating revenues or activities attributed to Balqis Abdullah Al-Dabbagh Co Ltd.

The following table sets out the ownership structure of Balqis Abdullah Al-Dabbagh Co Ltd as of the date of this Prospectus:

Table 4.22: The Current Ownership Structure of Balqis Abdullah Al-Dabbagh Co Ltd

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Balqis Abdullah Al-Dabbagh	475	1,000	475,000	95%
Tanmiah Commercial Group Company	25	1,000	25,000	5%
Total	**500**	**-**	**500,000**	**100%**

Source: The Company.

(E) Aamal Abdullah Al-Dabbagh Co Ltd

Aamal Abdullah Al-Dabbagh Co Ltd is a Saudi limited company registered under the Commercial Registration No. 4030165401 dated 18/11/1427H (corresponding to 9 December 2006G). Its head and registered office is located in Jeddah at P.O. Box 1039, Jeddah 21431, Kingdom of Saudi Arabia. The current share capital of Aamal Abdullah Al-Dabbagh Co Ltd is SAR 500,000 divided into 500 shares with a fully paid nominal value of SAR 1,000 per share. As of the date of this Prospectus, Aamal Abdullah Al-Dabbagh Co Ltd operates primarily as a holding company owning 3,400 shares in Al-Dabbagh Group Holding Company (representing 10% of its capital). The principal activities of Aamal Abdullah Al-Dabbagh Co Ltd include providing commercial services related to marketing and exports but as of the date of this Prospectus, there are no operating revenues or activities attributed to Aamal Abdullah Al-Dabbagh Company Limited.

The following table sets out the ownership structure of Aamal Abdullah Al-Dabbagh Co Ltd as of the date of this Prospectus:

Table 4.23: The Current Ownership Structure of Aamal Abdullah Al-Dabbagh Co Ltd

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Aamal Abdullah Al-Dabbagh	475	1,000	475,000	95%
Tanmiah Commercial Group Company	25	1,000	25,000	5%
Total	**500**	**-**	**500,000**	**100%**

Source: The Company.

(F) Asma Abdullah Al-Dabbagh Co Ltd

Asma Abdullah Al-Dabbagh Co Ltd is a Saudi limited liability company registered under the Commercial Registration No. 4030157152 dated 4/7/1426H (corresponding to 9 August 2005G). Its head and registered office is located in Jeddah at P.O. Box 1039, Jeddah 21431, Kingdom of Saudi Arabia. The current share capital of Asma Abdullah Al-Dabbagh Co Ltd is SAR 500,000 divided into 500 shares with a fully paid nominal value of SAR 1,000 per share. As of the date of this Prospectus, Asma Abdullah Al-Dabbagh Co Ltd operates primarily as a holding company owning 3,400 shares in Al-Dabbagh Group Holding Company (representing 10% of its capital). The principal activities of Asma Abdullah Al-Dabbagh Co Ltd include providing commercial services related to marketing and exports. However, as of the date of this Prospectus, there are no operating revenues or activities attributed to Asma Abdullah Al-Dabbagh Co Ltd.

The following table sets out the ownership structure of Asma Abdullah Al-Dabbagh Co Ltd as of the date of this Prospectus:

Table 4.24: The Current Ownership Structure of Asma Abdullah Al-Dabbagh Co Ltd

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Aamal Abdullah Al-Dabbagh	475	1,000	475,000	95%
Tanmiah Commercial Group Company	25	1,000	25,000	5%
Total	**500**	**-**	**500,000**	**100%**

Source: The Company.

(G) Maha AlHejaz for Petroleum Services Co Ltd

Maha AlHejaz for Petroleum Services Co Ltd is a Saudi limited liability company registered under the Commercial Registration No. 4030157151 dated 4/7/1426H (corresponding to 9 August 2005G). Its head and registered office is located in Jeddah at P.O. Box 1039, Jeddah 21431, Kingdom of Saudi Arabia. The current share capital of Maha AlHejaz for Petroleum Services Co Ltd is SAR 500,000 divided into 500 shares with a fully paid nominal value of SAR 1,000 per share. As of the date of this Prospectus, Maha AlHejaz for Petroleum Services Co Ltd operates primarily as a holding company owning 3,400 shares in AlDabbagh Group Holding Company (representing 10% of its capital). The principal activities of Maha AlHejaz for Petroleum Services Co Ltd include providing commercial services related to marketing and exports. However, as of the date of this Prospectus, there are no operating revenues or activities attributed to Maha AlHejaz for Petroleum Services Co Ltd.

The following table sets out the ownership structure of Maha AlHejaz for Petroleum Services Co Ltd as of the date of this Prospectus:

Table 4.25: The Current Ownership Structure of Maha AlHejaz for Petroleum Services Co Ltd

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Al-Dabbagh Group Holding Company	475	1,000	475,000	95%
Tanmiah Commercial Group Company	25	1,000	25,000	5%
Total	**500**	**-**	**500,000**	**100%**

Source: The Company.

4.4.2.2 Tanmiah Commercial Group Company

Tanmiah Commercial Group Company is a one-person company a limited liability company registered in Jeddah, Kingdom of Saudi Arabia under the Commercial Registration No. 4030078745 dated 14/10/1411H (corresponding to 29 April 1991G). Tanmiah Commercial Group Company's head and registered office is at P.O. Box 1039, Jeddah 21431, Kingdom of Saudi Arabia. The current capital of Tanmiah Commercial Group Company is SAR 25,000,000 divided into 100 shares with a fully paid nominal value of SAR 250,000 per share. The following table summarises the ownership structure of Tanmiah Commercial Group Company:

Table 4.26: The Current Ownership Structure of Tanmiah Commercial Group Company

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Ownership Percentage
Al-Dabbagh Group Holding Company	100	250,000	25,000,000	100%
Total	**100**	**-**	**25,000,000**	**100%**

Source: The Company.

As of the date of this Prospectus, Tanmiah Commercial Group Company serves primarily as a holding company, with its primary business activity consisting of holding investments in other companies.

4.5 Vision, Mission and Strategy

4.5.1 Vision

The Group seeks to be a leading producer and distributor of poultry and other meat products in the MENA Region, through growing its capacity in terms of broiler farms, and processing and distribution capability, to meet the growing market demand for fresh chicken products.

4.5.2 Mission

To focus on providing high quality products and services supported by international expertise to attain the highest level of customer satisfaction.

4.5.3 Strategy

4.5.3.1 Expand Capacity to Serve Growing Demand Locally and in the MENA Region

The Group seeks to grow its fresh chicken business in line with the Saudi Government's strategic goal of meeting 80% of the local poultry demand within the next five years through domestic production,Pursuant to the Ministry of Environment Water and Agriculture (MEWA) strategy and the Kingdom's Vision 2030G. The Saudi Arabian poultry market is moving towards self-sufficiency as domestic producers are increasing their production supported by the Government in the form of direct and indirect subsidies, stricter import regulations on frozen poultry and growing consumer preference for locally produced fresh poultry. However, there is a supply gap that needs to be bridged.

The fresh product margins are higher as they command a better price and partly because chilling reduces costs by eliminating freezing and cold storage charges. Consumers, particularly Saudi nationals, are used to paying a premium for fresh/chilled domestic chicken meat. The Group has systematically increased its local sales of fresh chicken over the past three years, from 66.3 million chickens in 2018G to 81.5 million chickens in 2020G to grow and build market share. The Group has been continuously growing its capacity in terms of broiler farms, and processing and distribution capability, to ensure that it can meet the growing market demand for fresh chicken products.

In relation to the processed meat business, there has also been a stable demand from the HORECA segment. This demand is being catered to from the further processed food facilities of the Group, which has resulted in a stable volume of around 14,000 MT per year in the 2018G - 2020G period that the Group met by ensuring efficient capacity utilisation and effective planning and improved process flow.

4.5.3.2 Deliver Differentiated Products and Solutions

The Group continually assesses opportunities for delivering high quality, fresh, further processed and custom-made products and services as a solution to the ever demanding and rapidly expanding retail, food and poultry industry. The Group has set-up an in-house product development team that supports new product development, tailored to meet market needs. The Group's focus on quality and food safety allows it to target customers that place a high value on quality, consistency, food safety and predictability of products and services.

4.5.3.3 Maintain and Grow Strategic Logistics Supply Solutions

The Group has over the years worked closely with companies and entities that can provide opportunities to secure competitive pricing and a stable access to its raw materials, delivering value and benefit in the short and long terms. The Group procures its raw materials from internationally renowned global suppliers on exacting standards to ensure that there are no compromises on final product quality.

4.5.3.4 Cost of Supplying Competitive Raw Materials to Further Food Processing Facilities of the Group

One of the Group's recent initiatives is rearing of larger broiler birds in the 2.5 kg to 3 kg range processed in the Group's further processed facilities based in the Kingdom according to the supply and demand. This is a strategic benefit for blue-chip customers as the raw material is fresh and never frozen when it is used for processing, delivering a unique taste profile. The Group will continue to develop and implement such strategic supply chain solutions.

4.5.3.5 Capture Existing and Emerging Market Segments

The Group seeks to address all commercially viable existing market segments. In the fresh poultry segment, it plans to expand its footprint beyond the Kingdom and Bahrain, notably to markets like the UAE, to capture a share of the growing fresh poultry segment. The Group is focusing on new product development in the further processed food segment, which would help to expand its products to reach new prospects in food service products. The Group is continually looking to add potential partners to increase the range of products and services. In addition to investment in production technology, which would help the Group reach a wider customer base and capture the most profitable opportunities, it will keep monitoring the market for new evolving segments and is well placed to capitalise on these emerging opportunities.

4.5.3.6 Build Local Talent Pool

The Group believes in nurturing local talent and building a well-trained team that will ensure that its business is built using local insight, as well as the continuity of its business in the long term. Local talent is hired across functions and internal training programs are rolled out to impart quality consciousness, time management, sales development, and similar skills, to ensure that the Group can support future growth. Furthermore, equipping its human capital with the necessary knowledge ranging from languages/management skills/computer and other soft skills required to excel at work, assists the Group in minimizing employees' turnover by drawing a clear career path along with career development plans that motivate and encourage its local talent.

4.6 Competitive Advantages

There are a number of factors that give the Group an advantage over its existing and potential competitors, provide a platform for sustainable and profitable growth, and deliver added value to its Shareholders. These include:

4.6.1 More than 40 Years of Expertise in the Kingdom

The Group is one of the pioneers in the poultry industry in the Kingdom. The Establishment, its predecessor, started its operations in the 1970s. This provides the Group with a deep understanding of local and regional markets and enables it to achieve high standards of productivity and profitability compared to its peers.

4.6.2 Efficient and Integrated Business Model

The Group currently operates in-house all critical production stages, allowing it to streamline its operations, reduce production costs, ensure optimal breeding and feeding decisions, and ultimately to provide high quality products. The Group's facilities and equipment have been modernised as a result of SAR 76.2 million spent in capital expenditures in the past three financial years.

The Group has invested in its primary and further processed plants to ensure that quality products are made, such as state of the art Revo equipment which produces a variety of products that look and taste like whole muscle products, delivering better value to the customers. Equipment is in general sourced from leading international manufacturers and is customised to ensure products are manufactured as per the Group's customer specifications and demand. In its fresh poultry meat business, the Group has improved and upgraded its packaging by adopting modified air packaging for its fresh chicken, and customised processing lines to process larger birds. Moreover, the Group is continuously improving its sales strategy, increasing capacity utilisation, identifying cost savings initiatives, and further contributing to improving its performance. The Group has also set-up an in-house product development team that supports new product development, tailored to meet market needs.

As a result of the above, the Group has been at the forefront of delivering competitive results when it comes to poultry mortality, hatchability, feed conversion ratios and other important KPIs within the poultry industry.

4.6.3 A Unique Asset Light Model

The Group follows a unique and successful "asset light" model. Instead of significant CAPEX expenditures, and, through DHV, provides assistance to landowners by sharing their expertise and providing advisory services that help them build and plan their farms efficiently. Furthermore, it leases and fully manages such farms through ADC. Similarly, the Group does not own its farms, primary processing and hatching facilities (except for one) but instead leases and manages them. This model allowed the Group to grow more rapidly and stand out from most players in the Saudi Arabian poultry industry. The asset light model also ensures that investment is optimally utilised in areas where it is strategically important for sustainable and profitable growth. Additionally, it gives the Group the flexibility to move any of its farms or facilities if it becomes unsuitable for operations.

4.6.4 Award Winning Business Focusing on Quality

4.6.4.1 Quality Certifications

The Group's facilities utilise processing technology sourced from global manufacturers and focus on safety and quality. The Group's processing plants are evaluated and awarded quality certificates on the nature of operations at each facility. In particular, to support the continuing focus and commitment to quality, all the Group facilities have been evaluated and awarded quality certificates from SGS. A notable example being the primary processing plant (slaughterhouse) of the Group in Shaqraa, which is the only facility in the Kingdom that has been certified and awarded Grade A by the British Retail Consortium for food quality and safety. All the further processed facilities in Riyadh, Jeddah and UAE have also been certified by British Retail Consortium. Further processing facilities in Riyadh and the United Arab Emirates have received BRC Class AA Certification, while further processing facilities in Jeddah have obtained the BRC Class A Certification, in addition to Hazard Analysis Critical Control Point ("**HACCP**") and ISO 9001:2015G and 22000 (International Organization for Standardization). For further details, see Table 4.28 (**Certifications and Awards of the Group in Relation to its Products**).

4.6.4.2 Recognitions and Awards

The Group has also been recognised for its best practices in the fresh poultry segment and became in March 2018G the first Saudi Arabian company to be enrolled in the prestigious 'Ross 140 club' at the VIV MEA, Abu Dhabi. The Ross 140 club is recognition of the productivity efficiencies at the breeder farm in terms of the number of chicks that are produced per hen house. In addition, the Group was also recognised in January 2014G as a "Superbrand" in the poultry sector in the Gulf for 2014G. This recognition was awarded after a market study, which was conducted by Superbrands International, which operates in more than 80 countries, that measures the equity of brands, in both direct-to-consumer and business-to-business markets. In March 2019G, the Group was awarded the prestigious Product of the Year Award Gulf for 2019G for its fresh chicken range. "Product of the Year" is the world's largest consumer-voted award for product innovation. Established in 1987G in France, it operates in more than 40 countries and a brand is selected based on a voting process conducted by the research company AC-Nielsen. "Product of the Year" is an endorsement for the Tanmiah brand by GCC consumers for both quality and innovation. Moreover, in the further processed category, the Group has also received Quality awards from International QSR customers such as Burger King, Subway and Dairy Queen. Delivering consistent quality and service has helped the Group gain recognition as an efficient and reliable business partner.

4.6.5 Diversified and Attractive, Blue-Chip Customer Base

The Company's customer base, in both the fresh and further processed segments, is characterised by strong, long-term partnerships with leading blue-chip companies, which represent some of the largest accounts in the Kingdom. At present, the Group has more than 2,300 customers balanced across its various businesses and distribution channels, including international quick service restaurants (such as Burger King, Subway, Hardees and Pizza Hut), and other local chains and retail (e.g., Carrefour, Danube, Othaim, Lulu and Sadhan). As a distributor, the Company also represents well-known brands like Zoetis, Boehringer Ingelheim, Synbiotics, Cumberland, Evonik and Lallemand through its veterinary and animal health business. The Group's leadership in cultivating long-standing strategic partnerships is evidenced by the average length of the Group's customer relationships. As of 31 December 2020G, the average length of the Group's relationship with its top ten customers was more than five years. Furthermore, the Group benefits from limited customer concentration in which its three largest customers collectively accounted for approximately 12.46% of its total sales and no single customer contributed more than 6% of its total sales as of 31 December 2020G. The depth of the Group's customer relationships provides a foundation for recurring revenues as well as a platform for growth.

4.6.6 Wide Self-Operated Distribution Network

The Group runs a self-operated cold-chain distribution network and manages a growing fleet of multi-temperature-controlled vehicles carrying fresh poultry and processed cargo to all major cities in the Kingdom, including Jeddah, Riyadh, Dammam, Makkah, Madinah, Abha, Tabuk and Hail. It has an average of 8,500 deliveries every week to various outlets across the Kingdom and other GCC markets. The Group operates sales offices/warehouses in major regions in the Kingdom – Central/Western/Eastern, UAE and Bahrain. The rest of the Kingdom is serviced through third-party distributors. The Group strives to ensure high quality product delivery as well as exceptional customer service around the year.

4.6.7 Strong Market Positioning in the Saudi Arabian Poultry Industry

The Group ranks currently amongst the top four labels in the Saudi Arabian poultry industry. Pursuant to the market study report prepared by the Market Consultant, the brand name Tanmiah is perceived to be a trusted halal brand, which is easy to prepare with good packaging. Tanmiah is a constantly evolving brand with fresh, healthy and innovative products. The brand is amongst the top three brands sold in retail (e.g., Carrefour, Lulu, Othaim, etc.) as reported by retail audit conducted by the research firm "AC-Nielsen" in Q4 2018G. It is also a leading player in the chicken shops segment.

4.6.8 Strong Historical Growth in the Fresh Poultry and Further Processed Segment with Profitability Increasing over the Last Three Years

The Group scaled up its sales of fresh chicken by 23.0%, up from 66.3 million chickens in 2018G to 81.5 million chickens in 2020G, while its sales of further processed products remained stable at 14,000 MT during the same period. Such production growth was coupled with increased operational efficiencies and focused penetrative distribution within existing and new customer segments. The net profits of the Company increased significantly in the years from 2018G to 2020G, as the Company's profits for the financial years ended 31 December 2020G, 2019G, and 2018G were SAR 74.4 million, SAR 70.8 million, and SAR 74.9 million, respectively.

4.6.9 Operating in a Market Difficult to Penetrate by Foreign Producers

Due to the increasing support by the Saudi Government to domestic producers in form of direct and indirect subsidies, stricter import norms, tariffs on frozen poultry imports and the requirement for food products to be Halal compliant, the entry of foreign brands into the Saudi Arabian markets is becoming increasingly difficult. As a consequence, Saudi Arabian poultry producers, including the Group, have a competitive advantage over foreign producers which has among other things resulted in limiting the influx of imported frozen chicken products.

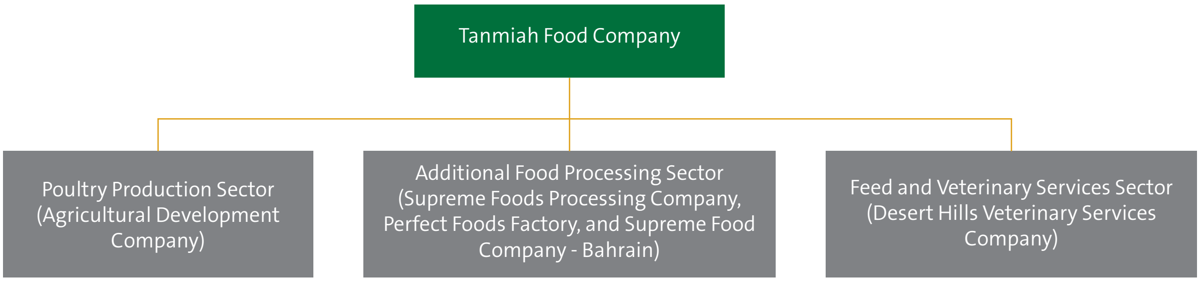
4.6.10 Experienced Senior Leadership Team

The Group has a strong and proven senior management team having diversified industry experience in the GCC. The Group's management team has improved the competitiveness of its business and instilled a continuous improvement culture focused on operating efficiency, quality and service. The Group believes that its senior team's combination of backgrounds and experience will continue to provide the foundation for a results-oriented business that will maintain and strengthen long-term partnerships with vendors and customers to ensure its future growth. The current senior management team has worked together for more than five years.

4.7 Overview of the Group's Business

The Company serves as a holding company for its Subsidiaries whose core activities consist of three principal business segments. The following chart shows the principal business segments of the Group:

Exhibit 4.3: Business Segments and Sub Segments of the Group



Source: The Company.

The following table highlights the products manufactured and/or distributed, as well as the services provided by the Group, providing for each product and service category, the name of the relevant Subsidiary and the average share of each product in the revenue of the Group, taking into account discounts and intercompany eliminations, in the financial years ended 31 December 2018G, 2019G and 2020G:

Table 4.27: List of Group's Products in the Financial Years Ended 31 December 2018G, 2019G and 2020G

Business Segments/ Sub-Segments	Product and Services Categories	Relevant Subsidiary[1]	2018G Share of Revenue %		2019G Share of Revenue %		2020G Share of Revenue %	
Poultry Production Segment	Fresh Whole Birds	ADC	45%	63%	44%	65%	46%	72%
	Fresh Cut-ups and Others	ADC	18%		21%		26%	
Further Food Processing Segment	Processed Poultry	SFPC + PFF	17%	21%	16%	20%	14%	18%
	Other Processed Meats	SFPC + PFF	4%		4%		4%	
Feed and Veterinary Services Segment	Feed	DHV	5%	16%	3%	15%	0.5%	1.0%
	Animal Health Products	DHV	6%		6%		5%	
	Broiler Baby Chicks	DHV	4%		5%		3%	
	Equipment and Projects	DHV	1%		1%		1.5%	

Source: The Company.

1 References to the operating subsidiary include the operations conducted through a lower-level subsidiary partially or wholly owned by the Subsidiary listed in this table.

The activities of the Group in the poultry production segment, which consists of the production and selling of fresh poultry products, are conducted through ADC. As of 31 December 2020G, the total revenue generated under the poultry production segment amounted to SAR 870.4 million, representing 72% of the total revenue generated by the Group during the same period.

The activities of the Group in the food processing segment, which consists of the manufacturing and selling of processed poultry and other meat products, are primarily conducted through SFPC and PFF. As of 31 December 2020G, the total revenue generated under the food processing segment amounted to SAR 214.5 million, representing 18% of the total revenue generated by the Group during the same period.

The activities of the Group in the feed and veterinary services segment, which consists of the selling of broiler baby broiler chicks, hatching eggs, animal health products, turnkey poultry project and greenhouse equipment, manufacturing and sales of animal feed, are primarily conducted through DHV. As of 31 December 2020G, the total revenue generated under the feed and agriculture segment amounted to SAR 127.0 million, representing 10% of the total revenue generated by the Group during the same period.

4.7.1 Products and Services

4.7.1.1 Poultry Production Segment

Through ADC, the Group offers fresh poultry products under its Tanmiah brand for sale to supermarkets, distributors and food service providers. The Company and its Subsidiaries do not have any important new products or activities. These fresh poultry Tanmiah branded products mainly include the following:

(A) Fresh Whole Birds

Whole bird is the complete chicken with all parts intact, including the breast, thighs, wings, back and abdominal fat. Whole chickens come in various sizes, generally ranging from 600g to 1,500g. All whole chicken sold by the Group are air-chilled and not water-chilled, meaning that the meat sold does not absorb any water during the chilling process (water-chilled birds can retain water, diluting flavour and inflating cost). The whole chicken is sold in bags and trays to suit the marketing channel and the targeted customer. Fresh whole chicken category also includes a marinated range of products as per consumer demand.

(B) Fresh Cut-Ups and Others

Cut ups include a range of fresh chicken parts, including boneless breasts, thighs, legs, drumsticks, giblets, etc. which are made available to a different range of consumers in convenient retail packs. Additionally, certain value-added products such as mince, marinated parts, etc. are also part of fresh chicken products offered to its customers.

4.7.1.2 Further Food Processing Segment

Through SFPC, PFF and SFC (Bahrain), the Group's processed foods segment produces and markets ready-to-cook, ready-to-eat and bespoke poultry, turkey and beef products for its HORECA customers and includes logistics operations to move such products through the supply chain.

(A) Processed Poultry

This segment includes the Group's operations related to processing raw chicken meat into processed ready-to-cook and fully cooked poultry products, such as breaded and un-breaded patties, nuggets, wings, mortadella, cold cuts and whole muscle fillets and other ready-to-cook or fully cooked processed poultry products. Processed poultry accounted for SAR 168.8 million, or 14%, of the Group's revenue for the financial year ended 31 December 2020G. Such products are sold domestically to local and international QSRs, certain food retailers, restaurant operators, hotel chains, and export markets.

The Group purchased most of the raw chicken meat it uses to prepare processed poultry products in 2020G from internationally renowned poultry producers, who are selected on the basis of specific quality standards and specifications.

(B) Processed Meats

This segment includes the Group's operations related to processing of meat products, other than poultry, as per customer specifications. All raw meat for the processed meat is sourced from third parties. Processed meat products accounted for SAR 45.7 million, or 4%, of the Group's total sales for the financial year ended 31 December 2020G. The Group's processed meat products primarily include steak cuts and other ready-to-eat delicatessen products. These products are made for QSRs, food services restaurant operators, hotel chains and other retail, as well as for export markets.

The primary raw materials used in the Group's meat operations are beef forequarters and trimmings sourced from internationally renowned meat producers. The raw meat material suppliers are required to meet the quality requirements of the Group.

4.7.1.3 Feed and Veterinary Services Segment

(A) Feed

Through DHV, the Group produces its own poultry feed and sells excess feed to third parties through DHV, its trading arm regarding this type of activities. Additionally, the Group through DHV also produces a variety of feed mixes catering to customers rearing camels, sheep and poultry, including layers, breeders and broilers. More than 90% of the feed produced internally are used by the Company for its own operations, with the remaining portion sold to third parties. Feed sales to third parties accounted for SAR 6.8 million (i.e., 0.5% of the Group's revenue for the financial year ended 31 December 2020G).

(B) Broiler Baby Chicks

Broiler baby chicks are day-old chicks that are used to grow-out broilers. Baby broiler chick sales to external parties through DHV accounted for SAR 37.9 million, or 3.1% of the Group's revenue for the financial year ended 31 December 2020G. In addition to selling excess baby broiler chicks produced by the Group, DHV also imports hatching eggs from international markets and hatch them using rented hatcheries and sell the baby chicks to its customers to meet their demand. In the financial year ended 31 December 2020G, the Group produced approximately 134.8 million hatching eggs, of which 95% were used for its own operations and the rest was hatched and sold to third parties as baby broiler chicks through its trading arm DHV.

(C) Animal Health Products

The Group sells in the Kingdom a wide range of animal health products to its customers from the poultry, ruminant, equine and pet sectors. Such products assist them in their production and caring of healthy livestock, equine and pets, as well as in the diagnosis and treatment of any disease and prevention of zoonotic diseases. The animal health products that the Group sells through DHV as a distributor are recognised for quality and efficacy in the prevention and treatment of diseases in animals. Such products include the following:

1- Medicated feed additives, such as antibiotics, antibacterial, anticoccidials and anthelmintic), which are used preventively and therapeutically in animal feed to produce healthy animals. They are intended to provide better therapeutic benefits, enhance immunity and increased efficiency of animal and chicken rearing using feed, which are key drivers of profitability for animal producers.

2- Nutritional feed additives, such as trace minerals, vitamins, vitamin premixes, PX Emanox, AV3 and PX Prodol B, which are mixed with animal feeds to fortify and enhance their nutritional value, animal immunity and prevent zoonotic diseases; and

3- Various vaccines to prevent diseases in poultry such as New Castle, Infectious Bronchitis, Chicken Anemia, and in large animals, including equine, such as Foot and Mouth, Brocella, Rift Valley fever and Tetanus.

The Group's qualified veterinarians work closely with customers to help them manage the health of their livestock effectively by recommending preventative therapies, diagnostics and disinfectants with the constant aim of minimizing the need for treatment. DHV's animal health product sales to external parties accounted for SAR 63 million, i.e., 5.2% of the Group's revenue for the financial year ended 31 December 2020G.

(D) Equipment and Projects

Through DHV, the Group implements turnkey poultry and greenhouse projects and sells related equipment. It is one of the largest and well-recognised players in this field in the Kingdom. The Group's expert technicians work closely with customers and assist them in the set-up of farms and greenhouses with ideal environmental conditions for the growth and development of poultry livestock and green food. This expertise and support have helped numerous farms in decreasing cost and increasing profitability. The Group undertakes maintenance and renovation projects for its existing and new customers. Equipment and turnkey project sales accounted for SAR 19.4 million, i.e., 1.6% of the Group's revenue for the financial year ended 31 December 2020G.

4.7.2 Production Process and Facilities

The Group is an integrated producer of fresh chicken products, controlling the quality of the fresh chicken meat through efficient management of parent stocks, production of hatching eggs, poultry feed manufacturing, growing broilers, slaughtering, further processing and packaging of its poultry and other products.

This vertical integration in the fresh poultry assures strict product quality, biological security and food safety control throughout the process, as well as controlling costs by coordinating each stage of production. Integration practices not only improve cost efficiency but also permit the production of higher quality, more uniform birds and optimum feed usage, formulation and conversion during rearing.

(A) Breeding and Hatching

The Group is producing its own broiler hatching eggs and broiler chicks and sells excess produce through DHV, its trading arm, to third parties. The Group's breeder flocks are acquired as ofe-day baby broiler chicks from primary breeding companies that specialise in the production of breeder stock of well-known breeds in the Kingdom, such as Ross and Cobb. The Group operates 21 breeder farms for the production of hatching eggs, of which 20 are leased from independent landowners, and fully manages them for growing its breeder chicks to the point at which they are capable of producing hatching eggs, which usually takes approximately six months. The term of the relevant lease contracts ranges from one to ten years (for more details, see to Section 12.8.2 (**Leases**)). Hatching eggs produced by these flocks are then transported on a daily basis to the Group's hatcheries in specialised vehicles. Egg fertility is an important factor and egg hatchability is dependent on it. The hatching eggs are stored in a controlled environment before incubating. For the financial year ended 31 December 2020G, the Group produced approximately 134.9 million hatching eggs compared to 137 million hatching eggs and 108 million hatching eggs in the financial years ended 31 December 2019G and 2018G.

The Group operates six hatcheries, of which two hatcheries are located in Al Kharj, two in Ihsaa, one in Hail, and one in Al-Aflaj (the two located in Al Kharj are owned by the Group and the remaining ones are leased but fully managed by the Group). Hatching eggs are disinfected, incubated, and hatched in these facilities and take around 21 days to develop into a chick. The chicks when hatched are then collected, vaccinated against common poultry diseases and transported by specialised vehicles to broiler grow-out farms for rearing. The production capacity in hatcheries was nearly 120 million eggs as of 31 December 2019G, while it reached 131.2 million eggs as of 31 December 2020G. The actual production was about 120 million eggs as of 31 December 2019G, while it reached 125.5 million eggs as of 31 December 2020G. As of 31 December 2020G, the production capacity of the hatcheries managed by the Group in Harad in Al-Kharj was 72 million eggs, while the actual production was about 66 million eggs. The production capacity and actual production of the main hatchery in Al-Kharj was about 8 million eggs. The production capacity and actual production of the Nashi hatchery in Al-Ahsa was 10 million eggs. The production capacity and actual production of the Shihab hatchery in Al-Ahsa was about 18 million eggs. The production capacity and actual production of the Hail hatchery was about 12 million eggs. The production capacity of the Al-Murbaa hatchery in Al-Aflaj was nearly 8 million eggs, while the actual production reached nearly 3.9 million eggs.

(B) Broilers

The Group places its broiler chicks on its 63 farms leased from independent landowners, where they are grown for approximately four to five weeks to achieve the desired live weight. These farms provide the Group with sufficient housing capacity for its broiler rearing operations, and are fully managed by the Group itself due to stringent bio security and efficiency considerations. As of 31 December 2020G, the Group had the farming capacity to rear and grow approximately 93.5 million baby broiler chicks, which is also the actual number of broilers that the Group raised.

These leases are generally for a period of three-to-five years, and typically provide for renewal on mutual basis for an agreed period usually similar to the original lease period, as well as for rent escalations (see also Section 12.8.2 (**Leases**)). Both parties may terminate these leases before the end of the lease term for non-compliance with contractual terms. The Group has consistently achieved less than 10% mortality rate at these farms over the last three fiscal years.

(C) Feed Mills

The Group produces mash and pellets for its own poultry rearing, with an annual total of approximately 230,000 MT of feed, of which 80% were used for its own operations. The Group sells excess feed to third parties through DHV, its trading arm regarding this type of activities.

The Group owns and operates a feed mill located in Harad, as the feed mill in Jeddah is currently closed, and its equipment was transferred to the Harad Feed Mill after ceasing its operations. The Group made the decision to transfer the mill in 2019G due to its old age, as it was built in 1974G and requires capital costs to maintain is productivity. The production capacity for both of them during 2019G totalled about 233,600 MT of feed, with the production capacity of Jeddah Feed Mill being 33,600 MT, while the actual production was 15,600 MT as of 31 December 2019G and the production capacity of the Harad Feed Mill being 200,000 MT, while the actual production was 233,800 MT as of 31 December 2019G. The Harad Feed Mill's production capacity was 200,000 MT, while its actual production was 219,700 MT as of 31 December 2020G. The Harad Feed Mill was used primarily for poultry feed to be consumed internally, whereas the Jeddah Feed Mill is used for making various types of feeds for third party customers. As of the date of this Prospectus, the Group is still transferring the Jeddah Feed Mill to the Harad Feed Mill.

The feed mill process starts from receiving raw materials, their cleaning and storage in grain silos, batching and weighing according to the recipe required, then the grinding of grains, mixing them with macro and micro feed ingredients, steam conditioning, pelleting, cooling, crumbling and finish feed packing.

For raw materials received and final feed produced, each and every delivery is analysed by the Quality Control Department for moisture, protein, fat, fibre and ash contents. Additionally, microbial and mycotoxin analysis of raw materials and feed is done regularly.

The ability to increase the body weight of poultry and animals through feeding is an important efficiency factor in the rearing of poultry and animals. The quality and composition of the feed plays a critical role in this conversion rate. The Company imports corn and soybeans for the purpose of producing mash and pellets. Grains constitute a major portion of the feed produced. The Group's quality processes require these grains to have certain protein and fat specification to achieve desired results.

(D) Processing Facilities

1- Fresh Poultry Slaughterhouses

The Group operates two slaughterhouses in the Riyadh province. These are leased and fully managed by the Group itself. Once broilers reach desired live weight, they are caught by specialised catching teams and transported to these slaughterhouses on a daily basis. The processing into dressed whole birds or cut-ups is dependent on the market requirement defined on a daily basis and communicated via advanced forecasts by the Sales and Marketing Department to the production planning team to implement the same. The Group has in the recent past targeted to be a low-cost producer operating efficiently. The production capacity of the Group's slaughterhouses totalled 83.6 million birds annually, while it produced an aggregate of 84.6 million birds during the financial year ended 31 December 2019G, and nearly 88.6 million birds during the financial year ended 31 December 2020G.

Both the Group's slaughterhouses operate a single processing line on a double shift basis. A typical fresh chicken processing line consists of Halal slaughtering, bleeding, scalding, feathering, evisceration, cooling, portioning and packing components. Both facilities have European specifications equipment, are SFDA-approved and have the necessary local licenses and international quality and food safety certifications. As of 31 December 2020G, the capacity of Shaqra slaughterhouse reached 48.5 million poultry annually, while the capacity of Salbukh slaughterhouse reached 35.1 million poultry annually.

2- Further Food Processing Plants

The Group also operates two leased food processing plants in Jeddah and Riyadh in the Kingdom and one leased processing plant in the UAE. These production facilities are used to produce further processed ready-to-cook and ready-to-eat poultry (such as burger, nuggets, whole muscle fillets, etc.) and ready-to-cook and ready-to-eat other meat products (such as burger, mortadella, pastramis, etc.). The Company uses raw materials that include local and imported chicken breasts, local and imported oils and spices, and imported beef. The combined production capability of these plants is approximately 20.4 kt per year. The actual production of these factories as of 31 December 2019G was about 12.2 kt and about 20.4 kt as of 31 December 2020G. The production capacity of the SFPC Plant in Riyadh was 6 kt per year of ready-to-cook poultry products and other ready-to-cook meat products, while the actual production of this plant was about 4.4kt as of 31 December 2019G and about 6 kt as of 31 December 2020G. The production capacity of the SFPC Plant in Jeddah was 1.2 kt per year of ready-to-eat poultry products and other ready-to-cook meat products, while the actual production of this plant was about 624 tons as of 31 December 2019G and about 1.2 kt as of 31 December 2020G. The production capacity of the PPF Plant in the UAE is 13.2 kt per year of products ready-to-cook poultry and other ready-to-cook meat products, while the actual production of this plant was about 7.9 kt as of 31 December 2019G and about 13.2 kt as of 31 December 2020G.

A typical food processing plant consists of defrosting, grinding, forming, coating, cooking, freezing and packaging lines. In addition to beef and poultry meat from SFDA-approved Halal sources, the Group uses cooking ingredients (such as oil, seasonings, vegetables, eggs, spices) and packaging materials to produce its processed food products. All three facilities have international quality equipment, are SFDA-approved and have necessary local licenses and international quality and food safety certifications.

3- Storage Facilities

The Group operates 13 leased dry and cold storage facilities for raw materials, finished materials and packaging materials in Riyadh, Jeddah and Dammam in the Kingdom and one facility in Dubai in the United Arab Emirates to support its in-bound and out-bound logistics operations. Majority of these storages are climate controlled and can reach in a facility to below -20°C and are designed to store frozen, chilled and dry goods including all finished goods and materials within defined parameters to ensure their quality. The combined storage capability of these dry and cold storage facilities is adequate to support the Group's requirements.

(E) Animal Health Products

The Group does not manufacture its own animal health products. Instead, the Company imports these products by purchasing them from third parties pursuant to exclusive agreements with a number of international pharmaceuticals and feed additive manufacturers to distribute their products under the names of their manufacturer brand in the Kingdom. These products require specific approvals and registration by SFDA in order to be imported into the Kingdom.

(F) Equipment and Projects

The Group does not manufacture its own equipment for greenhouses and turnkey poultry projects. Instead, it imports and distributes a wide range of poultry and greenhouse equipment from manufacturers, whose brand names are of international repute, like Cumberland from USA, Pericoli from Italy, and Vencomatic from Netherlands, to name a few. All imported equipment matches global standards in poultry farmhouses and greenhouses and are required to be approved by the Saudi Arabia Standards Organization (SASO).

4.7.3 Quality Control, Food Safety and Halal Compliance

One of the most important priorities of the Group is to abide by the highest quality and safety standards and conserve the environment. It believes that quality control and food safety are important to its business and conducts quality control and food safety activities throughout all aspects of its operations. The Group believes that such activities are beneficial to efficient production and in assuring its customers receive wholesome, high quality products. Each of its processing plants operates under an HACCP food safety system, Global Food Safety Initiative food safety, ISO9001 and/or ISO22000, which are assessed annually by a third-party auditing firm. The Group conducts on site quality control activities at each of its farms and facilities across its value chain to assure that products meet the specifications of its customers.

The Group's poultry slaughter facilities meet Saudi regulations regarding sanitary dressing. The Group take a systematic approach to sanitary dressing that includes an evisceration equipment process control program, sanitation standard operating procedures, on-line and off-line reprocessing systems, and a microbiological program, which requires monitoring for Salmonella and Campylobacter at least daily in carcasses after the chiller. The Group's slaughter facilities are in compliance with Saudi requirements consistent to meet the Salmonella and Campylobacter performance standards. Each facility maintains validated interventions and measures to control Salmonella and Campylobacter.

The Group's facilities also have in place supporting programs encompassing:

- sanitation standard operating procedures;
- traceability procedures for all raw materials, packaging, ingredients and finished products to ensure proper identification for all products coming into, through and leaving the Group's system;

- recall procedures in place at each production facility such that, if necessary, all products that are produced can be traced back initially to the first stage of supply chain and then further to specific ingredients, packing and farms. Mock recalls are held at each facility location a minimum of three times per year: one recall for finished goods traceability; one recall for raw material/ingredient traceability; and one recall for direct product contact packaging material traceability. A mock recall is considered successful if 100% of the product is identified within two hours;
- a pest control program; and
- risk assessment of all aspects of production and supply chain to prevent potential contamination of the Group's products.

The programs above, as well as many other aspects of HACCP and sanitation, are also subject annually to internal audits performed by an international testing and consulting laboratory, under the Global Food Safety Initiative standard of British Retail Consortium Level 8. All of the Group's further processing facilities have maintained British Retail Consortium 'A' rating for the past five years and very recently the Shaqraa Primary processing line obtained British Retail Consortium 'A' rating. All of the Group's chemical and microbiological analysis is performed in accredited laboratories that have received ISO 22000:2005 accreditation in accordance with the recognised international standards for testing and calibration laboratories.

The Group takes precautions designed to ensure that its flocks are healthy and that its processing plants and other facilities operate in a sanitary and environmentally-sound manner. The Group has in place a stringent entry and exit control policy as part of an ongoing effort to maintain the highest degree of safe and healthy operations at its facilities. The Group's biosecurity program consists of a system of tiered levels reflecting the current risk environment. Areas identified with elevated risk are handled with more stringent security measures as needed. Further, the Group works directly with SFDA to monitor the situation and to ensure that the most current information and practices are employed in its ongoing effort to maintain quality flocks and guard against illness. The Group tests each individual flock in its operations for poultry diseases.

The above efforts to foster quality control and food safety have resulted in the Group obtaining several certifications from local and international organisations in relation to its products, as summarised in the table below. The following table contains certifications of the Group in relation to its products:

Table 4.28: Certifications and Awards of the Group in Relation to its Products

Certification	Entity	Details	Awarded Date	Category
Ross 140 Club	ADC	153 Chicks at 60 Weeks, PS Onazi Farm	2018G	Award
Ross 140 Club	ADC	143 Chicks at 62 Weeks, Muddah Farm	2018G	Award
Ross 140 Club	ADC	153.22 Chicks at 63 Weeks, Onazi Farm	2018G	Award
Ross 140 Club	ADC	159.9 Chicks at 65 Weeks, Saud Saleem Farm	2018G	Award
ISO 9001: 2015	ADC	Quality Management System	December 2002G – January 2021G	Certification
HACCP:2003	ADC	HACCP and GMP	December 2006G – December 2021G	Certification
Yum	ADC	Food Safety Assessment	October 2018G – October 2019G	Certification
20988 HCV	SFPC	Food Safety Management	October 2016G – October 2019G	Certification
BRC	SFPC	Global Standard for Food Safety	October 2018G – October 2019G	Certification
BRC	SFPC	Global Standard for Food Safety	January 2019G – January 2020G	Certification
ISO 22000:2005	SFPC	QMS	September 2018G – June 2021G	Certification
Halal Certificate	PFF	SGS - Halal Certificate	July 2018G – July 2021G	Certification
SGS - HACCP	PFF	HACCP and GMP	March 2018G – March 2021G	Certification
BRC	PFF	Halal Certificate	March 2018G – March 2019G	Certification
ISO	PFF	ISO 22000:2005	May 2018G – May 2021G	Certification

Source: The Company.

All of the Group's products are Halal as per the precepts of Shari'ah and certified by SFDA. No stunning is made before or after slaughtering and each chicken is slaughtered by hand.

Regular inspections are conducted by SFDA across different production locations, to ensure compliance with relevant requirements.

Similarly, in case of processed foods, import of both chicken and beef raw material is only from Halal-certified and SFDA-approved plants.

4.7.4 Marketing and Promotion

4.7.4.1 The "Tanmiah" Brand

The market study report prepared by the Market Consultant described the "Tanmiah" brand as a Halal-trusted brand in the fresh poultry and processed foods industry in the Kingdom, known for its easily prepared and distinctively packaged products. The "Tanmiah" brand is visible in the retail space with its fresh poultry range and was amongst the top three brands in Modern Retail in the GCC in Q4 2018G, as reported by the research company AC-Nielsen. The "Tanmiah" brand was also recognised in January 2014G as a "Superbrand" in the poultry sector in the GCC for 2014G. In March 2019G, the Group was awarded the prestigious Product of the Year Award Gulf for 2019G for its fresh chicken range. "Product of the Year" is the world's largest consumer-voted award for product innovation. Established in 1987G in France, it operates in more than 40 countries and a brand is selected based on a voting process conducted by the research company "AC-Nielsen". It is an endorsement for the "Tanmiah" brand by GCC consumers for both quality and innovation.

In the B2B segment with further processed meat, the Group is recognised for delivering products matching international quality standards and for its ability to provide bespoke products. The Group has in this regard received quality recognition awards from international QSR customers, such as Burger King, Subway and Dairy Queen. Delivering consistent quality and service has helped the Tanmiah brand gain recognition as an efficient and reliable producer and partner.

"Tanmiah" is a constantly evolving brand offering fresh, healthy and innovative products for the family and also HORECA customers. The on-going advertising and promotional support behind the brand, coupled with quality products and consistent market performance, have together led to the development of strong brand equity in the poultry and processed meat category.

4.7.4.2 Branding Strategy

Branding is an important factor for the "Tanmiah" brand for both the B2C and B2B segments as it helps to differentiate the Group's products from competitors. The "Tanmiah" brand strategy helps to bring its competitive positioning to life, and supports to position the brand as a strong alternative in the mind of customers. The fresh poultry segment has multiple brands on the shelf and it is important to have a unique and recognisable identity that helps the brand to stand out. Taping on consumer insight and using local market knowledge, the Group has developed its brand mark, which is made up of the oil drizzle heart with spoon and fork. All brand elements always appear together in a fixed relationship consistently to highlight the Tanmiah brand essence of providing fresh products, from carefully raised poultry that is good for the health of the Group's customers.

The "Tanmiah" branding strategy is centred on building brand salience and creating strong associations with positive attributes like freshness, quality and taste, which help to build brand recognition and equity. The Group has been using social media and in-store activation to secure brand top-of-mind and deliver awareness. Communication is focused on positioning the "Tanmiah" brand as a high-quality fresh product that consumers can confidently serve their families. The Group seeks to position its fresh poultry as a high-quality offering, which is competitively priced. The Company's strategy is to position the brand as ofe that is committed to deliver a tasty and "good-for-you product".

Branding is central to securing awareness and ensuring that the brand stays in-sync with what consumers want and need by competitively positioning the "Tanmiah" brand against other fresh and frozen alternatives. The Company has clearly defined brand guidelines to which all agencies and partners adhere to in order to ensure consistent brand messaging in the market. Brand values are clearly reflected in external communications, either formal or otherwise, with utmost importance placed on any interaction with current or prospective consumers.

4.7.4.3 Key Marketing Channels

Social media channels like Facebook, Instagram and Twitter are the primary vehicles used in marketing the "Tanmiah" brand, which helps to engage with consumers via regular postings, competitions and community management. For specific sales campaigns, the Group employs a combination of online advertising supported by in-store visibility and activation, which helps to get the brand message across to consumers, build traffic and drive offtake for the brand on shelf. Event participation and sponsorship amongst local communities helps the brand interact with potential consumers and secure visibility. Participation at trade fairs like Gulfood and SIAL (Salon International de l'Alimentation) helps to effectively reach potential customers in the HORECA segment and provides a venue to highlight brand credentials.

4.7.5 Geographic Locations and Operations

The Company's head office is located in the city of Riyadh, Kingdom of Saudi Arabia. As of 31 December 2020G, the Group operated 84 farms, six hatcheries, and one feed mill within the Kingdom and two slaughterhouses, three food processing plants and 13 dry and cold storage facilities located across the Kingdom, Bahrain and the United Arab Emirates. In addition, the Group sells its products in seven countries through a network of distributors, wholesalers and retailers. The table below lists the locations in which the Group operated as of 31 December 2020G:

Table 4.29: Details of the Group's Geographical Presence as of 31 December 2020G

Country	City	Operating Company	Nature of Presence
Kingdom	Riyadh	ADC	Branch
Kingdom	Dammam	ADC	Branch
Kingdom	Jeddah	ADC	Branch
Kingdom	Madinah	ADC	Branch
Kingdom	Khamis Mushait	ADC	Distributor
Kingdom	Wadi Dawasir	ADC	Distributor
Kingdom	Al-Qassim	ADC	Distributor
Kingdom	Majma	ADC	Distributor
Kingdom	Baha	ADC	Distributor
Kingdom	Jeezan	ADC	Distributor
Kingdom	Al Hasa	ADC	Distributor
Kingdom	Yanbu	ADC	Distributor
Kingdom	Taif	ADC	Distributor
Kingdom	Tabuk	ADC	Distributor
Kingdom	Hail	ADC	Distributor
Kingdom	Kharaj	ADC	Distributor
Kingdom	Arar	ADC	Distributor
UAE	Dubai	ADC	Branch
Bahrain	Manama	Supreme Food (Bahrain)	Direct Sales
UAE	Dubai	Supreme Food (Bahrain)	Direct Sales
UAE	Dubai	PFF	Direct Sales
Kuwait	Kuwait City	PFF	Direct Sales
Bahrain	Manama	PFF	Direct Sales
Lebanon	Beirut	PFF	Direct Sales
Oman	Muscat	PFF	Direct Sales
Jordan	Amman	PFF	Direct Sales
UAE	Dubai	SFPC	Direct Sales
Kuwait	Kuwait City	SFPC	Direct Sales
Bahrain	Manama	SFPC	Direct Sales
Lebanon	Beirut	SFPC	Direct Sales
Oman	Muscat	SFPC	Direct Sales
Jordan	Amman	SFPC	Direct Sales
Kingdom	Riyadh	DHV	Direct Sales
Kingdom	Jeddah	DHV	Direct Sales
Kingdom	Tabuk	DHV	Direct Sales
Kingdom	Hafuf	DHV	Direct Sales

Source: The Company.

The following table shows the Group's assets owned by PFF outside the Kingdom and their percentage of the Group's total assets as of 31 December 2018G, 2019G and 2020G.

Table 4.30: The Group's Total Assets outside the Kingdom and their Percentage of the Group's Total Assets as of 31 December 2018G, 2019G and 2020G

SAR million	As of 31 December 2018G	As of 31 December 2019G	As of 31 December 2020G
Assets Outside the Kingdom			
UAE	108	126	110
Total Assets Inside the Kingdom	**721**	**947**	**1,087**
Total Assets	**829**	**1,073**	**1,197**
Percentage of Assets Outside the Kingdom in Proportion to Total Assets	13%	12%	9.2%

Source: The Company.

4.7.6 Customers

In each of its principal business segments, the Group has specific categories of customers and its customer base, in both the fresh and further processed segments, is characterised by strong, long-term partnerships with leading blue-chip companies, which represent some of the largest accounts in the Kingdom. The Group benefits from limited customer concentration in which its three largest customers collectively accounted for approximately 12.46% of its total sales and no single customer contributed more than 6% of its total sales in the financial year ended 31 December 2020G. The depth of the Group's customer relationships provides a foundation for recurring revenues as well as a platform for growth.

The following table illustrates the Group's revenues from its largest customers accounting for more than or around 5% of the Group's revenue in the financial years ended 31 December 2018G, 2019G and 2020G.

Table 4.31: The Group's Revenues from its Largest Customers Accounting for more than or around 5% of the Group's Revenue in the Financial Years Ended 31 December 2018G, 2019G and 2020G

Customer	Incorporation	Segment	Sub-Segment	Contribution%		
				31 December 2018G	31 December 2019G	31 December 2020G
Sirr Annaqaa Commercial Establishment - Distributor	Kingdom	Poultry Production Segment	Fresh Chicken	5%	4.93%	3.5%
Attawzee Athahabi Office for Commercial Services - Distributor	Kingdom	Poultry Production Segment	Fresh Chicken	6%	4.91%	3.75%
Burger King Europe GmbH.	Kingdom, UAE, Bahrain, Kuwait, Oman, and Lebanon	Further Food Processing Segment:	Processed Beef and Chicken	9%	9.7%	5.21%
Total				**20%**	**20%**	**12.46%**

Source: The Company.

(A) Poultry Production Segment Customers

The Group's fresh chicken products are sold domestically and regionally. Its customers are divided into the following main categories:

Modern Trade – it consists of hyper, super and mini markets that retail fast moving consumer goods, including major chains such as Lulu, Carrefour, Othaim, Danube, etc. Revenues from modern trade represent 23.0% of the Group's total revenue for the financial year ended 31 December 2020G.

Distributors – they are agents supplying goods to retailers. The Group has exclusive arrangements with distributors in satellite cities and remote areas, such as Tabuk, Hail or Jizan, who buy and distribute the Group's fresh chicken locally. They receive marketing support and chiller equipment to facilitate from the Group. Revenues from distributors represent 10.6% of the Group's total revenue for the financial year ended 31 December 2020G.

Van Sales – sales of chicken offered in refrigerated vans operated by the Group that supply poultry to chicken shops and traditional small retail stores and "Bakalas". Revenues from van sales represent 26.1% of the Group's total revenue for the financial year ended 31 December 2020G.

Food Service Sales to Hotels, Restaurants and Catering (HORECA) – This wide range of customers, together with the Group's variety of products, provides it with the flexibility to respond to changing market conditions in an effort to maximise profits. Most of the Group's fresh chicken products are sold to existing customers pursuant to agreements with varying terms that set a price according to formulas based on underlying chicken market price, subject in some cases to minimum and maximum prices, and depending upon the customer's location, volume, product specifications and other factors. The Group's practices with respect to sales of fresh chicken are generally consistent with those of its competitors. Revenues from food service sales to hotels, restaurants and catering represent 11.8% of the Group's total revenue for the financial year ended 31 December 2020G.

Changes in either the supply or demand components of the chicken market can significantly affect the profitability of key players in the industry, including the Group. Specifically, any supply or demand shift within the broiler industry can drive a change in pricing of chicken products and significantly affect the income generated by the Group. Items that influence chicken pricing include, among others, input costs, domestic and international demand, changes in production by other broiler producers and other broiler producing countries, the demand associated with substitute products such as beef, and export bans. While broiler producers attempt to match supply and demand, a minor change in downstream demand can impact whether the planned supply meets the market need. For further details on chicken pricing, see Section 6 (**Management's Discussion and Analysis of Financial Position and Results of Operations**).

Sales and distribution of the Group's fresh chicken products are conducted primarily by the company's sales and distribution staff at the Group's headquarters and branches and distributors. The Group exports its fresh chicken products to Bahrain through ADC. Such sales for the financial year ended 31 December 2020G comprised 8% of the Group's total revenue.

(B) Further Food Processing Segment Customers

The Group's processed poultry, turkey and beef products are sold domestically and regionally. Its customers primarily consist of foodservice, export, national and international restaurant chain account customers. This wide range of customers, together with its large variety of products, provides the Group with the flexibility to respond to changing market conditions in an effort to maximise profits.

The Group's processed foods customers are divided into the following main categories:

Food service Customers - the Group is a leading supplier of processed foods products to a wide variety of foodservice customers, including independent operators, and full-service restaurants and regional foodservice distributors. Revenues from foodservice represent 6.2% of the Group's total revenue for the financial year ended 31 December 2020G.

International and National Accounts - the Group offers a wide range of processed chicken and beef products to meet the needs of restaurants and, in particular, quick service restaurants. Revenues from national and international restaurants represent 11.7% of the Group's total revenue for the financial year ended 31 December 2020G.

Most of the Group's processed products are sold to existing customers pursuant to agreements with varying terms and prices. The Group's practices with respect to sales of processed products are generally consistent with those of its competitors.

Sales and distribution of the Group's processed products are conducted primarily by sales staff based in the Kingdom and UAE. The Group exports its processed products primarily to Bahrain, the United Arab Emirates, Lebanon, Oman, Jordan, and Kuwait. The Group conducts its processed products export sales through direct sales. Such sales for the financial year ended 31 December 2020G comprised 3.6% of the Group's total revenue.

(C) Feed and Veterinary Services Segment Customers

The Group's poultry and large animal feed, animal health products and poultry and greenhouse equipment are sold domestically in the Kingdom. Its customers primarily consist of diverse set farm owners, organised farms and a few major poultry integrators. This wide range of customers, together with its large variety of products, provides the Group with the flexibility to respond to changing market conditions in an effort to maximise profits. Revenue from feed and veterinary services customers represented 10% of the Group's total revenue for the financial year ended 31 December 2020G.

Most of the Group's feed and veterinary products are sold to existing customers pursuant to agreements with varying terms and prices. The Group's practices with respect to sales of processed products are generally consistent with those of its competitors.

Sales and distribution of the Group's feed and veterinary products are conducted primarily by sales staff based in the Kingdom and UAE.

4.7.7 Suppliers

The Group depends on renowned global producers and suppliers for its major input materials, equipment, operating consumables, maintenance stores and capital spares. These input materials primarily include for example feed grains, medications, vaccines, feed additives, poultry equipment and nutritional ingredients for the poultry, feed and veterinary services segment; and poultry and beef raw material, spices, oils and other processed food ingredients for the further processed segment. Packaging materials are bought from several local and foreign sources to support all the segments.

The Group's procurement strategy includes a mix of long-term strategic supply agreements and short-term contracts to obtain an optimal level of required volume, quality and pricing to generate desired levels of profits. This strategy also helps the Group to manage its various inventory at optimal levels to continually support different revenue streams, avoid stock out situations and effectively use its working capital requirements.

In addition to the above, the Group also has contracted out its goods transporting services, both dry and cold, to support its in-bound and out-bound logistics requirement. The Group also has contractors providing operational and maintenance support to its farming and processing function. The Group contracts these services using a mix of long term and short-term contract to suit its requirements. These contracts clearly lay down required KPIs for these service providers to be delivered on each occasion and form the basis of the regular appraisal cycle.

Competitive quotes with detailed specifications are usually obtained to ensure best pricing and quality.

The following table illustrates the Group's purchases from its largest suppliers accounting for 5% or more of the Group's purchases as of 31 December 2020G.

Table 4.32: The Group's Purchases from its Largest Suppliers Accounting for 5% or more of the Group's Purchases as of 31 December 2020G

Supplier	Country of Incorporation	Segment	Sub-Segment	% of the Group's Total Purchases
Al Ghurair for Grain Trading	UAE	Food Segment	Grains	4.9%
INVIVO TRADING ASIA PTE. LTD – Grains	France	Fresh Poultry	Grains	6.7%
Ahmed Al-Sameet Contracting	Kingdom	Services	Labour and Support Services	6.2%

Source: The Company.

4.8 Future Plans and Initiatives

(a) Poultry Production Segment

In the poultry production segment, the Group is continually looking for strategic initiatives, aiming to secure future continuous growth in revenues and net profit. The main growth initiatives for the Group's poultry production segment consist of:

- increasing its broiler placement capacity, which in turn requires capacity enhancement projects in feed, breeding farms, hatching, broiler farms and primary processing lines;
- a robust marketing plan to support the increase in the fresh chicken volumes to enhance brand value and market share; and
- continuing as a low-cost producer.

(b) Further Food Processing Segment

In the further food processing segment, the Group is continually looking for opportunities, aiming to secure future continuous growth in revenues and net profit. The main growth initiatives for the Group's food processing segment consist of developing new products and customers inside and outside the GCC. The Group is continually looking for opportunities of using its fresh chicken to replace imported frozen chicken raw products for better taste and quality.

(c) Feed and Veterinary Services Segment

In the feed veterinary services segment, the Group is continually looking for opportunities with current and potential strategic partners for securing future continuous growth in revenues and net profit. The main growth initiatives for the Group's feed and veterinary services segment consist of introducing new animal health products/equipment and customers inside and outside the Kingdom.

4.9 Administrative Support Departments

The Group has a number of administrative departments that support its various business activities. Below is a brief description of the activities of the Group's key administrative support departments:

4.9.1 Human Resources and Administration Department

The Human Resources and Administration Department is responsible for hiring, developing and retaining the appropriate resources to help the Group achieve its objectives. It is also responsible for the employees' compensation and relations. In addition, the Human Resources and Administration Department handles administrative issues related to compliance with laws and instructions of government entities, including coordination with the Customs, renewals of various licenses required by SFDA and various other Government agencies and authorities. In particular, the Human Resources Department performs the following functions:

a. employing highly qualified, trained and experienced staff matching the requirements of the Group;
b. developing and preparing job descriptions, a grading system and employment policies and procedures;
c. orienting and organizing guidance programs for newly appointed employees;
d. providing guidance and following up with the periodical performance assessments;
e. ensuring compliance with the Saudization requirements, employee medical insurance, social insurance regulations and other relevant regulations;
f. supporting the welfare of employees through organizing social activities and providing other relevant services; and
g. ensuring compliance with the requirements of various Government agencies and authorities to support uninterrupted operations across different locations where the Group operates.

The Group believes that it invests sufficient funds in the training and development programs offered to employees either through in-house training, external training courses, sponsoring the attendance of seminars and exhibitions, and the pursuit of professional qualifications.

4.9.2 Supply Chain Department

The Supply Chain Department is responsible for ensuring support to the core production plans discussed in Section 4.7.2 (**Production Process and Facilities**), and acquisition of raw and other materials/services to support operations, distribution and movement of raw and in-process and delivery of the final finished products to its customers.

This support is of great importance to the Group, as it requires precise and accurate expectations for its final products, capacity, necessary materials and time. The Group's acquisition process ensures sourcing the required materials, consumables, spare parts, machinery, equipment and other items required by the Group within the required timeframe and at the required quality, price and terms. In addition, ensuring timely movement and adequate availability of climate-controlled fleet of various transport vehicles and storage requirement for its raw, in-process and finished product is a key deliverable of the department. The Supply Chain Department partners with each business and is responsible for:

a. developing detailed material supply and procurement plans in accordance with the sales and production requirements, and reflecting sales and production plans into a quantified plan with detailed specifications of materials, goods and services to be purchased;
b. developing a criteria matrix for contractor and suppliers' selection and performance evaluation, and maintaining a list of preferred suppliers for each category of material and service;
c. selecting suitable suppliers and negotiating the best available commercial terms and agreements covering short and long procurement cycle;
d. issuing orders to selected suppliers and following up with such suppliers until the items procured are received in conformity with the agreed terms;
e. performing regular checks and surveys in the relevant market for new suppliers, materials and better commercial terms; and
f. conducting close coordination with the Sales and Marketing Department for storage and fleet requirements across its value chain.

4.9.3 Sales and Marketing Department

The Sales and Marketing Department is mainly responsible for setting out marketing strategies, in line with the Group's overall strategies and objectives, and executing promotional activities based on marketing campaigns to strengthen the "Tanmiah" brand, increase consumers' base, grow sales and increase market share. In particular, the Sales and Marketing Department performs the following:

a. developing the Group's marketing strategies for growth, expansion and increasing market share;
b. translating the Group's strategies into specific executive plans to increase and enhance the brand equity and promote sales;
c. planning and executing appropriate advertising and promotional activities and evaluate their effectiveness;
d. gathering market intelligence and monitoring competitors' activities;
e. performing periodic market research and regular customer visits aimed at understanding consumers' demands, needs and preferences and evaluating the brand's key performance indicators; and
f. forecasting consumer demand using historical and future trends, and coordinating with production departments for product availability to meet these forecasted demands.

4.9.4 Legal Department

The key responsibilities of the Legal Department include the following functions:

a. reviewing legal, constitutional and contractual documents, and providing legal advice to the Board of Directors and the Group's senior management in connection with the legal affairs of the Group;
b. preparing contracts and agreements;
c. representing the Group before judicial bodies and filing and pursuing lawsuits against other parties;
d. providing legal advice to the Group's administrative departments;
e. reviewing laws, regulations, circulars and directives relevant to the Group's business; and
f. supervising the holding of the General Assembly meetings and liaising with the relevant Government authorities.

4.9.5 Information Technology Department

The Information Technology Department is mainly responsible for ensuring that the Group employs the appropriate technologies to support its activities and future expansion plans and to secure its information and systems. In particular, the Information Technology Department performs the following functions:

a. understanding the Group's strategic objectives and determining the appropriate information technology resources and infrastructure in accordance with the approved instructions, procedures and standards;
b. maintaining the Group's systems, servers, storage units and networks in the best working condition;
c. managing access and restrictions in relation to the users of information technology resources and infrastructure;
d. managing, maintaining and upgrading the Group's enterprise resource planning system;
e. automating processes and reports to ensure the provision of the appropriate information to the appropriate users in a timely manner; and
f. ensuring safety and security of the Group's information and, in particular, the availability and effectiveness of disaster recovery plans and the safety from potential cyberattacks against the Group's systems.

4.9.6 Finance Department

The Finance Department is responsible for providing the Group with accurate information in a timely manner to support the decision-making process, safeguard the Group's assets and ensure the application of strong internal control systems uniformly across the Group. In particular, the Finance Department performs the following functions:

a. managing the financial reporting process, ensuring the financial information is reported in an accurate and timely manner, setting out the accounting policies and procedures, and ensuring compliance with the relevant regulatory requirements;
b. managing and leading the financial planning process, supporting the Group's senior management in setting financial strategies, translating the agreed strategies into financial plans, and reviewing the plans of the Group's departments to ensure efficiency, accuracy and alignment with the agreed strategies;
c. ensuring the availability of sufficient funds and liquidity to meet the Group's current and future plans and obligations;
d. managing and optimizing the working capital requirements;
e. developing and improving the Group's internal control systems, policies and procedures to safeguard the Group's assets and ensuring efficient workflow and compliance with the corporate governance requirements;

f. managing payments to suppliers and relationships with banks;

g. developing and measuring the key performance indicators for the Group's activities and performance, and providing recommendations in connection therewith;

h. identifying and mitigating the Group's risks by ensuring that the Group's assets are covered by adequate insurance policies, reduction of currency and interest rate risks and close monitoring of credit risks;

i. preparing and filing Zakat and tax return filings; and

j. collaborating and liaising with the internal and external auditors for conducting effective audits of the Group's financials and key processes.

4.9.7 Internal Audit Department

The key responsibilities of the Internal Audit Department include the examination and evaluation of the adequacy and effectiveness of the Group's corporate governance policies, risk management and internal control systems, as well as the quality of performance of the assigned responsibilities to achieve the Group's goals and objectives. In particular, the Internal Audit Department performs the following functions:

a. evaluating risk exposure relating to the achievement of the Group's strategic objectives;

b. evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information;

c. evaluating the systems established to ensure compliance with the policies, plans, procedures, laws and regulations that may have a significant impact on the Group;

d. evaluating the means by which the Group's assets are safeguarded and, as appropriate, verifying the existence of such assets;

e. evaluating the effectiveness and efficiency of the means by which the Group's resources are employed;

f. evaluating the Group's operations and programs to ascertain whether results are consistent with the Group's objectives and goals and whether such operations and programs are being carried out as planned;

g. monitoring and evaluating corporate governance processes;

h. monitoring and evaluating the effectiveness of risk management processes;

i. evaluating the quality of performance of external auditors and the degree of coordination with the Internal Audit Department;

j. providing consultancy and advisory services to the Group in relation to corporate governance, risk management and control;

k. periodically reporting on the purpose, activities, authority and responsibility of the Internal Audit Department, as well as the performance of its plan;

l. reporting significant risk exposures and control issues, including fraud risks, corporate governance issues and other related matters as requested by the Audit Committee; and

m. evaluating specific operations at the request of the Audit Committee or the Group's senior management.

4.10 Business Continuity

There has been no suspension or interruption in Company's business or that of its Subsidiaries during the 12month period preceding the date of this Prospectus which would affect or have a significant impact on their financial position. There was no material change in the business nature of the Company or its subseries. The Company also does not intend to make any material change in the nature of its business in the future.

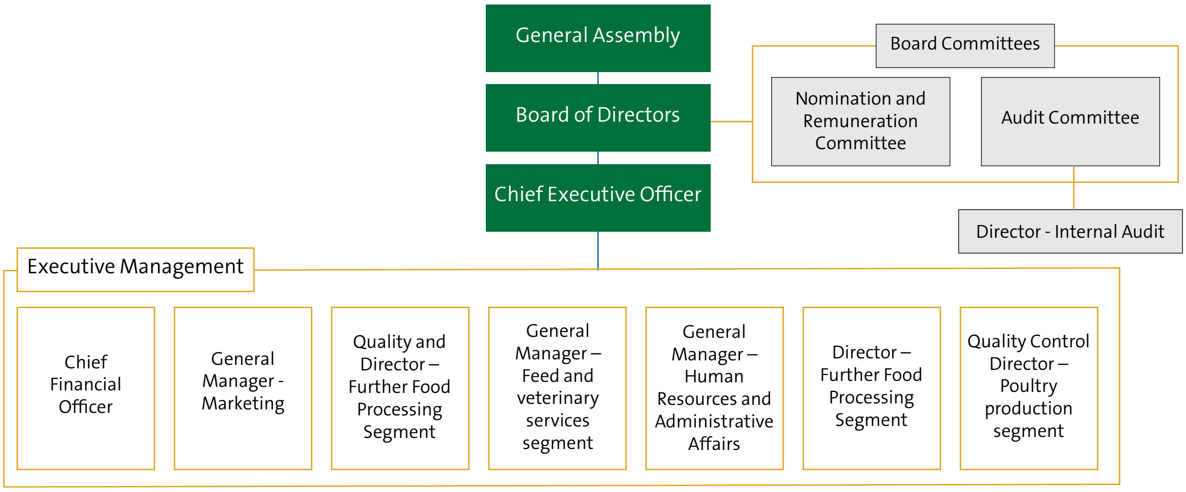
5. ORGANIZATIONAL STRUCTURE AND CORPORATE GOVERNANCE

5.1 Organisational Structure

The Shareholders of the Company delegate responsibility to the Board of Directors for the overall direction, supervision and control of the Company. The Board of Directors delegates responsibility for overall day-today management of the Company to the senior management of the Company and, in particular, the Chief Executive Officer.

The following chart sets out the organisational structure of the Company:

Exhibit 5.1: Organisational Structure of the Company



Source: The Company.

The following table summarises the direct ownership structure of the Company pre- and post-Offering:

Table 5.1: Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	Number of Shares	Direct Ownership (%)	Nominal Value (SAR)	Number of Shares	Direct Ownership (%)	Nominal Value (SAR)
Al-Dabbagh Group Holding Company	19,200,000	96%	192,000,000	14,000,000	70%	140,000,000
Tanmiah Commercial Group Company	800,000	4%	8,000,000	-	-	-
Public	-	-	-	6,000,000	30%	60,000,000
Total	**20,000,000**	**100.0%**	**200,000,000**	**20,000,000**	**100.0%**	**200,000,000**

Source: The Company.

The following table summarises the indirect ownership structure of the Company pre- and post-Offering:

Table 5.2: Indirect Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Pre-Offering	Post-Offering
	Indirect Ownership[1]	Indirect Ownership[1]
Jamal Abdullah Al-Dabbagh	22.2%	15.6%
Amr Abdullah Al-Dabbagh	22.2%	15.6%
Balqis Abdullah Al-Dabbagh	11.1%	7.8%
Aamal Abdullah Al-Dabbagh	11.1%	7.8%
Asma Abdullah Al-Dabbagh	11.1%	7.8%
Diaa Hussein Abdullah Al-Dabbagh	9.67%	6.77%
Yousif Hussein Abdullah Al-Dabbagh	9.67%	6.77%
Wafaa Saleh Al-Dabbagh	2.85%	2.00%
Total	**100%**	**70%**

Source: The Company.

1 The shareholding percentages are rounded.

5.2 Board of Directors and Secretary of the Board of Directors

5.2.1 Composition of the Board of Directors

The Board of Directors consists of six Directors who are appointed by the General Assembly by means of cumulative vote. The Companies Law, the Corporate Governance Regulations, the Bylaws, and the internal governance regulations of the Company shall determine the duties and responsibilities of the Board of Directors. The term of the Directors' membership in the Board of Directors, including the Chairman, shall be for a maximum period of three years for each period.

The following table sets out the Directors and the Secretary as of the date of this Prospectus.

Table 5.3: Company's Board of Directors

Name	Position	Nation-ality	Membership Status	Direct Share Ownership		Indirect Share Ownership1, 3		Date of Appointment[2]
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Amr Abdullah Mohammad Ali Al-Dabbagh3	Chairman	Saudi	Non-executive / Non-Independent	-	-	22.2%	15.6%	April 2019G
Muhammad Sajid Saeed Sheikh	Managing Director	Pakistani	Executive / Non-Independent	-	-	-	-	April 2019G
Mohamed Husnee Jazeel	Director	Sri Lankan	Non-executive / Non-Independent	-	-	-	-	April 2019G
Jamal Abdullah Mohammad Ali Al-Dabbagh4	Vice Chairman of the Board of Directors	Saudi	Non-executive / Non-Independent	-	-	22.2%	15.6%	April 2019G
Stephen Mark Parsons	Director	British	Independent	-	-	-	-	April 2019G
Kamel Salahudin Abdullah Al Munajjed	Director	Saudi	Independent	-	-	-	-	April 2019G
Mahmoud Mansour Abdulghafar	Secretary of the Board of Directors	Saudi	-	-	-	-	-	April 2020G

Source: The Company.

1 The ownership percentages are rounded.

2 Dates listed in this table are the dates of appointment to the current positions in the Board of Directors. Their respective biographies in Section 5.2.4 (**Biographies of the Directors and the Secretary**) describe the dates of their appointment, whether in the Board of Directors or in any other position.

3 For further details on the Company's ultimate individual owners and their indirect ownership percentages in the Company through ADGHC, see Appendix A of this Prospectus.

5.2.2 Responsibilities of the Board of Directors

The Company is supervised by a Board of Directors consisting of professional and highly experienced persons. With consideration to powers set by the General Assembly in the Companies Law and its Executive Regulations, as well as the Company's Articles of Incorporation, the Board of Directors is vested with full powers to manage the business of the Company and supervise its affairs. The Board of Directors delegates responsibility for overall day-to-day management of the Company to the Company's senior management.

Some powers are delegated to the Board of Directors Committees, consisting of the Audit Committee and the Nomination and Remuneration Committee (collectively, the "**Committees**"), and a number of administrative departments with responsibility for dealing with a range of operational and business matters (for further details, see Section 4.9 (**Administrative Support Departments**)). In addition, the Board of Directors has the power to form any number of Committees it considers necessary for effective governance, oversight and operations of the Company or to delegate some of its powers to one or more of the Directors or to third parties. However, despite any delegation, the ultimate responsibility for the Company rests with the Board of Directors.

The responsibilities of the Board of Directors, the Chairman and the Secretary can be summarised as follows:

5.2.2.1 Board of Directors

The responsibilities of the Board of Directors include the following:

- participating in the overall direction and management of the Company;
- acting on behalf of the Company in an agent-like capacity;
- overseeing the Committees in line with the policies and objectives of the Company;
- approving the appointment of the Chief Executive Officer, the Chief Financial Officer and the Company's Head of Internal Audit;
- laying down a comprehensive strategy for the Company, the main work plans and the policy related to risk management;
- determining the appropriate capital structure of the Company, its strategies and financial objectives and approving its annual budgets;
- supervising the main capital expenditures of the Company and acquisition/disposal of assets;
- determining the performance objectives to be achieved and supervising implementation thereof;
- monitoring the overall performance of the Company;
- reviewing and approving the organisational and functional structures of the Company;
- developing a written policy regulating conflicts of interest and remedy of any possible cases of conflict by the Directors, senior management and Shareholders;
- developing written policies regulating the Company's relationship with the Shareholders, including policies in connection with the indemnification of Shareholders and settlement of complaints or disputes between the Company and Shareholders;
- developing policies in connection with maintaining relationships with customers and suppliers and protecting the confidentiality of information in relation thereto;
- establishing a code of conduct for the Company's executives and employees in line with the proper professional and ethical standards;
- developing policies in connection with the Company's social contributions;
- establishing policies and procedures to ensure the Company's compliance with the relevant laws and regulations and the Company's continuous obligation to disclose material information to the Shareholders and other relevant parties;
- laying down policies, standards and procedures in connection with the membership of the Board of Directors and implementation thereof;
- ensuring alignment of strategy and plan with the Company's existing resources, risks, economic and market conditions and growth;
- entering into financial transactions on behalf of the Company;
- ensuring the integrity of the financial and accounting procedures including procedures related to the preparation of the financial reports;
- ensuring the implementation of control procedures appropriate for risk management by forecasting the risks that the Company could encounter and disclosing them with transparency;
- holding a meeting in the last quarter of each year to approve the budget for the following year;
- except for the Audit Committee, establishing Committees of the Board of Directors with specific mandates, approving its charters and appointing its members;
- evaluating the performance of the Company's senior management members in connection with the achievement of strategy;
- ensuring that a sound system of internal control (supported by the Audit Committee) is established, implemented and maintained at all levels;
- reviewing the effectiveness of the Company's internal control systems;
- ensuring compliance with the Company's corporate governance regulations and the Company's policies and procedures;
- approving the delegation of authority matrix, budgets and financial statements;
- determining the powers to be delegated to the Company's senior management members;
- approving new business initiatives and business closures;
- reviewing the performance of the Committees established by the Board of Directors;
- reviewing compliance with the authority matrix;

- ensuring disclosure of key business transactions and Related Party transactions in the Board of Directors' annual report;
- calling for a meeting of the General Assembly at least once a year during the six months following the end of the Company's financial year;
- reviewing the Company's corporate governance regulations periodically, evaluating whether any changes are required in light of updated regulations, changes in practices and communicating such changes to the Secretary; and
- providing recommendations to the Shareholders for the dividends to be distributed in accordance with the Company's dividend distribution policy and for any retention of profits.

5.2.2.2 Chairman

The Chairman shall assume the following responsibilities:

- promoting constructive relationships between the Board of Directors and the senior management, and between the executive Directors and the non-executive Directors;
- ensuring that the Board of Directors agenda is focused on the Company's strategy, performance, value creation for Shareholders and accountability at all levels;
- promoting a culture in the boardroom that supports constructive criticism and alternative views on issues under consideration, and encourages discussion and voting on these issues;
- ensuring that both the Directors and the Shareholders receive adequate and timely information;
- delegating tasks to individual Directors and following up on their progress; and
- ensuring that the Directors disclose their business and conflict of interest in any matter discussed in Board of Directors meetings.

5.2.2.3 Secretary

The responsibilities of the Secretary include the following:

- managing all the administrative, technical and logistics relating to the affairs of the Board of Directors and the General Assembly meetings;
- managing and coordinating the meeting agendas of the Board of Directors and the Committees;
- attending the meetings of the Board of Directors;
- preparing visual presentations, preparing and distributing minutes of meetings, archiving all data, information and records relating to the Board of Directors and the Committees and monitoring the implementation of resolutions of the Board of Directors and the Committees;
- ensuring the flow of information within the Board of Directors and between the Board of Directors and the Company's executive management;
- preparing and maintaining a register of proceedings and resolutions of the Board of Directors and the Committees and safekeeping the Company's official records;
- managing and developing the Board of Directors' secretariat division;
- acting as a liaison officer with CMA and other official entities and ensuring compliance with the corporate governance regulations and other related regulations;
- assisting in the modernisation and implementation of the Company's corporate governance;
- assisting the Nomination and Remuneration Committee in preparing and implementing the induction program for incoming Directors;
- preparing status reports on the resolutions of the Board of Directors and implementation thereof;
- ensuring that the procedures, rules and regulations applicable to the Board of Directors are followed by the Directors;
- maintaining and updating the Company's corporate governance regulations as per the instructions of the Board of Directors; and
- performing other tasks as delegated by the Board of Directors.

5.2.3 Service Contracts with Directors

No service or employment contracts were concluded between the Directors and the Company.

5.2.4 Biographies of the Directors and the Secretary

The experience, qualifications and the current and other positions of each of the Directors and the Secretary are set out below:

5.2.4.1 Amr Abdullah Al Dabbagh, Chairman

Nationality:	Saudi
Age:	54 years
Position	Chairman of the Board of Directors of the Company since 2019G
Capacity	Non-executive/non-independent
Academic and Professional Qualifications:	• Bachelor of Business Administration, King Abdulaziz University, Jeddah, Saudi Arabia, 1988G.
Appointment Date	• 13/08/1440H (corresponding to 19 April 2019G)
Current Positions:	• Chairman of the Board of Directors of the Company since 2019G; • Director, SAED International, a joint stock company, recruitment and labour hiring sector, since 2015G; • Director, Petromin Corporation, a closed joint stock company, lubricants and automotive services, since 2013G; • CEO, Al-Dabbagh Group Holding Company, a limited liability company, investment, since 2012G.
Past Professional Experience:	• Director, Red Sea International, a public joint stock company, contracting, housing, and prefabricated buildings, from 2012G until 2018G; • Governor and Chairman (with a ministerial level), Ministry of Investment (formerly Saudi Arabian General Investment Authority), a Government authority specialised in international trade and development, from 2004G until 2012G; • Chairman, Economic Cities and Special Zones Authority, a Government authority specialised in the development and oversight of the Economic Cities, from 2010G until 2011G; • Chairman, Jeddah Economic Forum and Jeddah Marketing Board, a department of the Jeddah Chamber of Commerce and Industry specialised in promoting conferences, exhibitions and tourism in Jeddah, from 1999G until 2004G; • Member, Makkah Regional Council, a governmental entity concerned with the regional affairs, from 1997G until 2004G; • Director, Savola Group, a public joint stock company, food and retail sector, from 2000G until 2004G; • Chairman, Ministry of Investment's (formerly Saudi Arabian General Investment Authority) Global Competitiveness Forum, a governmental entity, from 2005G until 2011G; and • Director, Jeddah Chambers of Commerce and Industry, a governmental entity, from 1997G until 2004G.

5.2.4.2 Muhammad Sajid Saeed, Director and Managing Director

Nationality:	Pakistani
Age:	52 years
Position	Managing Director of the Company since 2019G
Capacity	Executive/Non-independent
Academic and Professional Qualifications:	• Master's Degree in Business Administration, Lahore University of Management Science, Lahore, Pakistan, 1994G; and • Bachelor of Computer Science and Electrical Engineering, Washington University, St. Louis, USA, 1992G.
Appointment Date	• 13/08/1440H (corresponding to 19 April 2019G).
Current Positions:	• Managing Director of the Company since 2019G.
Past Professional Experience:	• CEO of the Company, from 2012G until 2019G; • Executive Vice President, Petromin Corporation, a closed joint stock company, oil and gas sector, from 2008G until 2012G; • General Manager, Advanced Petroleum Services, a limited liability company, oil and gas sector, from 2005G until 2008G; • Marketing Manager, Advanced Petroleum Services, a limited liability company, oil and gas sector, from 2000G until 2005G; and • Regional Manager, Shell Pakistan Limited, a Pakistani public joint-stock company operating in the oil and gas marketing sector, from 1995G until 2000G.

5.2.4.3 Mohamed Husnee Jazeel, Director

Nationality:	Sri Lankan
Age:	60 years
Position	Company Director since 2019G.
Capacity	Non-executive/Non-independent
Academic and Professional Qualifications:	• Executive Education in Audit Committees in an Era of Governance at Harvard Business School, Boston, USA, 2008G; and • Certificate from the Chartered Institute of Management Accountants in the UK, 1988G.
Appointment Date	• 13/08/1440H (corresponding to 19 April 2019G).
Current Positions:	• Company Director since 2019G; • CFO, Al-Dabbagh Group Holding Company, a limited liability company, investment, since 1999G; • Director, Saudi Egyptian Logistics and Electronics Company, a limited liability company, information and communication technology sector, since 2002G; • Director, Red Sea International, a public joint stock company, contracting, housing, and prefabricated buildings, since 2006G; • Director, Gulf General Cooperative Insurance Company, a public joint stock company, insurance sector, since 2009G; and • Director, Premier Paints Company, a limited liability company, paint manufacturing sector, since 2013G; and • Director, SAED International, a closed joint stock company, recruitment and labour hiring sector, since 2014G.
Past Professional Experience:	• Director, Petromin Corporation, a closed joint stock company, lubricants and automotive services, from 2007G until 2016G; • General Manager, Agricultural Development Company, a limited liability company, operating in chicken production, from 1997G until 1999G; • CFO, Al-Dabbagh Group Holding Company, a limited liability company, operating in investment sector, from 1994G until 1997G; • CFO, Agricultural Development Company, a limited liability company, operating in chicken production, from 1992G until 1994G; • Audit Supervisor and Assistant Audit Director, PricewaterhouseCoopers (Malawi) International Limited, a limited liability partnership, advisory services and innovation sector, from 1988G until 1992G; and • Trainee Accountant, PricewaterhouseCoopers, (Sri Lanka and Singapore), a limited liability partnership, advisory services and innovation sector, from 1985G until 1988G.

5.2.4.4 Jamal Abdullah Al-Dabbagh, Vice Chairman

Nationality:	Saudi
Age:	60 years
Position	Vice Chairman of the Board of Directors of the Company since 2019G.
Capacity	Non-executive/Non-independent
Academic and Professional Qualifications:	• Master's Degree in Business Administration, King Saud University, Riyadh, Saudi Arabia, 2000G; and • Bachelor's Degree in Accounting, King Abdulaziz University, Jeddah, Saudi Arabia, 1984G.
Appointment Date	• 13/08/1440H (corresponding to 19 April 2019G).
Current Positions:	• Vice Chairman of the Company's Board of Directors since 2019G; • Board Chairman, Gulf General Cooperative Insurance Company, a public joint stock company, insurance sector, since 2009G; • Board Chairman, SAED International, a closed joint stock company, recruitment and labour hiring sector, since 2018G; • Chairman, Premier Paints Company Limited, a mixed limited liability company, paint manufacturing sector, since 2018G; • Vice President, Red Sea International, a public joint stock company, contracting, housing, and prefabricated buildings, since 2018G. • Partner – Manager, Jamal Abdullah Al-Dabbagh Co Ltd, a limited liability company operating in the investment field, since 2004G. • Director, Petromin Corporation, a closed joint stock company, lubricants and automotive services, from 2018G to 2019G.
Past Professional Experience:	• Manager, Al-Dabbagh Group Holding Company, a limited liability company, from 2007G until 2012G.

5.2.4.5 Stephen Mark Parsons, Director

Nationality:	British.
Age:	55 years
Position	Company Director since 2019G.
Capacity	Independent
Academic and Professional Qualifications:	• Diploma in Business Management and Administration, Institute of Commercial Management, Bournemouth, England, 1995G; • Diploma in Business Management, Damelin Management School, Johannesburg, RSA, 1994G; and • Bachelor of Commerce, University of the Witwatersrand, Johannesburg, RSA, 1992G.
Appointment Date	• 13/08/1440H (corresponding to 19 April 2019G).
Current Positions:	• Company Director since 2019G; and • CEO, Greengage Lighting Limited, a limited liability company, commercial and agricultural sector, since 2016G.
Past Professional Experience:	• Co-owner and Director, MTech Systems Europe Limited, a limited liability company, technology sector, from 2010G until 2015G; • COO, Grampian Country Food Group, a limited liability company, consumer staples sector, from 2004G until 2006G; • Project Manager, Richemont International Limited, a limited liability company, financial sector, from 2003G until 2004G; • Executive Director, Rainbow Chicken Limited, a limited liability company, food and beverages sector, from 2002G until 2003G; • Group's COO, Rainbow Farms (Pty) Limited, a limited liability company, consumer staples sector, from 2001G until 2003G; • Group Sales and Marketing Director, Rainbow Farms (Pty) Limited, a limited liability company, consumer staples sector, from 2000G until 2001G; and • Managing Director, Cobb Europe Limited (England), a limited liability company, consumer staples sector, from 1988G until 1993G.

5.2.4.6 Kamel Salahudin Al Munajjed, Director

Nationality:	Saudi
Age:	61 years
Position	Company Director since 2019G.
Capacity	Independent
Academic and Professional Qualifications:	• Master's Degree in Business Administration, INSEAD, France, 1987G; and • Bachelor of Engineering in Electronic Engineering, American University of Beirut, Lebanon, 1983G.
Appointment Date	• 13/08/1440H (corresponding to 19 April 2019G).
Current Positions:	• Company Director since 2019G; • Managing Partner, Bait Al-Urjuan Real Estate Development and Investment Co., a limited liability company, real-estate sector, since 2005G; and • Director, Allianz Saudi Fransi Cooperative Insurance, a public joint stock company, insurance sector, since 2019G.
Past Professional Experience:	• Board Chairman, SHUAA Capital Saudi Arabia, a closed joint stock company, financial services, from 2012G until 2015G; • Director and Audit Committee Chairman, AXA Cooperative Insurance Company, a public joint stock company, insurance sector, from 2008G until 2014G; • Vice President, Al Munajem Group, a limited liability company, food and beverage sector, from 1993G until 2005G; • Head of Investment and Private Banking, Banque Saudi Fransi, a public joint stock company, banking sector, from 1988G until 1993G; and • Systems Engineer, IBM Saudi Arabia, a limited liability company, IT sector, from 1983G until 1986G.

5.2.4.7 Mahmoud Mansour Abdulghafar, Secretary of the Board of Directors

Nationality:	Saudi
Age:	59 years.
Academic and Professional Qualifications:	• Bachelor of Science in Industrial Safety, University of San Francisco, San Francisco, USA, in 1985G.
Appointment Date	• 13/8/1441H (corresponding to 6 April 2020G).
Current Positions:	• Secretary of the Company's Board of Directors since 2020G. • Director, Saudi Cable Company, a public joint-stock company, industry and capital goods sector, since 2020G. • Director, Savola World, a non-profit company operating in social responsibility and charitable work, since 2020G. • Member of the Executive Committee, Sustainable Power Solutions, a limited liability company operating in business consulting and management solutions, since 2019G. • CEO, Jadat Itqan Consulting, a sole company operating in general management consulting, since 2013G. • Member of the Nomination, Remuneration and Governance Committee, Kinan International for Real Estate Development Company, a closed joint stock company operating in real estate and residential development, since 2011G.
Past Professional Experience:	• Director, Afia International Company - Jordan, a closed joint stock company operating in food services sector, from 2010G to 2019G. • Member of the Social Responsibility Committee, Savola Group, a public joint stock company operating in investments in the food and retail sectors, from 2010G to 2019G. • Director, Herfy Food Services, a public joint stock company operating in consumer and food services, from 2012G to 2015G. • Director, New Marina for Plastic Industries Co - Egypt, a closed joint stock company operating in the industrial and food sectors, from 2011G until 2013G. • Director, Taameer Jordan Holdings - Jordan, a public joint stock company operating in the real estate and development sector, from 2011G until 2013G. • Director, Panda Retail Company, a closed joint stock company specializing in the retail sector, from 2010G until 2013G. • Director, Al Sharq Plastic Industries Company, a limited liability company operating in the manufacturing sector, from 2008G until 2013G. • Secretary of the Board of Directors, Savola Group, a public joint stock company operating in investments in the food and retail sectors, from 1999G until 2013G. • Secretary of the Board of Directors, Knowledge Economic City Co, a public joint stock company operating in the real estate sector with a focus on various real estate activities, from 2008G until 2012G.

5.3 Board of Directors Committees

The Board of Directors has established the Committees to optimise the management of the Company and to meet relative regulatory requirements. Each Committee is required to have clear rules identifying their role, powers and responsibilities. Minutes must be prepared for each meeting of each Committee (which are reviewed and approved by the Board of Directors).

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.3.1 Audit Committee

5.3.1.1 Responsibilities of the Audit Committee

The Audit Committee monitors the Company's business and verifies the accuracy of the Company's financial statements, reports and internal audit processes. The Committee is to monitor the Company's business and affairs and assist the Board of Directors with oversight of: (i) the integrity, fairness, effectiveness and accuracy of the Company's financial statements and reports; (ii) the Company's compliance with legal and regulatory requirements; (iii) the qualifications, independence and performance of the Company's external auditor; and (iv) the performance, soundness and effectiveness of the Company's internal control, audit and financial reporting systems. The responsibilities of the Audit Committee further include the following:

(a) Financial Statements and Reports:

- review, express an opinion on, and make recommendations to the Board of Directors regarding the interim and annual financial statements of the Company, including all announcements relating to the Company's financial performance, prior to their presentation to the Board of Directors, to ensure their integrity, fairness and transparency;

- at the request of the Board of Directors, express a technical opinion with respect to fairness, balance and comprehensibility of the Board of Directors report and the Company's financial statements, and whether they include the information necessary to enable shareholders and investors to assess the Company's financial position, performance, business model and strategy;
- review any significant or unusual issues or matters included in the Company's financial statements and reports, and review any matters raised by the Chief Financial Officer or his delegate, compliance officer, or the Company's external auditor;
- review the annual estimated budget of the Company and make any observations thereon to the Board of Directors, if any;
- examine the accounting estimates in respect of significant matters contained in the Company's financial statements and reports; and
- review the accounting policies in force and advise the Board of Directors of its opinion and any recommendations regarding the same.

(b) Internal Control and Audit:

- review and consider the effectiveness of the Company's internal control, financial, and risk management systems;
- oversee the process control plan to ensure that the executive management is committed to implementing it;
- review the internal audit reports and pursue the implementation of corrective measures in respect of the comments included therein;
- oversee and supervise the performance and the activities of the Company's Internal Audit Department to ensure they have access to the necessary resources and ensure their effectiveness in performing the tasks and duties assigned to them;
- recommend to the Board of Directors decisions regarding the appointment, dismissal and remuneration of the internal auditor and Head of the Company's the Head of the Internal Audit Department;
- review on an annual basis the performance and the activities of the Company's Head of the Internal Audit Department and recommend to the Board his annual remuneration and salary adjustment;
- report to the Board of Directors on its proceedings, recommendations, and resolutions after each meeting of the Committee on all matters within its duties and responsibilities; and
- prepare an annual written report assessing the adequacy of the Company's internal and financial control, and risk management systems, and its recommendations in respect thereof, as well as the tasks undertaken by the Committee within its competence; and Copies of the report should be made available for collection by the Company's shareholders at the Company's head office and published on the website of the Company and the Exchange at the time of publishing the invitation to convene the relevant annual General Assembly meeting, and at least ten days prior to such General Assembly meeting. A copy of the report should be read out at that meeting.

(c) External Audit:

- recommend to the Board of Directors the appointment, dismissal, and compensation of the external auditor, after verifying its independence and reviewing its scope of work and terms of engagement;
- review the professional qualifications of the external auditor and the personnel that will be working within the external auditor for the Company;
- review the performance and supervise the activities of the external auditor and report to the Board of Directors with its recommendations in respect of the same;
- review and verify annually the independence, objectivity, and fairness of the external auditor and the effectiveness of the external auditor's audit work, taking into account the relevant rules and standards, and make recommendations to the Board in respect of the same;
- review the external auditor's proposed audit scope, approach, and plan, and make any comments thereon;
- verify that the external auditor is not providing any technical or management services outside of the scope of the audit, and make recommendations to the Board of Directors in respect of the same;
- address any inquiries raised by the external auditor; and
- review the reports, qualifications and comments of the external auditor in relation to the Company's financial statements and follow up on the actions taken in relation to the same.

(d) Compliance:

- verify and monitor the Company's compliance with the applicable laws, regulations, policies and instructions;
- review the reports and results of investigations of any competent supervisory or regulatory authority, and ensure that the Company has undertaken the necessary actions in relation to the same;

- review the contracts and transactions to be entered into by the Company with Related Parties, and make recommendations to the Board of Directors in relation to the same;
- ensure that appropriate arrangements and mechanisms are put in place, and implemented to allow for the confidential and anonymous submission by the Company's employees of concerns regarding any financial, accounting or auditing matters or any cases of non-compliance through a reasonable mechanism; and
- report to the Board of Directors any matters or issues which should be brought to the attention of the Board of Directors, and any related recommendations.

5.3.1.2 Audit Committee Members

The Audit Committee shall be created by an Ordinary General Assembly decision and consist of at least three members from among the Shareholders or others; provided that: (i) at least one member is an Independent Director; (ii) no Executive Director is a member or Chairman; (iii) the number of members is not less than three members and not more than five members; (iv) one of its members is specialised in finance and accounting; and (v) a person who worked during the two previous years in the executive or financial management of the Company or who has audited the Company's accounts. The Audit Committee convenes periodically; provided that at least four meetings are held during the Company's financial year. The internal auditor and the external auditor may call for a meeting with the Audit Committee at any time as may be necessary.

The Audit Committee comprises the following members as of the date of this Prospectus:

Table 5.4: Audit Committee Members

Name	Role
Kamel Salahudin Al Munajjed	Chairman
Jamal Abdullah Al-Dabbagh	Member
Mohamed Husnee Jazeel	Member

Source: The Company.

5.3.2 Biographies of the Members of the Audit Committee

The experience, qualifications and the current and other positions of the members of the Audit Committee are set out below:

5.3.2.1 Kamel Salahudin Al Munajjed

See Section 5.2.4.6 (**Kamel Salahudin Al Munajjed, Director**) for further details regarding experience, qualifications and the current and previous positions of Kamel Salahudin Al Munajjed.

5.3.2.2 Jamal Abdullah Al-Dabbagh

See Section 5.2.4.4 (**Jamal Abdullah Al-Dabbagh, Vice Chairman**) for further details regarding experience, qualifications and the current and previous positions of Jamal Abdullah Al-Dabbagh.

5.3.2.3 Mohamed Husnee Jazeel

See Section 5.2.4.3 (**Mohamed Husnee Jazeel, Director**) for further details regarding experience, qualifications and the current and previous positions of Mohamed Husnee Jazeel.

5.3.3 Nomination and Remuneration Committee

5.3.3.1 Responsibilities of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee oversees the nomination of Directors to the Board of Directors and the remuneration policy for the Directors and the members of the Company's senior management. The duties and responsibilities of the Nomination and Remuneration Committee are mainly to: (i) lead the process of nominating and evaluating the Board of Directors and Senior Executives of the Company; (ii) ensure the effectiveness and soundness of the Company's Board of Directors and executive management structures and the relevant internal policies and procedures; and (iii) assist the Board of Directors in the review and determination of the remuneration of the Board of Directors, members of the committees of the Board of Directors, and Senior Executives of the Company. The responsibilities of the Nomination and Remuneration Committee further include the following:

- Nomination:

  a. prepare, recommend and oversee policies and criteria in relation to the appointment of members to the Board of Directors and the executive management;

b. interview all Board candidates and ensure that all necessary and appropriate inquiries are made into the backgrounds and qualifications of such candidates before recommending them to the Board for nomination;

c. recommend to the Board of Directors candidates for nomination (or renomination) to the Board of Directors in accordance with the applicable laws, regulations, rules and policies;

d. annually review, assess, and recommend to the Board of Directors the skills, qualifications, and credentials required for membership in the Board of Directors and the Company's executive management, including setting the time commitment required for such membership and the job specifications for executive, non-executive, and independent Directors and members of the Company's executive management;

e. verify on an annual basis the independence of each independent Director in accordance with the applicable laws, regulations, and rules and the absence of any conflict of interest in case a Director also serves as a director of another company;

f. periodically review and make recommendations to the Board of Directors concerning the succession plans of Senior Executives, taking into account the challenges and opportunities facing the Company, as well as the skills and expertise required for the executive management and the Directors;

g. evaluate and recommend to the Board of Directors potential candidates for executive management positions in the Company and, in particular, assist the Board of Directors in selecting, developing, and evaluating potential candidates for the position of Chief Executive Officer; and

h. develop and periodically review procedures for filling vacancies in the Board of Directors and the Company's executive management, and make recommendations to the Board of Directors regarding the selection and approval of candidates to fill such vacancies.

- Review and Assessment:

a. regularly review the structure, size, composition, strengths, and weaknesses of the Board of Directors (including the skills, knowledge, and experience) and the Company's executive management, and make appropriate recommendations and suggest solutions to the Board of Directors in line with the interests of the Company;

b. develop and oversee an induction program for new Directors and a continuing education program for current Directors, periodically review these programs and update them as necessary; and

c. develop, recommend to the Board of Directors, and oversee an annual self-evaluation process for the Directors and certain Senior Executives of the Company.

- Remuneration:

a. prepare, recommend to the Board of Directors, and oversee the implementation and disclosure of policies for the remuneration of Directors, Senior Executives of the Company, and members of the Committees of the Board of Directors, which shall be presented before the General Assembly for approval;

b. prepare an annual report on the remuneration and other payments (in cash or in kind) received by the Directors, executive management and members of the Board Committees, and clarify the relation between the remuneration received and the Remuneration Policy (including a description of any significant departures from the Remuneration Policy) for presentation to the Board of Directors for consideration;

c. regularly review and assess the effectiveness and appropriateness of the Remuneration Policy and make recommendations to the Board of Directors in relation to the same;

d. recommend to the Board of Directors the form and amount of remuneration to be granted to the Directors, including members of the Board Committees, and the Company's Senior Executives, in accordance with the approved Remuneration Policy;

e. review and make recommendations to the Board of Directors regarding the Company's incentive plans for the Directors and employees, including in relation to adopting, amending, and terminating such plans; and

f. prepare any disclosures required under the Company's policies and any laws, regulations, or rules to which the Company is subject, including, at a minimum, disclosures relating to the Remuneration Policy and annual reports on remuneration, and disclosures relating to remuneration in the Board's annual report.

5.3.3.2 Nomination and Remuneration Committee Members

The Nomination and Remuneration Committee consists of at least three members and at most having five members. Members of the Nomination and Remuneration Committee must not be executive members of the Board of Directors; provided that there shall be at least one Independent Director among them. The Chairman of the Nomination and Remuneration Committee is an Independent Director. The Nomination and Remuneration Committee shall convene periodically at least once every financial year. Additional meetings may be held from time to time at the request of the Board or any of the members.

The Nomination and Remuneration Committee comprises the following members as of the date of this Prospectus:

Table 5.5: Nomination and Remuneration Committee Members

Name	Role
Stephen Mark Parsons	Chairman
Jamal Abdullah Al-Dabbagh	Member
Mohamed Husnee Jazeel	Member

Source: The Company.

5.3.4 Biographies of the Members of the Nomination and Remuneration Committee

The experience, qualifications and the current and other positions of the members of the Nomination and Remuneration Committee are set out below:

5.3.4.1 Stephen Mark Parsons

See Section 5.2.4.5 (**Stephen Mark Parsons, Director**) for further details regarding experience, qualifications and the current and previous positions of Stephen Mark Parsons.

5.3.4.2 Jamal Abdullah Al-Dabbagh

See Section 5.2.4.4 (**Jamal Abdullah Al-Dabbagh, Vice Chairman**) for further details regarding experience, qualifications and the current and previous positions of Jamal Abdullah Al-Dabbagh.

5.3.4.3 Mohamed Husnee Jazeel

See Section 5.2.4.3 (**Mohamed Husnee Jazeel, Director**) for further details regarding experience, qualifications and the current and previous positions of Mohamed Husnee Jazeel.

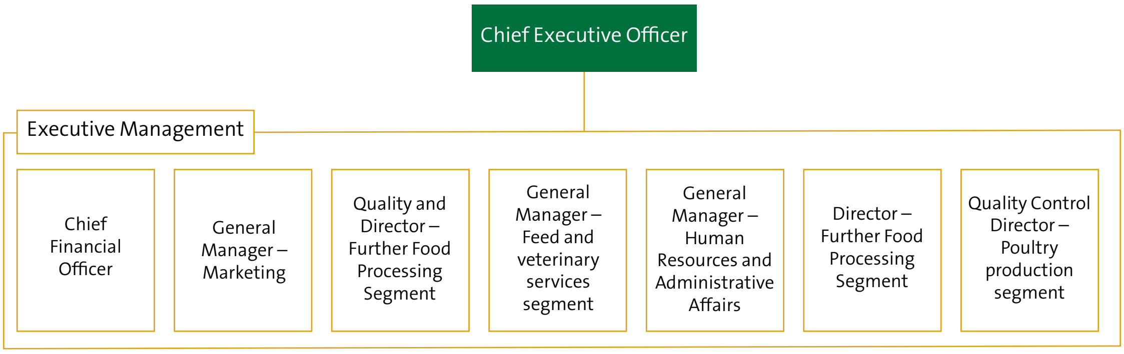
5.4 Executive Management

5.4.1 Overview of Executive Management

The Executive Management of the Company comprises qualified and experienced members with the necessary knowledge and expertise to run the Company's business in line with the objectives and directives of the Board of Directors and the Shareholders. The Company has been successful in recruiting and retaining its senior management team, developing qualified employees and promoting them to senior positions in the Company.

The following chart sets out the Senior Executives as of the date of this Prospectus:

Exhibit 5.2: Senior Executives Chart



5.4.2 Biographies of Senior Executives

The experience, qualifications and the current and other positions of each Senior Executive are set out below:

Table 5.6: Details of Senior Executives

Name	Position	Appointment Date	Nationality	Age (Years)	Number of Shares Held Pre-Offering	Number of Shares Held Post-Offering
Sayed Zulfiqar Al-Hamdani[1]	Chief Executive Officer	September 2019G	Pakistani	47	-	-
Irfan Jawaid Nagi	Chief Financial Officer	March 2015G	Pakistani	44	-	-
Joy Abraham Rajan	General Manager of Sales and Marketing	June 2018G	Indian	53	-	-
Miguel Leao De Mello	Director of Quality and Assurance – Further Food Processing Segment	September 2013G	British	59	-	-
Hazem Abdulaziz Allam	General Manager – Feed and Veterinary Services Segment	June 2009G	Egyptian	54	-	-
Wail Abdulrahman Alrabiah	General Manager – Human Resources and Administration Department	December 2012G	Saudi	56	-	-
Steven William Ross	Director – Further Food Processing Segment	June 2019G	British	49	-	-
Fakher Aldin Awad	Quality Control Manager – Poultry Production Segment	April 2019G	Sudanese	61	-	-
Muhammad Abbas Khan	Head of Internal Audit Department	April 2019G	Pakistani	46	-	-

Source: The Company.

1 Sayed Zulfiqar Al-Hamdani has been working for the Company since 2007G. In September 2019G, he was appointed as the CEO of the Company.

5.4.2.1 Sayed Zulfiqar Al-Hamdani, CEO

Nationality:	Pakistani
Age:	47 years
Academic and Professional Qualifications:	• Chartered Accountant and Peer at the Institute of Chartered Accountants of Pakistan, 1999G • Bachelor of Commerce, DHA College, Pakistan, 1994G
Appointment Date	• September 2019G
Current Positions: Past Professional Experience:	• CEO of the Company, since September 2019G; • COO of the Company, from 2012G to 2019G; • CFO of the Company, from 2007G to 2012G; • Financial Controller, International Tobacco Machinery, a limited liability company, manufacturing sector, from 2000G until 2005G; and • Trainee Chartered Accountant, PricewaterhouseCoopers International Limited, a limited liability partnership, financial services sector, from 1995G to 2000G.

5.4.2.2 Irfan Jawaid Nagi, Chief Financial Officer

Nationality:	Pakistani
Age:	44 years
Academic and Professional Qualifications:	• Fellow Member of the Association of Chartered Certified Accountants, UK, 2010G; • Fellow Chartered Accountant, Institute of Chartered Accountants, Pakistan, 2000G; and • Bachelor of Commerce, Karachi University, Pakistan, 1995G.
Appointment Date	• March 2015G.
Current Positions:	• CFO of the Company, since 2015G.
Past Professional Experience:	• Country Finance Manager, in Oman and Bahrain, Majid Al Futtaim Group, a limited liability company, retail and real estate sector, from 2008G until 2015G; • Director of Corporate & Financial Services, Engro Vopak Terminal Ltd, services, a joint stock company, petrochemical and gas sector, from 2007G until 2008G; • General Accounting Manager, Engro Fertilizer Ltd, a joint stock company, fertilizers sector, from 2001G until 2007G; • Assistant Manager in Corporate Audit, Unilever Pakistan Ltd, a limited liability company, fast-moving consumer goods sector, from 2000G until 2001G; and • Trainee Accountant A.F. Ferguson & Co. PricewaterhouseCoopers International Limited, a limited liability company, financial services industry, from 1996G to 2000G.

5.4.2.3 Joy Abraham Rajan, General Manager of Sales and Marketing

Nationality:	Indian
Age:	53 years
Academic and Professional Qualifications:	• Post Graduate Diploma in Sales and Marketing Management, Welingkar Institute of Management Development & Research, India, 1997G; • Master of Arts, Osmania University, India, 1993G; and • Bachelor of Arts, University of Bombay, India, 1990G.
Appointment Date	• June 2018G.
Current Positions:	• Sales and Marketing Director of the Company, since 2018G.
Past Professional Experience:	• General Manager of Sales and Marketing and Procurement, Qeemah and Dukan for Groceries, retail sector, from 2013G until 2018G; • Group Client Services Director, IMPACT BBDO, a limited liability company, marketing communications agency sector, from 1998G until 2013G; • Account Director, M & C SAATCHI, a limited liability company, marketing and advertising services sector, from 1997G until 1998G; and • Account Director, Leo Burnett, a limited liability company, marketing communications agency sector, from 1990G until 1997G.

5.4.2.4 Miguel Leao De Mello, Director of Quality and Assurance, Further Food Processing Segment

Nationality:	British
Age:	59 years
Academic and Professional Qualifications:	• Diploma in Diet and Nutritional Adviser, Centre of Excellence, UK, 2016G; • Diploma in Business Administration, Oxford College, UK, 2013G; • Master of Science in Food and Agricultural Biotechnology, Reading University, UK, 1986G; and • Bachelor of Commerce, University of North Wales, UK, 1984G.
Appointment Date	• September 2013G
Current Positions:	• Director of Quality and Assurance – Further Food Processing Segment of the Company, since 2013G; • Appointed jury member for Industry Excellence Awards, Gulf Food Manufacturers, a limited liability company, food sector, since 2018G; and • Committee member of the Dubai Food and Beverage Association, a UAE Government body, since 2017G.
Past Professional Experience:	• Technical Director, Smithfield Foods Ltd, a limited liability company, food manufacturing sector, from 2006G until 2013G; • Technical Executive, 2 Sisters Food Group UK, a limited liability company, poultry growing and food manufacturing sector, from 2003G until 2006G; • Central Technical Manager, Kerry Foods Group UK, a limited liability company, food manufacturing sector, from 1995G until 2003G; • Quality and Assurance Manager, Dorset Chilled Foods, a limited liability company, food manufacturing sector from 1991G until 1995G; • Site Director of Quality and Assurance, Almarai, a limited liability company, food manufacturing sector from 1989G until 1991G; and • Site Director of Quality and Assurance, Downs/Amberly Foods UK, a limited liability company, food manufacturing sector from 1988G until 1989G.

5.4.2.5 Hazem Abdulaziz Allam, General Manager – Feed and Veterinary Services Segment

Nationality:	Egyptian
Age:	54 years
Academic and Professional Qualifications:	• Bachelor of Science in Veterinary Medicine, Cairo University, Egypt, 1989G
Appointment Date	• June 2009G
Current Positions:	• General Manager, Desert Hills Veterinary Services Company, since 2009G
Past Professional Experience:	• Sales and Marketing Director, Desert Hills Veterinary Services Company, from 2004G until 2009G; • Business Development Manager, Hoffman la Roche, foreign company branch, pharmaceutical sector, from 1996G until 2004G; • Sales Manager, Hoffman La Roche, foreign company branch, pharmaceutical sector, from 1993G until 1996G; and • Medical Representative, Hoffman La Roche, foreign company branch, pharmaceutical sector, from 1990G until 1993G.

5.4.2.6 Wail Abdulrahman Alrabiah, General Manager – Human Resources and Administration Department

Nationality:	Saudi
Age:	56 years
Academic and Professional Qualifications:	• Bachelor of Arts in Sociology and Humanities, King Abdulaziz University, Kingdom, 2005G
Appointment Date	• December 2012G
Current Positions:	• General Manager, Human Resources and Administration Department of the Company, since 2012G.
Past Professional Experience:	• General Manager of Sales, Petromin Corporation, a closed joint stock company, petrochemical sector, from 1984G until 2012G. • Safety Supervisor, Saudi Electric Company, a public joint stock company, utilities sector, from 1981G until 1984G. • Trainee, Saudi Arabian Oil Company (Saudi Aramco), a public joint stock company, oil and gas sector, from 1980G until 1981G.

5.4.2.7 Steven William Ross, Director – Further Food Processing Segment

Nationality:	British.
Age:	49 years
Academic and Professional Qualifications:	• Bachelor of Science in Engineering Physics, Sheffield Hallam University, UK, 1993G
Appointment Date	• June 2019G
Current Positions:	• Director, Perfect Foods Factory Company, a limited liability company, since June 2019G; and • Manager, the Company's Further Food Processing Segment, since 2019G.
Past Professional Experience:	• Founder and Managing Director, SW Ross Consulting Limited, a limited liability company, management and consulting sector, from 2015G until 2019G; • CEO, Middle Eastern Independent Purchasing Company Limited, a limited liability company, purchasing and supply chain management services sector, from 2010G until 2015G; and • Senior Manager, Purchasing Strategy European Independent Purchasing Company Limited, a limited liability company, purchasing and supply chain management services sector, from 2004G until 2010G.

5.4.2.8 Fakher Aldin Awad, Quality Control Manager – Poultry Production Segment

Nationality:	Sudanese
Age:	61 years
Academic and Professional Qualifications:	• Bachelor of Veterinary Sciences, University of Khartoum, Sudan, 1979G
Appointment Date	• April 2019G
Current Positions:	• General Manager of Quality and Assurance, Agricultural Development Company, a limited liability company, operating in chicken production, since April 2019G
Past Professional Experience:	• Quality Control Manager, Agricultural Development Company, a limited liability company, operating in chicken production, from 2017G to 2019G; • Quality Manager, Agricultural Development Company, a limited liability company, operating in chicken production, from March 2017G to September 2017G; • Consultant, Al-Watania Poultry, a limited liability company, poultry sector, from 2015G until 2017G; • Manager, Al-Watania Poultry, a limited liability company, poultry sector, from 2007G until 2015G; • Acting Dept. Manager, Al-Watania Poultry, a limited liability company, poultry sector, from 2005G until 2007G; • Site Manager, Al-Watania Poultry, a limited liability company, poultry sector, from 1998G until 2005G; and • Plant Manager, Al-Watania Poultry, a limited liability company, poultry sector, from 1989G until 1997G.

5.4.2.9 Mohammad Abbas Khan, Head of the Internal Audit Department

Nationality:	Pakistani
Age:	46 years
Academic and Professional Qualifications:	• Chartered Accountant, Institute of Chartered Accountants, Karachi, Pakistan, 2006G • Certified Internal Auditor, Institute of Internal Auditors, Florida, USA, 2005G
Appointment Date	April 2019G
Current Positions:	• Director of Internal Audit of the Company, since 2019G
Past Professional Experience:	• Director of Internal Audit, Alkhair Bank (Bahrain), a Bahraini joint stock company, operating in the Islamic banking sector, from 2010G until 2019G; • Chief Manager of Risk Consultations Department, Ernst and Young (Bahrain), a professional company, operating in advisory, consulting and accounting sectors, from 2006G until 2010G; • Chief of Internal Auditor, Greenstar Social Marketing (Pakistan), non-governmental organization, operating in the communal health sector, from 2005G until 2006G; and • Manager, Corporate Risk Department, Ernst and Young (Pakistan), a professional company, operating in advisory, consulting and accounting sectors, from 1996G until 2005G.

5.4.3 Employment Contracts with Senior Executives

The Company has concluded employment contracts with all members of the Company's senior management in which their fees and remuneration are identified depending on their qualifications and experience. These contracts include a number of benefits, such as providing transportation or granting a monthly allowance for transportation or housing, or both. These contracts are renewable and subject to the Saudi Labour Law.

Sayed Zulfiqar Al-Hamdani joined the Company as the Chief Executive Officer in September 2019G. He has been working as the Chief Operating Officer since 2012G. A three-year employment contract was concluded between him and the Company on 1 September 2019G. Such contract may be renewed based on the agreement of the two parties (i.e., it will not be automatically renewed). The duties and responsibilities of the Chief Executive Officer can be summarised as follows:

- managing the day-to-day affairs and business of the Company;
- proposing and developing the Company's short- and long-term strategy and overall commercial objectives, in close consultation with the Board of Directors;
- implementing the resolutions of the Board of Directors and the Committees;
- providing input to the Chairman on the Board of Directors meeting agenda;
- ensuring the provision of accurate and clear information to the Board of Directors in a timely manner; and
- ensuring that all material matters affecting the Company are brought to the attention of the Board of Directors.

Irfan Jawaid Nagi joined the Company as the Chief Financial Officer in 2015G. He has an employment contract with the Company dated 1 January 2019G concluded for two years, automatically renewable unless either party notifies the other of its intent for non-renewal at least two months before the expiry of the contract. The duties and responsibilities of the Chief Financial Officer can be summarised as follows:

- assisting in the formulation of the Company's objectives and lead the Company's financial planning Process;
- leading the financial reporting process and strengthening the Company's internal control systems;
- optimizing the Company's cash flow, liquidity and working capital facilities; and
- managing the financial forecast and budget processes and supervising the preparation of the Company's financial statements.

5.5 Remuneration of Directors and Senior Executives

Pursuant to the Company's Bylaws, the remuneration of Directors shall be determined in accordance with the MoC's relevant official resolutions and instructions, the provisions of the Companies Law, any other complementary laws thereto and the Company's Bylaws. In addition, attendance and transportation allowances shall be determined by the Board of Directors in accordance with the applicable laws, resolutions and instructions in the Kingdom as passed by the concerned authorities.

In accordance with Article 76 of the Companies Law that allows the remuneration to be distributed as a percentage of profits, the maximum annual remuneration for each Director shall be SAR 500,000.

The following table sets out the remuneration of the Directors and top five Senior Executives (including the Chief Executive Officer and the Chief Financial Officer) granted by the Company and its Subsidiaries for the financial years ended 31 December 2018G, 2019G and 2020G. The Company did not have a board or committees due to recent conversion from a limited liability company to a joint stock company. Neither the Directors, nor Committee Members, nor Senior Executives received any in-kind rewards or benefits.

Table 5.7: Directors and Top Five Senior Executives Remuneration in the Financial Years Ended 31 December 2018G, 2019G and 2020G

	2018G	2019G	2020G
	(SAR Million)		
Directors	-	0.90	3.1
Members of the Committees	-	-	-
Top Five Senior Executives (Including CEO and CFO)	10.8	11.4	11.9
Total	**10.8**	**12.3**	**15.0**

Source: The Company.

5.6 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Company's Board of Directors undertakes to comply with the Corporate Governance Regulations issued by the Authority. The Authority has issued on 16/5/1438H (corresponding to 13 February 2017G) the Corporate Governance Regulations amended on 1/6/1442H (corresponding to 14 January 2021G).

The Corporate Governance Regulations set out the rules and standards that regulate the management of the Company to ensure compliance with the best corporate governance practices to protect the rights of Shareholders and other stakeholders. The provisions of the Corporate Governance Regulations are mandatory, except for certain provisions that are designated as guiding provisions.

The Company's internal Corporate Governance Manual, which was adopted by the Board of Directors on 05/09/1440H (corresponding to 10 May 2019G), includes provisions in relation to the following:

- rights of the Shareholders;
- the Board of Directors (including the Board formation, membership, meetings, working procedures, competencies, duties and powers, development, support, evaluation and remuneration);
- committees of the Board of Directors;
- management;
- internal control and audit; and
- internal policies.

As of the date of this Prospectus, the Company complies with the mandatory provisions of the Corporate Governance Regulations, except for the following articles:

- Paragraph (a) of Article 8 on the Company announcing information about the nominees for the membership of the Board of Directors on the Exchange's website upon the invitation or calling for the General Assembly;
- Paragraph (c) of Article 8 on limiting General Assembly voting to candidates whose information were announced according to Paragraph (a) of Article 8;
- Paragraph (d) of Article 13 on publishing the call to the General Assembly on the websites of the Exchange and Company;
- Paragraph (c) of Article 14 on making information related to General Assembly items available to shareholders through the websites of the Exchange and Company;
- Paragraph (e) of Article 15 on announcing to the public and notifying the Authority and Exchange of the results of the General Assembly as soon as it ends;
- Paragraph (d) of Article 17 on notifying the Authority of the names of the members of the Board of Directors, a description of their memberships, as well as any changes in their memberships;
- Paragraph (b) of Article 19 on immediately notifying the Authority and the Exchange when terminating the membership of a member of the Board of Directors is terminated by any means of termination and specifying the reasons for such termination;
- Paragraph (b) of Article 20 on the Board of Directors annually evaluating the extent of the member's independence and ensuring that there are no relationships or circumstances that affect or may affect his/her independence;
- Paragraph 7 of Article 50 on Nomination and Renumeration Committee Meetings if the two committees are merged into one committee; and
- Article 68 on the Company publishing the Board membership nomination announcement on the websites of the Company and the Exchange to invite those wishing to be nominated for Board membership.

The Company is currently not complying with the above articles of the Corporate Governance Regulations, given that the Company is not a listed company, as of the date of this Prospectus. The Directors undertake to comply with these articles as soon as the approval is issued for the listing of the Shares. In addition, the Directors confirm that the Company is currently complying with all other provisions of the Corporate Governance Regulations and the Companies Law.

The Company has two permanent Board Committees (the Audit Committee and the Nomination and Remuneration Committee), which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and suggestions to the Board of Directors (for further details, see Section 5.3 (**Board of Directors Committees**)).

The Company's Board of Directors consists of six Directors, most of whom are non-executive Directors, including two independent Directors in accordance with the provisions of the Corporate Governance Regulations. The Board of Directors ensures, among other things, that:

- all the Committees have clear competencies and that the roles and responsibilities of each Committee shall be detailed; and
- minutes of all meetings will be prepared, reviewed and signed by the Board of Directors in accordance with the Bylaws.

In accordance with Article 95(1) of the Companies Law and Article 8(b) of the Corporate Governance Regulations, the Shareholders have adopted the cumulative voting method in relation to the appointment of Directors as reflected in the Company's Bylaws (for further details, see Section 12.13 (**Summary of Bylaws**)). This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Each Shareholder has the right to use all of his/her voting rights for one nominee or to divide such voting rights between his/her selected nominees without any duplication of these votes. This method increases the chances for minority Shareholders to be represented in the Board of Directors through the right to accumulate votes for one nominee.

5.7 Conflicts of Interest

Neither the Company's Bylaws nor the Company's internal regulations and policies grant a Director the power to vote on any contract or transaction in which he/she has a direct or indirect interest. This is in compliance with Article 71 of the Companies Law. The Directors confirm that:

a. they will comply with the Articles 71 and 72 of the Companies Law and the Articles 44 and 46 of the Corporate Governance Regulations;
b. they will not vote on General Assembly resolutions that relate to any Related Party transaction or contract in which the Directors have a direct or indirect interest; and
c. they will not compete with the Company's business without the approval of the Ordinary General Assembly in accordance with the Article 72 of the Companies Law.

As of the date of this Prospectus, none of the Directors, Senior Executives or the Current Shareholders is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company or any similar obligation in relation to the Company's business. However, to engage in businesses competing with the Company, the Directors must obtain approval from the General Assembly in accordance with Article 46 of the Corporate Governance Regulations and Article 72 of the Companies Law.

Section 12.9 (**Related Party Contracts and Transactions**) provides a summary of the contracts and/or transactions entered into by the Company, including those in which a Director has a direct or indirect interest. As of the date of this Prospectus, the Directors are not engaged in any activities competing with the Company's activities.

The following table provides a summary of the contracts and transactions concluded with the group, including those in which a board member has a direct or indirect interest.

Table 5.8: Summary of Contracts and Transactions with Related Parties

Parties	Nature of the Contract or Transaction	The Company's Total Revenue from the Contract/ Transaction For the Financial Year Ended 31 December 2020G	Direct or Indirect Conflicting Director
The Company (as a service provider) and a number of its Subsidiaries, namely ADC, DHV, SFPC, and PPF.	Management service agreements, under which the Company provides management services to all the said Subsidiaries.	SAR 54,661,304	-
The Company (as a service provider) with the National Scientific Company Limited.	Management service agreements, under which the Company provides management services to the said company.	SAR 19,154	Amr bin Abdullah Al-Dabbagh and Jamal bin Abdullah Al-Dabbagh
ADC (as a seller) with Dukan (which is a former subsidiary of the Group)	ADC's product sales to Dukan under purchase orders	SAR 17,477,948	Amr bin Abdullah Al-Dabbagh and Jamal bin Abdullah Al-Dabbagh
SAED international for Istiqdam (as a service provider) with ADC	Expatriate labour employment contract under which SAED international for Istiqdam provides labour services to ADC upon its request in consideration of fees as detailed in the contract.	SAR 3,211,761	Amr bin Abdullah Al-Dabbagh, Jamal bin Abdullah Al-Dabbagh and Mohamed Husnee Jazeel
Petromin Corporation (as a seller) with ADC	Petromin's product sales to ADC, upon request.	SAR 296,320	Amr bin Abdullah Al-Dabbagh and Jamal bin Abdullah Al-Dabbagh

5.8 Employees

The Company adopted an employment policy aimed at building and enhancing relations between the Company and its employees. This policy covers all aspects of recruitment, work schedules, healthcare, social insurance benefits, salaries and other allowances, including accommodation and transportation allowances and rewards.

5.8.1 Number of Employees

As of 31 December 2020G, the Company employed 355 employees (14% of whom were Saudi nationals) and the Group employed in total 1,772 employees (including 18.7% Saudis). In addition, the Company has entered into manpower supply agreements with service providers, who had deputed 2,289 workers to the Company. All of these workers have been registered with the Ministry of Human Resources and Social Development's (formerly Ministry of Labour and Social Development) AJEER Portal. The following tables set out the distribution of employees by business segment and Subsidiaries and the Saudization percentage.

The following table shows the number of employees of the Company and its Subsidiaries by business segment as of 31 December 2018G, 2019G and 2020G.

Table 5.9: Number of Employees of the Company and its Subsidiaries by Business Segment as of 31 December 2018G, 2019G and 2020G

Business Segment	31 December 2018G			31 December 2019G			31 December 2020G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Poultry Production Segment	233	935	1,168	231	981	1,212	287	1,129	1,416
Further Food Processing Segment:	31	240	271	31	239	270	33	272	305
Feed and Veterinary Services Segment:	17	54	71	21	48	69	12	39	51
Total	**281**	**1,229**	**1,510**	**283**	**1,268**	**1,551**	**332**	**1,440**	**1,772**

Source: The Company.

The table below shows the number of employees of the Company and its Saudi Subsidiaries and the achieved Saudization percentages as of 31 December 2018G, 2019G and 2020G.

Table 5.10: Number of Employees of the Company and its Saudi Subsidiaries and the Achieved Saudization Percentages as of 31 December 2018G, 2019G and 2020G

The Company	31 December 2018G				31 December 2019G				31 December 2020G			
	Saudi	Non-Saudi	Total	Saudization Percentage/ Category	Saudi	Non-Saudi	Total	Saudization Percentage/ Category	Saudi	Non-Saudi	Total	Saudization Percentage/ Category
Tanmiah Food Company	62	334	396	16%/ Platinum	48	315	363	13%/ High Green	50	305	35	16%/ Platinum
Agricultural Development Company	188	654	842	22%/ Platinum	202	676	878	23%/ Platinum	243	799	1,042	23%/ Platinum
Supreme Foods Processing Company	29	71	100	29%/ Platinum	29	70	99	29%/ High Green	34	78	112	30%/ Platinum
DHV	0	0	0	N/A	2	0	2	100%/ Green	3	10	13	23%/ Mid-Green
Total	**279**	**1,059**	**1,338**	**21%**	**281**	**1,061**	**1,342**	**21%**	**330**	**1,192**	**1,522**	**21.7%**

Source: The Company.

The table below shows the number of employees of the Foreign Subsidiaries as of 31 December 2018G, 2019G and 2020G.

Table 5.11: Number of Employees of the Company and its Foreign Subsidiaries as of 31 December 2018G, 2019G and 2020G

The Company	31 December 2018G			31 December 2019G			31 December 2020G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Perfect Foods Factory	2	166	168	2	164	166	2	167	169
Tanmiah International	0	4	4	-	4	4	-	1	1
Supreme Food (Bahrain)	-	-	-	-	39	39	-	43	43
(Dubai Branch, UAE)				-	-	-	-	38	38
Total	**2**	**170**	**172**	**2**	**207**	**209**	**2**	**248**	**250**

Source: The Company.

The number of the Company's employees was 1,510 employees as of 31 December 2018G. It then increased to 1,551 employees 31 December 2019G. As of 31 December 2020G, the number of employees was 1,772 employees.

5.8.2 Saudization

The "Nitaqat" Saudization Program was approved pursuant to the Minister of Human Resources and Social Development (formerly Minister of Labour) Resolution No. 4040 issued on 12/10/1432H (corresponding to 10 September 2011G), based on the Council of Ministers Resolution No. 50 issued on 21/5/1415H (corresponding to 27 October 1994G), which was applied as of 12/10/1432H (corresponding to 10 September 2011G). MHRSD established the "Nitaqat" program to provide establishments with incentives to hire Saudi nationals. The program assesses an establishment's performance based on specific ranges, which are platinum and green (which is further divided into three categories low green, middle green and high green), yellow and red. Establishments that are classified within the platinum and green categories are deemed to be compliant with the Saudization requirements and receive certain specified benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified as yellow or red (depending on the extent to which they are noncompliant) are deemed to be noncompliant with the Saudization requirements and are subject to certain punitive measures, such as a limited ability to renew work visas for foreign employees or complete inability to obtain or renew work visas for foreign employees.

For the Nitaqat classification of the Company and its Subsidiaries, see Table 5.10 (**Number of Employees of the Company and its Saudi Subsidiaries and the Achieved Saudization Percentages as of 31 December 2018G, 2019G and 2020G**) above.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

This Section presents an analytical review of the Group and its Subsidiaries' operational performance and financial position during the financial years ended 31 December 2018G, 2019G and 2020G.

This Section is based on the financial statements of the Company and ADC for the financial years ended 31 December 2018G, 2019G and 2020G, which have been prepared in accordance with IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, and have been audited by PricewaterhouseCoopers (Public Accountants) (the "**Auditors**") as stated in the issued audit report.

Neither the Auditors nor any of their affiliates, employees or their relatives have any shareholding or interest of any kind in the Company and its Subsidiaries, which would impair their independence. As of the date of this Prospectus, the Auditors have furnished and not withdrawn their written consent to the reference to their role as Auditors of the Company and ADC for the financial years ended 31 December 2018G, 2019G and 2020G.

This Section contains certain forward-looking statements in connection with the Group's future prospects, based on the Executive Management's current plans and expectations regarding the Group's growth, results of operations and financial conditions, and therefore such statements may involve risks and unconfirmed expectations. Actual results of the Group could differ materially from those expressed or implied by these expectations, as a result of various factors and future events, including factors discussed in this Section or elsewhere in this Prospectus, particularly those set out in Section 2 (**Risk Factors**).

The figures in this section have been rounded up to the nearest thousand. As such, if summed, the numbers may differ to those which are stated in the tables. Subsequently, all annual percentages, margins, expenses are based on the rounded figures.

6.1 Directors' Declaration for Financial Information

The Board of Directors acknowledges that the financial information contained in this Section is based on the financial statements of the Company and ADC for the financial years ended 31 December 2018G, 2019G and 2020G, which have been prepared in accordance with the IFRS issued by IASB and approved in the Kingdom and other standards and publications issued by SOCPA.

The Board of Directors declares that the Company and its Subsidiaries have working capital sufficient for a period of at least 12 months immediately following the date of publication of the Prospectus.

The Board of Directors declares that there has been no material adverse change in the Group's financial or business position in the three financial years immediately preceding the application for registration and offer of securities that are subject of this Prospectus and the period covered in the Auditors' Report up to the date of approval of the Prospectus.

The Board of Directors declares that there is no intention to introduce any material changes to the nature of the Group's activity.

The Board of Directors confirms that operations have not discontinued in a way that could affect or has affected its financial position materially during the past 12 months.

The Board of Directors confirms that all material facts regarding the Company and its financial performance have been disclosed in this Prospectus, and that there are no other facts the omission of which would make any statement herein misleading.

The Board of Directors confirms that the Company does not have any properties, including contractual securities or other assets the value whereof is subject to fluctuations or is difficult to ascertain, which materially affects the assessment of the financial position.

The Board of Directors confirms that no commissions, discounts, brokerage fees or non-cash compensations were given by the Company and its Subsidiaries, in the three years immediately preceding the date of submission of its application for registration and offer of securities.

The Board of Directors confirms that the Company's and its Subsidiaries' capital is not under option.

Except as disclosed in Section 12.6 (**Financing Agreements**) of this Prospectus, the Board of Directors declares that at the end of the financial year ended 31 December 2020G the Company does not have any borrowing or indebtedness, including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments.

Except as disclosed in Section 12.6 (**Financing Agreements**) of this Prospectus, the Board of Directors declares that as of the date of this Prospectus and as of 31 December 2020G the Company does not have any loans, mortgages, or charges on its properties.

The Board of Directors declares that as of the date of this Prospectus and as of 31 December 2020G there are no significant fixed assets to be purchased or leased by the Group or its Subsidiaries, except as described in Section 6 (**Management's Discussion and Analysis of Financial Position and Results of Operations**) in the part related to the commitments and contingencies within the Group's statement of financial position.

6.2 Group Overview

The Company, a closed joint stock company, was established on 29 January 1976G, and was converted to a closed joint stock company on 11 March 2019G, with operations across the Kingdom and GCC. Prior to March 2019G, the Company was known as Supreme Foods Company and had been registered as a limited liability company since October 1991G.

The Group's core activities consist of the following three principal business segments (for further details, see Section 4.7 (**Overview of the Group's Business**)):

- **Poultry Production Segment**: primarily consisting of the production and selling of fresh poultry products.
- **Further Food Processing Segment**: primarily consisting of the manufacturing and selling of processed poultry and other meat products.
- **Feed and Veterinary Services Segment**: primarily consisting of the manufacturing and selling of animal feed, selling of broiler chicks, hatching eggs, animal health products, turnkey poultry and green house projects, and sale of poultry and greenhouse equipment.

Pursuant to the Extraordinary General Assembly Resolution dated 12/08/1440H (corresponding to 17 April 2019G), the Company's share capital was increased to SAR 200.0 million divided into 20.0 million Shares, with an equal nominal value of SAR 10 each, by capitalizing SAR 50.0 million of the reserve capital, SAR 21.2 million of the reserve balance and SAR 28.8 million of the retained earnings. This increase represented the only amendment to the Company's capital during the three years immediately preceding the date of submission of its application for registration and offer of securities that are subject to this Prospectus.

The Group comprises the following Subsidiaries. The table below shows the actual ownership of each Subsidiary as of 31 December 2018G, 2019G and 2020G.

Table 6.1: Actual ownership of each Subsidiary as of 31 December 2018G, 2019G and 2020G

Subsidiary		Effective Ownership		
	Country of Incorporation	31 December 2018G	31 December 2019G	31 December 2020G
Agricultural Development Company (ADC)	Kingdom	100%	100%	100%
Desert Hills Veterinary Services Company (DHV)	Kingdom	100%	100%	100%
Supreme Food Processing Company (SFPC)	Kingdom	100%	100%	100%
Perfect Foods Factory (PFF)	UAE	100%	100%	100%
Qeemah and Dukan for Groceries Company (Dukan)	Kingdom	-	-	-
Tanmiah International Company	UAE	100%	100%	100%
Tanmiah Food Company LLC – a Liquidated Company	Kingdom	96%	-	-
Supreme Food –Bahrain	Kingdom of Bahrain	-	100%	100%

Source: The Group's information.

Agricultural Development Company ("ADC") is an integrated poultry producer based in the Kingdom and produces and sells fresh halal poultry products under the brand name 'Tanmiah'.

Desert Hills Veterinary Services Company ("DHV") is engaged in; manufacturing and sale of poultry and large animal feed; baby broiler chicks and hatching eggs; medicines and veterinary services (also referred to as animal health products) and construction of turnkey poultry and greenhouses.

Supreme Food Processing Company ("SFPC") and Perfect Foods Factory ("**PFF**") are principally engaged in the manufacture and sale of further processed products. These include ready-to-cook and ready-to-eat poultry and beef products such as burger patties, nuggets, mortadella, salamis, etc.

Qeemah and Dukan for Groceries Company ("Dukan"), is a company formed for retail trading in food supplies and consumable products and has been carved out from the financial statements of the Company since 1 January 2018G, and therefore it has not been a subsidiary since that date.

Tanmiah International Company supported ADC in 2016G for their fresh poultry sales in UAE. After the establishment of the ADC branch Dubai in 2018G, Tanmiah International Company had no material operations.

Tanmiah Food Company LLC, a Liquidated Company, was formed in order to transfer all food businesses under one single company. This Subsidiary did not generate any revenue in the audit period of 2018G – 2019G. The Company's Commercial registration was eventually cancelled on 30 June 2019G. For further details, see Section 4 (**Business Description**).

Supreme Foods Company (Bahrain) ("SFC (Bahrain)") was incorporated as a wholly owned company by ADC. SFC (Bahrain) was established to facilitate sales of fresh chicken in Bahrain.

6.3 Basis of Preparation and Summary of Significant Accounting Policies

In 2018G, the first approval of the IFRS issued by IASB approved in the Kingdom and other standards and publications issued by SOCPA.

The consolidated audited financial statements for the financial year ended 31 December 2018G were the first financial statements of the Group that were prepared in accordance with the IFRS issued by IASB approved in the Kingdom and other standards and publications issued by the SOCPA in the Kingdom.

The Group has prepared its consolidated legal financial statements starting from the financial year ending on 31 December 2018G in accordance with the IFRS issued by IASB approved in the Kingdom and other standards and publications issued by SOCPA in the Kingdom.

The following are the principles for preparing and summarizing the most important accounting policies for the audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G and 2020G prepared in accordance with the IFRS issued by IASB approved in the Kingdom and other standards and publications issued by SOCPA. These consolidated financial statements are presented in Saudi Arabian Riyals, which is the functional currency of all the Group entities except for PFF and Supreme Food Bahrain. The functional currency of PFF is United Arab Emirates Dirhams and the functional currency of Supreme Food Bahrain is Bahraini Dinars. The presentation currency of the Group is Saudi Arabian Riyals. These consolidated financial statements have been rounded-off to nearest Saudi Arabian Riyal, unless otherwise stated.

6.3.1 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:

6.3.1.1 Employee Benefits 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.

6.3.1.2 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 chick broiler market in the Kingdom 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, affecting availability of reliable data on frequency of trades, volumes and prices; and
- poultry volume and prices may be affected due to weather conditions, bio-security threats and bird immunity impacting bird mortality.

6.3.1.3 Right-of-Use Assets and Lease Liabilities

The Group has applied judgement to determine the lease term for some lease contracts that include extension options. Those contracts take into account the lease contract extension period, as the Group has the authority to extend the lease term at its sole discretion and is reasonably certain to exercise these extension 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.

Lease liabilities are measured with the discounted value of the lease payments, using the incremental borrowing rate when the interest rate implicit in the lease cannot be easily determined, which is generally the case for the Group's lease contracts. The incremental borrowing rate is the rate that the Group would have to pay to borrow the funds necessary to obtain assets of similar value to the right-of-use assets in a similar economic environment with similar terms, guarantee and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party funding proposals that it has received as a starting point, which are adjusted to reflect changes in the financing terms.

6.3.1.4 ECL Measurement on Financial Assets

ECL measurement is a significant estimate that involves determining the methodology, models and data inputs. To measure ECL, the Group used supportive, forward-looking information.

Covid-19 was confirmed in early 2020G and has spread across the world, causing disruptions to business and economic activity. In determining ECL for the financial year ended 31 December 2020G, the Group examined the potential impact (based on the best information available) of the uncertainties caused by Covid-19. It found that the payment cycle for a small number of customers was affected during the year, and this effect was taken into account when determining ECL. However, in general, customers have not been materially affected by Covid-19. Moreover, the Executive Management has considered the impact of the forward-looking information used in determining ECL, and found that ECL was not materially affected for the financial year ended 31 December 2020G.

6.3.2 Summary of Significant Accounting Policies

6.3.2.1 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 shareholders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income 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 other comprehensive income 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.

(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 re-measured 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.

6.3.2.2 Foreign Currencies

(A) 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 Arabian Riyals, which is also the Company's functional currency.

(B) 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. 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.

(C) 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 loans and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any loans 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.

6.3.2.3 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.

6.3.2.4 Property, Plant and Equipment

(A) 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.

(B) 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.

(C) 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.

(D) 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

Source: The Financial Statements for the financial year ended 31 December 2020G.

(E) De-Recognition

Property, plant and equipment are 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.

(F) 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.

(G) 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 loans, are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in financing costs.

6.3.2.5 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.

6.3.2.6 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 tested 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 sale 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, except goodwill, are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

6.3.2.7 Inventories

Inventories are shown 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. The costs are attributed to individual inventory items on the basis of weighted-average costs, except for poultry meat and other food products and the stock of ready-made goods whose costs were defined on a standard cost basis.

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.

6.3.2.8 Financial Instruments

(A) Classification of Financial Assets

The Group classifies its financial assets under the following categories:

- fair value through profit or loss ("FVTPL");
- fair value through other comprehensive income ("FVTOCI"); and
- amortised cost.

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

The Group measures financial assets 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.

(B) Initial Measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in 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.

(C) Classification of Financial Liabilities

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

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

(D) 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.

(E) 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.

(F) Subsequent Measurement

Subsequent measurement of financial assets is as follows:

(G) 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 de-recognition 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 other comprehensive income, 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 other comprehensive income 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 a 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.

(H) 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 other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated statement of comprehensive income following the de-recognition 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.

(I) De-recognition

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

Financial liabilities are derecognised when the obligations specified in the contract are 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 ten percent (10%) 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.

(J) 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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- 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;
- it is becoming probable that the borrower will enter bankruptcy or another financial reorganisation; or
- 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.

(K) Impairment of Financial Assets

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

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.

6.3.2.9 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 loans within current liabilities.

6.3.2.10 Employee and Post-Employment Benefits

(A) Short-Term Employee Benefits

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

(B) Post-Employment Obligation

The Group operates a post-employment benefit scheme of defined benefit plans driven by the labour laws requirement in the Kingdom 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, and are transformed into retained earnings during the period in which they occur.

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.

6.3.2.11 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.

6.3.2.12 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.

6.3.2.13 Biological Assets

Biological assets include parent chicken (breeder birds), hatchery eggs and broilers which are grouped according to their physical state, transformational capacity, as well as their particular stage in the production process. The Group is capitalizing the costs related to the biological transformation of biological assets (later expenses).

(A) 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 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's), 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.

(B) 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.

(C) 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 costs that would be necessary to sell the assets.

6.3.2.14 Government Grants

Government grants are recognised at fair value, as they are considered receivables from the Government, where there is a reasonable assurance that the grant will be received, and that the Group will comply with all attached conditions. The Group receives Government grants based on production volume and broiler chicken weight.

6.3.2.15 Revenue Recognition

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

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

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

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

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

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

Step 5. 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:

- the Group's performance does not create an asset with an alternate use to the Group, and the Group has an enforceable right to payment for performance completed to date;

- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 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.

(A) 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.

(B) 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".

6.3.2.16 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.

6.3.2.17 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.

6.3.2.18 Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA"). 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 as required under Saudi Arabian Income Tax Law.

6.3.2.19 Leases

Until the 2018G 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 1 January 2019G, 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).

6.3.2.20 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.

6.3.2.21 Earnings per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share 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 earnings per share 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.

6.3.2.22 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 include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. The Chief Executive Officer shall be notified of them, as he is the main person responsible for making operational decisions for the Group.

6.3.2.23 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.

6.3.2.24 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.

6.3.2.25 Loans

Loans are initially recognised at fair value, net of transaction costs incurred. Loans 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 loans 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.

Loans 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 financing costs.

Loans 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.

6.3.2.26 Profit Distributions

Profit distributions shall be recording in the consolidated financial statements during the period agreed-upon by the Company's shareholders.

6.3.2.27 New and Amended Standards Effective Starting 1 January 2020G

The following standards and interpretations shall be applicable for the first time on the financial report periods that begin on or after 1 January 2020G:

Title	Key Requirements	Effective Date	Impact
Definition of Materiality - Amendments to IAS 1 and IAS 8	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. It clarifies when information is material and incorporates some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify the following: • 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.	1 January 2020G	The amendment did not have any impact on the recognised amounts during previous periods. The Group does not expect any material impact on its consolidated financial statements during current and future periods.
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.	1 January 2020G	The amendment did not have any impact on the recognised amounts during previous periods. The Group does not expect any material impact on its consolidated financial statements during current and future periods.
Reform Interest Rate Index – Amendments to IFRS 7, IFRS 9, and IFRS 39	Amendments inserted into IFRS 7 "Financial Instruments: Disclosures", IFRS 9 "Financial Instruments", and IFRS 39 "Financial Instruments: Recognition and Measurement" on some exemptions related to interest rate index reforms. The exemptions are related to hedging accounts, whose impact does not generally lead to reforms towards terminating hedging accounts. Moreover, any inefficiency in hedging on income statements must still be recognised. With consideration to the prevailing natures of hedges, including contracts based on inter-bank offered interest rates, the exemptions will affect companies in all fields.	1 January 2020G	The amendment did not have any impact on the recognised amounts during previous periods. The Group does not expect any material impact on its consolidated financial statements during current and future periods.

Title	Key Requirements	Effective Date	Impact
Revise Conceptual Framework for Financial Reporting	IASB has issued an amended 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 de-recognition • adding guidance on different measurement bases, 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, companies 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 1 January 2020G. These companies will need to consider whether their accounting policies are still appropriate under the revised Framework.	1 January 2020G	Executive Management considered the amended conceptual framework and concluded that the auditing policies were suitable, and that it did not expect any change to its auditing policies due to this amendment.
Covid-19 Lease Concessions – Amendments to IFRS 16	As a result of the Covid-19 pandemic, lease concessions were granted to renters. These concessions may be adopted in variety of forms, including payment exemptions and deferring lease payments. In May 2020G, the IASB amended IFRS 16 "Leases", which provides renters with the option to transact with lease concessions qualified in the same way, with which they could transact if there were no changes to the lease. In most cases, this will lead to calculating concessions as variable lease payments during the period in which they were granted. Companies that apply practical means should disclose that, whether the means were applied to all qualified lease concessions or not. If they were not applied, then companies should disclose information related to the nature of the contracts upon which the means are applied, as well as the recognised amount of profit or loss resulting from the lease concessions.	1 June 2020G	Lease concessions were not granted to the Group during the annual reporting period ended 31 December 2020G.

6.3.2.28 Standards, Interpretations and Amendments That Are Issued, But Not Yet Effective

The following are the standards, interpretations and amendments that have been issued, but are not yet effective:

Title	Key Requirements	Effective Date	Impact
Classify Liabilities as Current or Non-current – Amendments to IAS 1	The amendments defining the scope of IAS 1 "Presentation of Financial Statements" state that liabilities are classified as current or non-current, based on the rights existing at the end of the reporting period. The classification is not impacted by a company's expectations or events occurring after the date of the report (such as obtaining a waiver or breaching a pledge). The amendments also clarify what the IAS 1 mean by "settling" a commitment. The amendments may affect the classification of liabilities, namely with regards to companies that previously considered the management's intentions for defining the classification and with regards to some liabilities that may be transformed into ownership rights. Those amendments should be applied retroactively according to the normal requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". In May 2020G, the IASB issued a draft offer that proposed delaying the effective date of the amendments until 1 January 2023G.	1 January 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendments.
Property, Plant, and Equipment: Proceeds Before Intended Use – Amendments to IAS 16	The amendment to IAS 16 "Property, Plant and Equipment" prohibits any company from deducting any proceeds obtains from the sale of items produced while the company prepares the intended use of the asset from the costs of the property, plant, and equipment. The amendment also states that the company must "test whether the asset is used correctly" when evaluating the asset's technical and financial performance. Note that the asset's financial performance is unrelated to this evaluation. The company should disclose in detail the proceeds and costs related to the produced items that are not part of the company's usual business outputs.	1 January 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendments.
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 "Business Combinations" to update references to the conceptual framework for preparing financial statements and add an exception to documenting liabilities and contingent liabilities within the framework of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and Interpretation 21 "Fees". The amendments also confirm that contingent assets should not be recognised on the date of acquisition.	1 January 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendments.
Costly Contracts – Contract Execution Costs – Amendments to IAS 37	The amendment to IAS 37 states that direct costs to executing a contract include additional contract execution costs and other provisions directly connected to contract execution. Before documenting a detailed provision for a costly contract, the company shall recognise any impairment loss in the value that occurred on assets used during the contract's execution.	1 January 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendments.
Annual Improvements to IFRS 2018G-2020G	The following improvements were completed in May 2020G: • IFRS 9 "Financial Instruments" – It clarifies the fees that should be including in a test of 10% for cancelling the recognition of financial liabilities. • IFRS 16 "Leases"- Amendment of Explanatory Example 13 to remove the explanatory picture for payments from the lessor as it relates to improvements to the leased land, as well as to remove any ambiguity about processing lease stimulus. • IFRS 1 "First-time Adoption of International Financial Reporting Standards" – It permits companies that have measured they assets and liabilities at the book value recorded in the mother company's registers to measure accumulated conversion differences by using values inserted by the mother company. This amendment will also apply to subsidiaries and joint ventures that obtained the same exemption per IFRS 1. • IAS 41 "Agriculture" – Cancel companies' requirement to exclude cash flows for necessary purposes when measuring fair value per IAS 41. This amendment aims at conformity with the requirement set out in the Standards to deduct cash flows on a post-tax basis.	1 June 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendments.

Title	Key Requirements	Effective Date	Impact
Reform Interest Rate Index (Inter-bank Offered Rate "IBOR") – Phase 2 – Amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4, and IFRS16	The Phase 2 amendments deal with problems arising from the implementation of reforms, including replacing one index with another.	1 January 2021G	The Group does not expect any material impact on its consolidated financial statements due to the amendments.

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

6.4 Principal Factors Affecting the Group's Performance and Operations

6.4.1 Economic Factors

The poultry sector business largely depends on the economic conditions and the implications of those conditions on consumer spending. Therefore, changes in economic conditions may lead to a change in the consumer spending level. For example, poultry sales may be negatively affected by any deterioration in general economic conditions, decreases in wages, reduction in availability of consumer credit, increases in interest and tax rates, including VAT, or political events that could diminish consumer spending and confidence in any of the geographical areas in which the Company operates, especially in the fresh chicken segment. In addition, certain competitors may react to such conditions by reducing poultry prices and promoting such reductions, putting further pressure on the Company, which could result in a material adverse effect on the Company's business, financial position, results of operations and prospects.

6.4.2 Factors Related to Government Subsidies

The Government of the Kingdom has provided subsidies under the Royal Order No. (A/136) dated 19/08/1432H, reducing the cost of meat, poultry, dairy and other products to citizens through subsidizing feed and their ingredients at different rates and amounts depending on the type of feed element. This subsidy is usually collected within three to nine months after proof of payment is submitted. The Company heavily relies on such subsidies in its operations. Therefore, removal, suspension, reduction or delay of these subsidies would have a material adverse effect on the Company's business, financial position, results of operations and prospects.

6.4.3 Seasonal Factors and Economic Cycles

The summer vacation is one of the factors affecting the Group's revenue, given most (local and expatriate) families travel outside the Kingdom, which leads to a 15%-20% decline in sales during the period between June to August. Q1 and Q4 of the Gregorian year are the peak season, given most of the residents stay in the Kingdom during these periods; in addition, visitors are attracted to the Kingdom at such times due to better weather conditions. Furthermore, religious events such as Ramadan and Hajj also positively affect revenue owing to the higher number of visitors (or Hajj visitors).

6.5 Summary of Financial Information and Key Performance Indicators

The Group's selected financial information and key performance indicators set out below should be read together with the financial information for the financial years ended 31 December 2018G, 2019G and 2020G prepared in accordance with the IFRS issued by the IASB as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, each of which is included in Section 19 (**Financial Statements and Auditors' Report**).

Table 6.2: summary of the Group's Financial Information and Key Performance Indicators for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Statement of Comprehensive Income			
Revenue	1,091,359	1,145,655	1,211,933
Cost of Sales	(849,255)	(867,605)	(902,288)
Gross Profit	**242,104**	**278,051**	**309,645**
Selling and Distribution Expenses	(101,643)	(119,905)	(132,766)
General and Administrative Expenses	(45,639)	(53,215)	(66,281)
Impairment Loss on Financial Assets	(2,118)	(998)	(4,406)
Other Revenue	882	3,290	1,060
Operating Profit	**93,586**	**107,221**	**107,252**
Finance Charges	(11,367)	(28,419)	(25,720)
Profit Before Zakat	**82,219**	**78,802**	**81,532**
Zakat	(7,323)	(7,979)	(7,119)
(Loss)/Profit for the Year	**74,896**	**70,823**	**74,414**
Statement of Financial Position			
Total Current Assets	646,725	744,213	839,938
Total Non-Current Assets	182,731	328,458	357,406
Total Assets	**829,456**	**1,072,670**	**1,197,344**
Total Current Liabilities	591,946	590,938	643,230
Total Non-Current Liabilities	59,245	194,841	206,578
Total Liabilities	**651,191**	**785,780**	**849,808**
Total Equities	178,264	286,891	347,536
Total Liabilities and Equity	**829,456**	**1,072,670**	**1,197,344**
Statement of Cash Flows Summary			
Net Cash Generated From (Utilised in) Operating Activities	32,279	19,737	161,089
Net Cash Generated From (Utilised in) Investing Activities	(4,198)	11,912	(38,491)
Net Cash Generated From (Utilised in) Financing Activities	(33,566)	(28,112)	(86,058)
Cash and Cash Equivalents at the Beginning of Year	38,119	20,382	23,919
Cash and Cash Equivalents Disposed on the Disposal of a Subsidiary	(12,252)	-	-
Cash and Cash Equivalents at the End of the Year / Period	**20,382**	**23,919**	**60,459**
KPIs			
Gross Profit Margin (%)	22.2%	24.3%	25.5%
Profit Margin from Operations (%)	8.6%	9.4%	8.8%
Net Profit Margin (%)	6.9%	6.2%	6.1%
Return on Assets (%)	9.0%	6.6%	6.2%
Return on Equity (%)	42.0%	24.7%	21.4%
Current Ratio	1.09	1.26	1.31
Liabilities to Equity	3.65	2.74	2.45

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

6.6 Analysis of the Group's Historical Financial Results for the Financial Years ended 31 December 2018G, 2019G and 2020G

6.6.1 The Group

6.6.1.1 Statement of Comprehensive Income

The following table shows the Group's consolidated statement of income for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.3: Group's Consolidated Statement of Comprehensive Income for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G-2019G	2019G-2020G	2018G-2020G
Revenue	1,091,359	1,145,655	1,211,933	5.0%	5.8%	5.4%
Cost of Sales	(849,255)	(867,604)	(902,288)	2.2%	4.0%	3.1%
Gross Profit	**242,104**	**278,051**	**309,645**	**14.8%**	**11.4%**	**13.1%**
Selling and Sales Distribution Expenses	(101,643)	(119,905)	(132,766)	18.0%	10.7%	14.3%
General and Administrative Expenses	(45,639)	(53,215)	(66,281)	16.6%	24.6%	20.5%
Impairment Loss on Financial Assets	(2,118)	(998)	(4,406)	(52.9%)	341.5%	44.2%
Finance Charges, net	882	3,290	1,060	273.1%	(67.8%)	9.6%
Profit Before Zakat	**82,219**	**78,802**	**81,532**	**(4.2%)**	**3.5%**	**(0.4%)**
Zakat	(7,323)	(7,979)	(7,119)	9.0%	(10.8%)	(1.4%)
Net Profit (Loss)	**74,896**	**70,823**	**74,414**	**(5.4%)**	**5.1%**	**(0.3%)**
Other Comprehensive Income						
Items that will not be Reclassified to Profit						
Re-Measurements of Post-Employment Benefits Obligations	(1,256)	(3,997)	(13,769)	(218.2%)	244.5%	231.1%
Changes in the Fair Value of Equity Investments at Fair Value Through Other Comprehensive Income	(9,578)	(10,200)	-	6.5%	(100.0%)	(100.0%)
Total Comprehensive Income	**64,062**	**56,626**	**60,645**	**(11.6%)**	**7.1%**	**(2.7%)**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from Group's information.

Revenues

The revenues of the Group mainly consist of sales of the following three major business segments:

- poultry Production Segment: primarily consisting of the production and selling of fresh poultry products;
- further Food Processing Segment: primarily consisting of the manufacturing and selling of processed poultry and other meat products; and
- feed and Veterinary Services: primarily consisting of the manufacturing and sales of animal feed, selling of broiler chicks (i.e., chickens raised for meat production), hatching eggs, animal health products, turnkey poultry and green house projects, and sale of poultry and green house equipment.

As of 31 December 2020G, the Group managed 84 farms, six hatcheries and a feed mill in the Kingdom, two slaughterhouses, three food processing plants, and 13 dry and cold storage facilities within the Kingdom, Bahrain and the United Arab Emirates. In addition, the Group sells its products in seven countries through a network of distributors, wholesalers and retailers.

Fresh poultry sales in 2018G accounted for 65.6% of the Group's total sales (before eliminations of mutual operations between Subsidiaries) and increased to 75.9% in 2020G due to the increase in the volume of poultry sales during the year in the Kingdom as a result of increased demand in the local market and the continuing restrictions imposed on importing frozen chicken from outside the Kingdom. The expansion of the Company's operating activity in its new Subsidiaries has also supported the Company's increased sales; this contributed significantly to increasing the Group's total revenue from SAR 1,091.4 million in 2018G to SAR 1,211.9 million in 2020G, with a CAGR of 5.4%.

Cost of Sales

Cost of revenue includes salaries, wages, benefits, and materials consumed, utility charges, depreciation and other costs. Cost of revenue increased at a CAGR of 3.1% from 2018G to 2020G. Cost of revenue increased in 2019G by 2.2% from SAR 849.3 million in 2018G (77.8% of total revenue) to SAR 867.6 million in 2019G (75.7% of total revenue), due to the growth of revenue and the Group's efforts to increase operational efficiency by reducing costs as a percentage of total revenue. Cost of revenue in 2020G increased by 4.0% from SAR 867.6 million in 2019G (75.7% of total revenue) to SAR 902.3 million in 2020G (74.5% of total revenue), due to the growth in revenues and higher employee-related costs as a result of the annual salary increase and growing number of employees in 2020G.

Gross Profit

Gross profit increased by a CAGR of 13.1% during the period between 2018G and 2020G.

Gross profit increased by 14.8% from SAR 242.1 million in 2018G to SAR 278.1 million in 2019G, and gross profit margin increased from 22.2% in 2018G to 24.3% in 2019G. This is mainly driven by the reduction in employee-related costs and costs of raw materials used in production.

Gross profit increased by 11.4% from SAR 278.1 million in 2019G to SAR 309.6 million in 2020G, and gross profit margin increased from 24.2% in 2019G to 25.5% in 2020G, mainly driven by the increase in revenues during 2020G at a higher value than the increase in the cost of revenue.

Selling and Distribution Expenses

Selling and distribution expenses mainly consist of advertising and promotional expenses, salaries, wages, employee benefits, travel and transportation expenses related to selling and marketing activities in addition to sales commission, consumption and other expenses. Selling and distribution expenses increased at a CAGR of 14.3% from 2018G to SAR 2020G. Selling and distribution expenses increased by 18.0% to SAR 119.9 million in 2019G (10.5% of total revenues). This was mainly due to the increase in employee-related costs, the expansion of distribution operations to new areas within the Kingdom, and the increase in sales commissions due to higher sales.

Selling and distribution expenses further rose in 2020G by 10.7% to SAR 132.8 million (11.0% of total revenues), mainly driven by the increase in employee-related costs by SAR 12.6 million during 2020G.

General and Administrative Expenses

General and administrative expenses mainly consist of salaries, wages and employee benefits related to public and administrative activities, depreciation expenses, consulting and professional fees, travel expenses and other expenses. General and administrative expenses increased at a CAGR of 20.5% from SAR 6.45 million in 2018G to 66.3 million in SAR 2020G.

General and administrative expenses increased from SAR 45.6 million in 2018G to SAR 53.2 million in 2019G, mainly due to a Group-wide increase in employee-related costs, which increased by 6.6% between 2018G and 2019G as a result of the annual raise in April, in addition to the drop in the value of general costs charged to Qeemah and Dukan from SAR 7.2 million in 2018G to SAR 2.6 million in 2019G. SAR 2.6 million represented expenses borne over the first three months of 2019G. The Company charged this amount to Qeemah and Dukan, despite the Group's carve-out of Qeemah and Dukan on 1 January 2018G as a result of the Group continuing to provide its administrative business during the first three months of 2019G. The Group stopped charging costs to Qeemah and Dukan in April 2019G.

General and administrative expenses continued to rise in 2020G, increasing by 24.6% to SAR 66.3 million, mainly due to the increase in employee-related costs of SAR 11.3 million during 2020G as a result of the rise in the number of employees and their annual pay raise.

Impairment Loss on Financial Assets

It represents provision for impairment of receivables. Under its policy, the Group does not obtain collateral against receivables from foreign customers, and therefore these balances are not secured by collateral.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and concluded that there is no reasonable expectation of recovery. The Group determines that there is no possibility of recovery if those financial assets are subject to enforcement activity.

The Executive Management followed up the balance of receivables which were written off in order to continue attempting to collect them.

Impairment loss on financial assets decreased from SAR 2.1 million in 2018G to SAR 1.0 million in 2019G, driven mainly by a decline in such item in ADC by SAR 1.9 million in 2019G, compared to 2018G, and in PFF by SAR 0.4 million in 2019G, compared to

2018G. This was offset by an increase in the impairment loss on financial assets of DHV by SAR 1.1 million in 2019G, compared to 2018G.

Impairment loss on financial assets increased from SAR 1.0 million in 2019G to SAR 4.4 million in 2020G, mainly due to an increase such in such item in ADC during 2020G by SAR 1.5 million, compared to 2019G, and in SFPC by SAR 2.2 million during 2020G, compared to 2019G.

Other Income

Other income is mainly related to the sale of poultry residuals, scrap sales and other income outside the scope of the normal work of the Group's companies.

Other income increased by 272.9% from SAR 0.9 million in 2018G to SAR 3.3 million in 2019G, owing to an increase of SAR 1.2 million in the sales commission of DHV animal health products related to the DuPont and Evonik brands. Revenue from poultry residuals sales also increased by 0.9, after being classified under "Other Income" during 2019G instead of "Revenues" in 2018G.

Other income decreased by 67.8% from SAR 3.3 million in 2019G to SAR 1.1 million in 2020G, driven by DHV's failure to recognise any commissions resulting from sales related to the DuPont brand during 2020G, as compared with commissions of SAR 1.1 million in 2019G, as well as the decrease in commissions resulting from sales related to the Evonik brand during 2020G to SAR 0.3 million, as compared with commissions of SAR 0.7 million during 2019G.

Net Financing Costs

The Group obtains Shariah-compliant facilities from a number of local banks for the purpose of financing working capital.

Financing costs increased by 150.0% to SAR 28.4 million in 2019G, mainly due to the Group's application of IFRS 16 and recognition of financing costs of SAR 11.6 million in relation to lease liabilities. They also increased due the Group ceasing to charge a portion of financing costs to Dukan as of 1 January 2019G, which led to an increase in the financing costs incurred by the Group. During 2018G, the costs charged to Dukan amounted to SAR 3.4 million.

The Group's financing costs decreased from SAR 28.4 million in 2019G to SAR 25.7 million in 2020G. This decrease is mainly due to:

- the decrease in ADC financing costs as a result of the decline in the financing costs related to the right-of-use assets from SAR 9.7 million in 2019G to SAR 8.9 million during 2020G;
- the decrease in DHV financing costs as a result of SAMA's exemptions from financing costs in the amount of SAR 0.9 million due to the outbreak of Covid-19. DHV acquired these exemptions as it is a small to medium-sized enterprise (SME). Thus, its short-term loan facilities were renewed without any financing costs, and it used these short-term loans to finance the Company's working capital. This was offset by an increase in losses resulting from the exchange difference that increased by SAR 0.3 million during 2020G;
- a slight reduction of SFPC financing costs, primarily due to a decrease in the balance of short-term loans during 2020G compared to 2019G;
- a decline in PFF financing costs by SAR 1.2 million due to poor production and lower banking costs as a result of the reduced use of facilities available to PFF and banking costs during 2020G.

Zakat

Zakat expenses increased by 9.0% from SAR 7.3 million in 2018G to SAR 7.9 million in 2019G, mainly due to the increase in shareholders' equity.

Zakat expenses decreased during 2020G to SAR 7.1 million, as compared to SAR 8.0 million in Zakat expenses during 2019G. During 2019G, the Group recognised Zakat expenses related to the settlement with ZATCA and income during the period between 2003G-2010G, which amounted to SAR 2.0 million. The Group did not recognize similar Zakat expenses during 2020G, which contributed to the overall decrease in Zakat expenses in 2020G as compared to 2019G. Regardless of the expenses related to the settlement with ZATCA and income, the actual Zakat expenses for the year increased as a result of the higher profits recorded during 2020G compared to the profits recorded during 2019G.

The Company finalised its Zakat assessments with the ZATCA up to 2010G. Throughout the previous years, the Company received additional Zakat assessments in the amount of SAR 27.0 million for the financial years ended 31 March 2003G to 31 March 2010G and the short period ended 31 December 2010G. The Company objected to these assessments and reached a settlement of SAR 6.0 million with ZATCA during 2019G. As of 31 December 2018G, the Company has allocated an amount of SAR 4 million for these additional assessments (SAR 1.0 million and SAR 3.0 million were recorded in 2016G and 2018G, respectively). The Company recognised the remaining amount related to additional assessments prior to 31 December 2018G during 2019G, which amounted to SAR 2.0 million. Moreover, during 2019G the Company entered into an agreement with ADGHC, a shareholder, pursuant to which all liabilities related to the assessments up to the financial year ended 31 December

2018G would be recovered from ADGHC. Accordingly, the additional amount of SAR 2.0 million paid against the aforementioned settlement was recovered from ADGHC.

The subsidies' Zakat returns were filed separately up to 31 December 2010G, and the final Zakat assessments have not been obtained for all years up to 2010G (except for 2009G and 2010G for SFPC).

Moreover, the Company has submitted the Zakat return for the years from 2011G to 2013G on a consolidated basis, having obtained ZATCA's consent to file a consolidated Zakat return. In 2014G, due to the transfer of its shares in its Subsidiaries, the Company no longer owns 100% of the shares in its Subsidiaries, and therefore, it submitted non-consolidated Zakat returns for the financial years ended 31 December 2014G until 2018G. ADC, DHV, and SFPC filed separate Zakat returns for the financial years ended 31 December 2014G to 2018G. The Company has not received the final assessments for those years.

Since 2019G, the Company has continued to submit a consolidated Zakat return, having obtained ZATCA's consent, given that all the Subsidiaries are now wholly owned by the Company.

Net Profit

Profit decreased at a CAGR of 0.3% during 2018G-2020G.

Net profit decreased by 5.4% to SAR 70.8 million, as result of an increase in financing costs by 150.0% in 2019G compared to 2018G. In 2020G, the net profit increased by 5.1%, driven by ADC's higher profits, while the profit decreased in the rest of the Group's companies.

(A) KPIs of the Group

The following table presents key performance indicators of the Group for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.4: KPIs of the Group for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G	2019G	2020G
Gross Profit Margin (%)	22.2%	24.3%	25.5%
Profit Margin from Operations (%)	8.6%	9.4%	8.8%
Net Profit Margin (%)	6.9%	6.2%	6.1%
Return on Assets (%)	9.0%	6.6%	6.2%
Return on Equity (%)	42%	24.7%	21.4%
Current Assets to Current Liabilities	1.1	1.3	1.3
Liabilities to Equity	3.6	2.7	2.4
Total Lease Loans and Liabilities to Assets	34.0%	46.8%	41.1%
Accounts Receivable Days (including Related Parties)	117	137	142.3
Inventory Age	62	68	56.2
Accounts Payable Days (including Related Parties)	58	59	65.3

Source: The Group's information.

Table 6.5: ADC's KPIs for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G	2019G	2020G
Gross Profit Margin (%)	21.5%	23.6%	27.1%
Profit Margin from Operations (%)	8.3%	10.0%	11.3%
Net Profit Margin (%)	7.1%	7.2%	8.6%
Return on Assets (%)	9.7%	7.5%	8.7%
Return on Equity (%)	37.8%	30.3 %	29.3%

Currency: SAR'000	Financial Year Ended 31 December		
	2018G	2019G	2020G
Current Assets to Current Liabilities	1.3	1.2	1.3
Liabilities to Equity	2.9	3.0	2.4
Total Lease Loans and Liabilities to Assets	30.8%	45.6%	39.9%
Accounts Receivable Days (including Related Parties)	134	158	156
Inventory Age	51	46	45
Accounts Payable Days (including Related Parties)	100	88	79

Source: The Group's information.

Table 6.6: DHV's KPIs for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G	2019G	2020G
Gross Profit Margin (%)	13.8%	13.6%	13.9%
Profit Margin from Operating Operations (%)	5.8%	4.6%	1.2%
Net Profit Margin (%)	4.2%	2.8%	(0.2%)
Return on Assets (%)	6.4%	4.4%	(0.3%)
Return on Equity (%)	15.9%	9.7%	(0.6%)
The Ratio of Current Assets to Current Liabilities	1.8	2.0	2.1
Liabilities to Equity	1.5	1.2	1.0
Total Lease Loans and Liabilities to Assets	15.8%	14.8%	14.5%
Accounts Receivable Days (including Related Parties)	183	166	138
Inventory Age	49	54	55
Accounts Payable Days (including Related Parties)	92	76	77

Source: The Group's information.

Table 6.7: SFPC's KPIs for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G	2019G	2020G
Gross Profit Margin (%)	22.2%	21.6%	21.9%
Profit Margin from Operating Operations (%)	8.9%	6.2%	5.6%
Net Profit Margin (%)	11.7%	6.7%	(1.5%)
Return on Assets (%)	13.6%	4.8%	(1.2%)
Return on Equity (%)	18.9%	9.0%	(2.3%)
The Ratio of Current Assets to Current Liabilities	2.6	1.6	1.6
Liabilities to Equity	0.4	0.9	0.9
Total Lease Loans and Liabilities to Assets	13.1%	23.2%	21.7%
Accounts Receivable Days (including Related Parties)	148	219	204
Inventory Age	47	88	74
Accounts Payable Days (including Related Parties)	14	106	93

Source: The Group's information.

Table 6.8: PFF's KPIs for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G	2019G	2020G
Gross Profit Margin (%)	21.3%	24.0%	15.5%
Profit Margin from Operating Operations (%)	7.5%	6.9%	(5.0%)
Net Profit Margin (%)	5.4%	4.1%	(7.8%)
Return on Assets (%)	6.1%	4.4%	(6.3%)
Return on Equity (%)	17.7%	11.9%	(17.2%)
The Ratio of Current Assets to Current Liabilities	0.9	1.1	1.1
Liabilities to Equity	1.9	1.7	1.7
Total Lease Loans and Liabilities to Assets	29.6%	33.8%	33.7%
Accounts Receivable Days (including Related Parties)	58	62	81
Inventory Age	28	22	35
Accounts Payable Days (including Related Parties)	102	71	79

Source: The Group's information.

(B) Revenue

The following table sets out the Group's revenue by Subsidiaries for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.9: Revenue by Subsidiaries for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G - 2020G	2018G - 2020G
ADC	715,949	808,044	892,132	12.9%	10.4%	11.6%
DHV	195,842	193,965	152,229	(1.0%)	(21.5%)	(11.8%)
SFPC	144,916	131,576	146,971	(9.2%)	11.7%	0.7%
PFF	137,490	134,690	89,301	(2.0%)	(33.7%)	(19.4%)
Intercompany Eliminations	(102,838)	(122,620)	(68,700)	19.2%	(44.0%)	(18.3%)
Revenue by Audited Financial Statements	**1,091,359**	**1,145,655**	**1,211,933**	**5.0%**	**5.8%**	**5.4%**
As a Percentage of Revenue						
ADC	65.6%	70.5%	73.6%			
DHV	17.9%	16.9%	12.6%			
SFPC	13.3%	11.5%	12.1%			
PFF	12.6%	11.8%	7.4%			

Source: The Group's information.

Intercompany operations accounted for 5.6% of the total sales of the Group's Subsidiaries in 2020G. This revenue was excluded to determine the total revenue of the Group.

Revenue increased by 5.0% from SAR 1,091.4 million in 2018G to SAR 1,145.7 million in 2019G due to several factors that included:

- an increase in revenues of ADC by SAR 92.1 million primarily driven by increase in sales volumes of fresh poultry during the year as a result of increased demand in the local market following the restrictions imposed on frozen chicken imports from outside the Kingdom. This helped expand the Company's operational activity in its new branches, with the support of increased Company sales;
- this was offset by a decrease in DHV's sales by SAR 1.8 million to SAR 194.0 million. This was mainly due to the drop in feed sales as pertains to the Jeddah Feed Mill, which saw a SAR 12.8 million drop in its sales during 2019G. This drop can be attributed to the Company's strategic decision to transfer feed mill operations to the Harad Feed Mill in Al-Ahsa

Governorate, where ADC's feed mill is located. The drop-in animal health care products and equipment sales was due to lower demand for it, which was offset by the increase in chick and hatching egg sales by SAR 12.4 million during 2019G;

- the decrease in SFPC's sales by SAR 13.3 million to SAR 131.6 million, attributable to the economic slow-down in GCC Countries, which negatively affect international fast food service restaurants, the key customers of Tanmiah's additional processed products;
- a decrease in revenues of SFPC's by SAR 2.8 million to 134.7 million, primarily due to a SAR 10.2 million drop in the SFPC's sales within the Group during 2019G compared to 2018G. This was offset by fast food restaurant customer sales of SAR 7.4 million during 2019G.

Revenues increased by 5.8% from SAR 1,145.7 million in 2019G to SAR 1,211.9 million in 2020G, due to, inter alia:

- ADC's revenues increased by SAR 84.1 million, mainly due to increased volume of poultry sales in the Kingdom during the year as a result of growing demand in the local market;
- SFPC's sales increased by SAR 15.4 million to SAR 147.0 million, which is attributed to SFPC's focus on sales related to food services, coupled with an increase in sales to supermarkets by SAR 8.7 million (including sales of SAR 6.0 million to Dukan) during 2020G. Revenues from this segment increased by SAR 20.4 million, but were offset by a decline in QSR sales by SAR 11.6 million following the outbreak of Covid-19 and the falling demand for cooked meat products, which led to a decrease in cooked meat revenues by SAR 2.1 million during 2020G;
- this was offset by a decrease in DHV's sales by SAR 41.7 million to SAR 152.2 million in 2020G, as a result of a decrease of SAR 11.4 million in animal health product sales and a decrease of SAR 29.3 million in surplus feed mill feed sales after ADC's needs were satisfied during 2020G, compared to 2019G (revenues from sales to ADC are eliminated as part of Intercompany Eliminations), as well as the SAR 15.1 million decrease in the sales of chicks and hatching eggs during 2020G as compared to 2019G. The reason for this decline is due to the decrease in the surplus of chicks and hatching eggs after the internal production needs of the Agricultural Development Company were met. This was offset by an increase of SAR 9.0 million in equipment sales as a result of the relevant higher demand from local farms and an increase of SAR 5.1 million in the sales of one of Zoetis' animal health products during 2020G, compared to 2019G; and
- PFF's revenues decreased by SAR 45.4 million to SAR 89.3 million due to the decrease in sales to QSRs and SFPC, given that its operations were adversely affected by the outbreak of Covid-19.

The following table shows the Group's revenues by product and main activity for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.10: Group's Revenue by Product and Main Activity for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G	2019G	2020G	2018G - 2019G	2019G - 2020G	2018G-2020G
Poultry	716,252	819,441	919,914	14.4%	12.3%	13.3%
Processed Poultry Meat	257,778	247,611	222,054	(3.9%)	(10.3%)	(7.2%)
Animal Health Products	91,478	91,707	82,122	0.3%	(10.5%)	(5.3%)
Chicks and Hatching Eggs	53,485	78,915	57,250	47.5%	(27.5%)	3.5%
Feed	65,102	54,675	11,740	(16.0%)	(78.5%)	(57.5%)
Cooked Meat	29,335	21,641	18,069	(26.2%)	(16.5%)	(21.5%)
Equipment	12,816	10,884	22,093	(15.1%)	103.0%	31.3%
Discounts	(32,048)	(56,600)	(52,609)	76.6%	(7.1%)	28.1%
Exclusion of Intercompany Transactions	(102,838)	(122,620)	(68,699)	19.2%	(44.0%)	(18.3%)
Net Revenue	**1,091,539**	**1,145,655**	**1,211,933**	**5.0%**	**5.8%**	**5.4%**
As % of Revenue						
Fresh Poultry	65.6%	71.5%	75.9%			
Processed Poultry Meat	23.6%	21.6%	18.3%			
Animal Health Products	8.4%	8.0%	6.8%			
Chicks and Hatching Eggs	4.9%	6.9%	4.7%			
Feed	6.0%	4.8%	1.0%			
Discounts	(2.9%)	(4.9%)	(4.3%)			
Exclusions of Intercompany Transactions	(9.4%)	(10.7%)	(5.7%)			

Source: The Group's information.

Poultry

Fresh poultry sales through ADC constitute the majority of the Group's fresh poultry sales during 2018G, 2019G and 2020G, and consist of whole birds, cut-ups and giblets.

Whole birds represented 69.5%, 66.9% and 65.4% of the total fresh poultry sales during 2018G, 2019G and 2020G, respectively, while cut-ups accounted for 25.4%, 26.7% and 27.2% of total poultry sales during the same period. Giblets consist of small bird parts, such as the heart, liver, neck, etc.

Poultry sales increased from SAR 716.3 million in 2018G to SAR 819.4 million in 2019G, due to the Company's ability to boost production and meet market needs in conjunction with its geographical expansion. The Company succeeded in covering more areas during this year by relying on its distribution channels.

Poultry sales increased from SAR 819.4 million in 2019G to SAR 919.9 million in 2020G, due to higher demand for these products by consumers, and consumers' preference to buy these products from supermarkets instead of small markets, which coincided with a 1.8% increase in the average selling price per bird during 2020G, compared to 2019G, in addition to expanding distribution by transport vehicles, which contributed to the increase in fresh poultry sales.

Discounts to distributors and customers in food service and retail channels related to chicken sales increased during 2019G compared to 2018G. However, such discounts decreased due to the decline in sales through distributors during 2020G compared to 2019G. The percentage of discounts to distributors is higher compared to discounts to other distribution channels.

The Company sells frozen chicken, which represents the surplus production, after it meets the market demand for fresh chicken. Frozen chicken sales increased in 2019G, primarily due to the increase in SFPC's sales by SAR 13.1 million during 2019G, as a result of a ban on Brazilian frozen chicken suppliers. Frozen chicken sales decreased due to a decrease in SFPC's sales during 2020G compared to 2019G.

Processed Poultry Meat

Processed poultry meat declined by 3.9% in 2019G compared to 2018G due to the decrease in sales to QSRs. It decreased by SAR 2.5 million, SAR 5.0 million, SAR 3.0 million, and SAR 2.1 million in the Kingdom, Kuwait, UAE, and Lebanon, respectively.

Sales of processed poultry decreased during 2020G by 10.3% to SAR 222.1 million, due to the decrease in SFPC and PFF's processed poultry meat sales on account of the lower demand for these products following the outbreak of Covid-19 and all the subsequent measures taken, including security and preventive measures that affected the markets in which the Group operates.

Animal Health Products

Revenue from animal health products increased from SAR 91.5 million in 2018G to SAR 91.7 million in 2019G, mainly due to the increase in sales of Zoeties products due to improved market conditions in 2019G. This was offset by a decrease in sales of general products due to lower sales of vaccines.

Sales of animal health products decreased by 10.5% as a result of the decrease in DHV's sales of these products to Al-Watania (a client of DHV) after it began importing these goods (Met Amine) directly from the factory instead of obtaining these goods through DHV. In addition, the reduced demand for Turkish products was also a driver in a decrease in the revenues of animal health products by SAR 2.6 million due to the difficulty in importing a product manufactured in Turkey. This was offset by an increase in sales of Zoeties after Al-Watania purchased SAR 6.2 million of these products in 2020G, compared to SAR 2.7 million in 2019G.

Chicks and Hatching Eggs

Sales of chicks and hatching eggs increased by 47.5% in 2019G, due to higher sales to new customers. Sales of chicks and hatching eggs increased from SAR 53.5 million in 2018G to SAR 78.9 million in 2019G. Moreover, ADC sales of chicks and hatching eggs to DHV increased by SAR 13.1 million, which were eliminated as part of Intercompany Eliminations.

Sales of chicks and hatching eggs decreased by 27.5% to SAR 57.3 million during 2020G, due to the lower number of chicks available for sale as a result of ADC's high levels of fresh chicken production during 2020G.

Feed

Having met the production requirements of external customers, ADC sells the surplus feed produced by Harad Feed Mill through DHV, the Group's commercial arm.

Sales decreased by 16.0% in 2019G compared to 2018G, due to production disruptions at Jeddah Feed Mill, which was built in 1974G and requires additional capital expenditures to restore production. Therefore, the Executive Management decided to transfer Jeddah Feed Mill and shift production to Harad Feed Mill.

Feed sales decreased during 2020G by 78.5% to SAR 11.7 million, due to the decline in surplus feed production of the feed mill, along with ADC's growing production during 2020G.

Cooked Meat

Sales of cooked meat decreased during 2018G-2020G at an annual rate of 21.5%, driven by the reduced demand by QSRs, which are among the key customers for cooked meat products.

Equipment

The Group implements turnkey poultry and greenhouse projects and sells poultry production equipment through DHV. Such sales decreased by SAR 1.9 million in 2019G, with the decline in demand for poultry and greenhouses during the year affected by market conditions.

Equipment sales through DHV to external customers increased during 2020G by 103.0% to SAR 22.1 million, thanks to the higher demand by local farm owners.

The following table sets out the Group's revenues by distribution channels for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.11: Group's Revenue by Distribution Channels for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G	2019G	2020G	2018G - 2019G	2019G - 2020G	2018G - 2020G
QSRs	406,507	413,166	389,151	1.6%	(5.8%)	(2.2%)
Distributors	230,044	244,342	145,860	6.2%	(40.3%)	(20.4%)
Sales by Transport Vehicles	174,231	211,177	317,553	21.2%	50.4%	35.0%
Supermarkets	191,050	220,008	307,473	15.2%	39.8%	26.9%
Feed and Veterinary Services	222,880	236,182	173,205	6.0%	(26.7%)	(11.8%)
Rebates and Delivery Fee	(30,515)	(56,600)	(52,609)	29.8%	(7.1%)	31.3%
Intercompany Eliminations	(102,838)	(122,620)	(68,699)	19.2%	(44.0%)	(18.3%)
Revenue by Audited Financial Statements	**1,091,359**	**1,145,655**	**1,211,933**	**5.0%**	**5.8%**	**5.4%**
% of Total Revenue						
QSRs	37.2%	36.1%	32.1%			
Distributors	21.1%	21.3%	12.0%			
Sales by Transport Vehicles	16.0%	18.4%	26.2%			
Supermarkets	17.5%	19.2%	25.4%			
Feed and Veterinary Services	20.4%	20.6%	14.3%			

Source: The Group's information.

Revenues increased by 5.0% from SAR 1,091.4 million in 2018G to SAR 1,145.7 million in 2019G, due to factors, particularly including an increase in fresh chicken sales by transport vehicles and fresh chicken sales through supermarkets by 21.2% and 15.2%, respectively. In general, revenues increased due to an increase in sales across all distribution channels, where revenue from sales by transport vehicles and sales in supermarkets increased from 33.5% of the total sales of the Group during 2018G to 37.6% of the total sales of the Group during 2019G, due to the management's focus on sales through hotels, restaurants, cafes, supermarkets, and sales via transportation vehicles, to implement a vertical integration strategy to raise the Company's level of control over distribution channels.

Revenues increased by 5.8% from SAR 1,145.7 million in 2019G to SAR 1,211.9 million in 2020G, driven most notably by the increase in sales by the supermarket-related distribution channels and sales via transport vehicles to groceries as a result of the outbreak of the Covid-19, which caused the customers to rely on the purchase of fresh chicken. This was offset by the decrease in the demand for QSRs as a result of preventive measures taken by the countries in which the Group operates, which contributed to the decline in the Group's sales to QSRs.

The following table sets out the Group's revenue by geography for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.12: Group's Revenue by Geography for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G - 2020G	2018G - 2020G
Kingdom Sales	900,407	949,070	1,025,777	5.4%	8.1%	6.7%
UAE Sales	66,388	63,356	54,187	(4.6%)	(14.5%)	(9.7%)
GCC (Export Sales)	124,564	133,229	131,969	7.0%	(0.9%)	2.9%
Revenue by Audited Financial Statements	1,091,359	1,145,655	1,211,933	5.0%	5.8%	5.4%
As a Percentage of Revenue						
Kingdom Sales	82.5%	82.8%	84.6%			
UAE Sales	6.1%	5.5%	4.5%			
GCC (Export Sales)	11.4%	11.6%	10.9%			
Revenue from Top Five Customers	23.1%	33.2%	22.3%			

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Revenue increased from SAR 1,091.4 million in 2018G to SAR 1,211.9 million in 2020G, at a CAGR of 5.4%, due to the factors that included:

- an increase in sales revenue in the Kingdom, in particular due to an increase in sales related to ADC;
- a decrease in UAE sales due mainly to the drop in SFPC's sales; and
- there were no essential changes in GCC sales in 2020G, compared to 2018G and 2019G.

(C) Cost of Revenue

The following table sets out the Group's cost of revenue for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.13: Group's Cost of Revenue for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial year ended 31 December			Increase / decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G-2019G	2019G-2020G	2018G-2020G
Materials consumed	559,049	526,231	532,243	(5.9%)	1.1%	(2.4%)
Employee-related costs	144,728	182,228	204,203	25.9%	12.1%	18.8%
Transportation and travel	36,940	39,357	40,237	6.5%	2.2%	4.4%
Depreciation on right-of-use assets	-	36,138	40,601	100.0%	12.3%	100.0%
Utilities	26,578	29,702	27,802	11.8%	(6.4%)	2.3%
Depreciation of property, plant and equipment	17,072	17,140	18,731	0.4%	9.3%	4.7%
Repairs and maintenance	11,606	12,836	8,350	10.6%	(34.9%)	(15.2%)
Rent	40,944	8,280	10,805	(79.8%)	30.5%	(48.6%)
Insurance	1,691	2,213	2,503	30.9%	13.1%	21.7%
Amortisation	201	189	50	(6.0%)	(73.5%)	(50.1%)
Others	10,447	13,291	16,763	27.2%	26.1%	26.7%
Total cost of revenue	849,255	867,605	902,288	2.2%	4.0%	3.1%
As a percentage of revenues						
Materials consumed	51.2%	45.9%	43.9%			
Employee-related costs	13.3%	15.9%	16.8%			

Currency: SAR'000	Financial year ended 31 December			Increase / decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G-2019G	2019G-2020G	2018G-2020G
Rent	3.8%	0.7%	0.9%			
Cost of revenue	77.8%	75.7%	74.5%			

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Materials Consumed

In 2019G, the cost of materials consumed decreased by SAR 32.8 million to SAR 526.2 million in 2019G, compared to SAR 559.0 million in 2018G. The decrease corresponds to the SFPC's lower revenue in addition to a decline in the cost of materials consumed by PFF and DHV, in line with the decrease in the sales volumes of the two companies.

In 2020G, cost of materials consumed increased by SAR 6.0 million to SAR 532.2 million, compared to SAR 526.2 million in 2019G. This increase comes alongside the higher revenues of ADC and SFPC during 2020G. This was offset by a decline in materials consumed by PFF and DHV in line with the decrease in the sales volumes of the two companies during 2020G, compared to 2019G.

Employee-Related Costs

Employee-related costs increased by SAR 37.5 million in 2019G, from SAR 144.7 million in 2018G to SAR 182.2 million in 2019G. This increase is due to the higher number of employees and the employees' annual pay rise. Employee-related costs increased by SAR 22.0 due to the increase in the number of workers due to the expansion of the agricultural development work in 2019G. Other employee-related costs increased by SAR 2.6 million in relation to Government fees and accommodation costs due to an increase in the number of employees. In light of its improved performance, the Group increased the estimated bonus by SAR 7.7 million.

Employee-related costs increased by SAR 22.0 million in 2020G, from SAR 182.2 million in 2019G to SAR 204.2 million in 2020G, due to the higher number of employees and their annual salary increase. Furthermore, employee-related costs increased by SAR 12.7 million due to the increase in the number of workers to satisfy the reserves required by the expansion in agricultural development work in 2020G.

Transportation and Travel

Transportation and travel costs increased by SAR 2.4 million in 2019G, from SAR 36.9 million in 2018G to SAR 39.4 million in 2019G. The increase in transportation costs in 2018G was mainly attributed to the increase in the volume of ADC's production, which led to an increase in the cost of external transportation by SAR 2.6 million, in addition to the costs of wastewater removal, which increased by SAR 1.7 million in line with the higher production. This was offset by a decrease in rent expenses related to vehicles due to the application of IFRS 16 on 1 January 2019G.

Transportation and travel costs increased by SAR 0.9 million in 2020G, from SAR 39.4 million in 2019G to SAR 40.2 million in 2020G, driven by the higher transportation costs of ADC in line with the increase in the volume of ADC's production, which led to an increase in ADC's transportation and travel costs by SAR 3.2 million during 2020G. PFF's transportation and travel costs increased by SAR 0.5 million due to the higher costs related to workers' transportation to hotels following the outbreak of Covid-19. This increase was offset by a decrease of SAR 1.7 million in DHV and SFPC's transportation and travel costs during 2020G.

Depreciation of the Right-Of-Use Assets

As of 1 January 2019G, IFRS 16 was adopted, whereby leases were recognised as a right to use asset and as a corresponding liability on the date the leased asset is available for use by the Group. The impairment of the right to use assets amounted to SAR 36.1 million in 2019G.

Costs related to right-of-use assets increased from SAR 36.1 million in 2019G to SAR 40.6 million during 2020G, primarily due to the increase in the right-of-use assets from SAR 187.7 million as of 31 December 2019G to SAR 199.7 million as of 31 December 2020G.

Utilities

Utility costs increased by SAR 3.1 million in 2019G, from SAR 26.6 million in 2018G to SAR 29.7 million in 2019G. The increase is primarily due to the increase in costs related to the purchase of clean water and the increase in electricity costs due to additional operation of ADC's facilities to meet the demand for the Company's products.

Utility costs decreased during 2020G compared to 2019G to SAR 27.8 million, driven by a decline in the costs related to fresh water at ADC following the installation of ground water extraction equipment, instead of purchasing fresh water and using generators to produce electricity. Conversely, the expenses related to diesel oil used to generate electricity increased during the year.

Depreciation of Property, Plant and Equipment

There were no significant changes in PPE depreciation in 2019G, compared to 2018G.

Depreciation expenses increased from SAR 17.1 million in 2019G to SAR 18.7 million in 2020G, driven by depreciation expenses resulting from the Group's SAR 20.2 million additions and transfers from capital work-in-progress to the machinery and equipment in 2020G.

Repairs and Maintenance

Repair and maintenance costs increased by SAR 1.3 million in 2019G, from SAR 11.6 million in 2018G to SAR 12.8 million in 2019G. The increase is primarily attributable to SAR higher costs related to repairs and maintenance due to disruption of PFF's refrigeration facilities, which led to an increase in costs by SAR 2.3 million in 2019G. This was offset by a decrease in the ADC's costs by SAR 1.2 million, due to there being not being as many breakdowns in 2019G as in 2018G.

In 2020G, repair and maintenance costs decreased by SAR 4.5 million, from SAR 12.8 million to SAR 8.4 million, given that the facilities used in production required less repair costs during 2020G, compared to 2019G.

Rent

Rent expenses decreased by SAR 32.7 million in 2019G, from SAR 40.9 million in 2018G to SAR 8.3 million in 2018G. The decrease is attributed to the application of IFRS 16 of 1 January 2019G, and the recognition of leases as a right-of-use asset.

Rent expenses increased as a result of the increase in the number of machines rented by ADC during 2020G in line with the growth of ADC's sales, as well as the higher number of farms and the renewal of expired contracts. These contracts were not included in the right-of-use assets due to the nature of these contracts.

Others

Other costs increased by SAR 2.8 million in 2019G, from SAR 10.4 million in 2018G to SAR 13.3 million in 2019G, due to the higher cost of materials used by DHV as part of the services for establishing poultry farms that it provides to the Company's customers in the Kingdom.

Other expenses increased from SAR 13.3 million in 2019G to SAR 16.8 million during 2020G, as a result of the costs related to DHV's poultry farm building services during 2020G and increased preventive costs associated with the outbreak of Covid-19.

The following table sets out the Group's cost of revenue by Subsidiary for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.14: Group's Cost of Revenue by Subsidiary for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial year ended 31 December			Increase / decrease		CAGR
	2018G	2019G	2020G	2018G-2019G	2019G-2020G	2018G-2020G
ADC	562,373	617,133	649,735	9.7%	5.3%	7.5%
DHV	168,792	167,613	131,066	(0.7%)	(21.8%)	(11.9%)
SFPC	112,734	103,175	114,758	(8.5%)	11.2%	0.9%
PFF	108,195	102,303	75,429	(5.4%)	(26.3%)	(16.5%)
Intercompany Eliminations	(102,838)	(122,620)	(68,700)	19.2%	(44.0%)	(18.3%)
Cost as per audited financial statements	**849,255**	**867,605**	**902,288**	**2.2%**	**4.0%**	**3.1%**

Source: The Group's information.

The cost of revenue increased by 2.2% from SAR 849.3 million in 2018G to SAR 867.6 million in 2019G, mainly due to the following factors:

- the cost of revenue of ADC increased in line with the increase in the Company's sales, which is mainly driven by an increase in the costs of materials consumed by SAR 10.7 million during 2019G, compared to 2018G, an increase in the

Company's employee-related costs by SAR 36.9 million, and the higher costs related to depreciation on right-of-use assets, which amounted to SAR 35.6 million, in addition to an increase in transportation and travel costs by SAR 2.3 million in 2019G;

- this increase was offset by a decrease in the cost of DHV's revenue, primarily due to a decrease in the costs of materials consumed during 2019G, compared to 2018G;
- the cost of revenue of SFPC and PFF decreased by SAR 15.5 million between 2018G and 2019G. This decrease coincided with the lower revenues of the two companies; and
- rent expenses decreased in 2019G to SAR 8.2 million from SAR 40.9 million in 2018G, mainly due to the initial application of IFRS 16, which led to the recognition of SAR 36.1 million in depreciation on right-of-use assets in 2019G.

Cost of revenue increased by 4.0% from SAR 867.6 million in 2019G to SAR 902.3 million in 2020G, mainly due to the following factors:

- the cost of ADC's revenue increased in line with increased sales, which is mainly driven by an increase in the costs of materials consumed by SAR 1.5 million during 2020G, compared to 2019G, an increase in the Company's employee-related costs by SAR 20.9 million, and the higher costs related to depreciation on right-of-use assets, which amounted to SAR 4.0 million, in addition to an increase in transportation and travel costs by SAR 2.1 million in 2020G;
- the cost of SFPC's revenue increased by SAR 11.6 million during 2020G, compared to 2019G in line with the increase in revenues during the same period;
- this increase was offset by a decrease of SAR 36.5 million in the cost of DHV's revenue of during 2020G, primarily due to a decline in the costs of materials consumed by SAR 35.0 million during 2020G, compared to 2019G; and
- PFF's cost of revenue decreased by SAR 26.9 million between 2019G-2020G. This decrease coincided with the decline in the Company's revenues from SAR 134.7 million in 2019G to SAR 89.3 million in 2020G.

(D) Gross Profit

The following table sets out the Group's gross profit for the financial years ended 31 December 2018G, 2019G and 2020G.

Table 6.15: Group's Gross Profit for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial year ended 31 December			Increase / decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G-2019G	2019G-2020G	2018G-2020G
Revenues	1,091,359	1,145,655	1,211,933	5.0%	5.8%	5.4%
Cost of revenue	(849,255)	(867,605)	(902,288)	2.2%	4.0%	3.1%
Gross Profit	242,104	278,051	309,645	14.8%	11.4%	13.1%
Gross profit margin	22.2%	24.3%	25.5%			

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

The following table sets out the Group's gross profit by Subsidiary for the financial years ended 31 December 2018G, 2019G and 2020G.

Table 6.16: Group's Gross Profit by Subsidiary for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2019G Audited	2019G Audited	2019G Audited	2017G - 2018G	2018G - 2019G	2017G-2019G
ADC	153,576	190,911	242,397	24.3%	27.0%	25.6%
DHV	27,051	26,352	21,163	(2.6%)	(19.7%)	(11.6%)
SFPC	32,182	28,401	32,213	(11.7%)	13.4%	0.0%
PFF	29,295	32,387	13,872	10.6%	(57.2%)	(31.2%)
Gross Profit as per Audited Financials	242,104	278,051	309,645	14.8%	11.4%	13.1%
Gross Profit Margin of ADC	21.5%	23.6%	27.2%			
Gross Profit Margin of DHV	13.8%	13.6%	13.9%			
Gross Profit Margin of SFPC	22.2%	21.6%	21.9%			
Gross Profit Margin of PFF	21.3%	24.0%	15.5%			
Gross Profit Margin of Group	22.2%	24.3%	25.5%			

Source: The Group's information.

Gross profit increased by 14.8% from SAR 242.1 million in 2018G to SAR 278.1 million in 2019G and gross profit margin increased from 22.2% in 2018G to 24.3% in 2019G, mainly driven by the factors that included:

- an increase in ADC's gross profit from SAR 153.6 million in 2018G to SAR 190.9 million in 2019G driven by increase in sales of fresh poultry during the year. Increase in sales volume and improvement of agricultural practices in ADC also reduced the cost per bird during 2019G;
- the PFF's profit margin increased from 21.3% in 2018G to 24.0% in 2019G. This increase is primarily due to a decrease in costs of raw materials used in production at the Company by SAR 6.4 million from SAR 78.3 million in 2018G to SAR 71.9 million in 2019G and a decrease in employee related costs by SAR 1.3 million as a result of reviewing the benefits and bonuses granted to employees in 2019G. Revenues decreased in the same period by only SAR 2.8 million; and
- the gross profit margin of SFPC decreased from 22.2% in 2018G to 21.6% in 2019G. This decrease is driven by a decrease in the Company's sales by 9.2% during 2019G compared to 2018G.

Gross profit increased by 11.4% from SAR 278.1 million in 2019G to SAR 309.6 million in 2020G, and gross profit margin increased from 24.3% in 2019G to 25.5% in 2020G, mainly driven by the following:

- ADC's gross profit increased from SAR 190.9 million in 2019G to SAR 242.4 million in 2020G, due to the increase in fresh poultry sales during the year. ADC's revenues increased by 10.4% (SAR 84.1 million), while ADC's cost of revenue during 2020G increased by 5.3% (SAR 32.6 million), which contributed to the increase in the gross profit margin from 23.6% in 2019G to 27.2% in 2020G;
- DHV's gross profit margin increased from 13.6% in 2019G to 13.9% in 2020G, due to a decline in the cost of revenue by 21.8% (SAR 36.5 million), while revenues decreased by 21.5% (SAR 41.7 million) during the same year;
- SFPC's gross profit margin increased from 21.6% in 2019G to 21.9% in 2020G, due to the increase in revenues by 11.7% (SAR 15.4 million), while the cost of revenue increased by 11.2% (SAR 11.6 million) during the same year; and
- this was offset by a decrease in PFF's gross profit margin from 24.0% in 2019G to 15.5% in 2020G, due to a decline in the cost of revenue by 33.7% (SAR 45.4 million) as a result of lower sales to QSRs following the outbreak of the Covid-19 pandemic, while the cost of revenue decreased by 26.3% (SAR 26.9 million) during the same year owing to higher transportation costs related to transportation of workers in the factory to hotels amid the Covid-19 pandemic, an increase of costs related to manufacturing of finished products, and the rise in insurance expenses due to expansion of work to new areas.

General and Administrative Expenses

The following table sets out the consolidated general and administrative expenses for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.17: General and Administrative Expenses for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G-2019G	2019G-2020G	2018G-2020G
Employee-Related Costs	40,749	43,441	54,693	6.6%	18.8%	12.6%
Professional Fees	3,182	2,662	3,313	(16.3%)	24.5%	2.0%
Travel and Transportation	2,278	1,973	1,248	(13.4%)	(36.7%)	(26.0%)
Depreciation of Right-of-Use Assets	-	1,726	1,784	100.0%	3.4%	100.0%
IT Infrastructure Costs	891	860	1,214	(3.5%)	41.2%	16.7%
Utilities	648	715	734	(10.3%)	2.7%	6.4%
Depreciation of Property, Plant and Equipment	218	259	336	18.8%	29.7%	24.1%
Amortisation	611	385	365	(37.0%)	(5.2%)	(22.7%)
Other	4,219	3,833	2,594	(9.1%)	47.7%	15.8%
Expenses Re-Charged to Associate	(7,157)	(2,641)	-	(63.1%)	(100.0%)	(100.0%)
Total General and Administrative Expenses	**45,639**	**53,215**	**66,281**	**16.6%**	**24.6%**	**20.5%**
As a Percentage of Revenue						
Employee-Related Costs	3.7%	3.8%	4.3%			
Professional Fees	0.3%	0.2%	0.3%			
Travel and Transportation	0.2%	0.2%	0.1%			
General and Administrative	4.2%	4.6%	5.5%			

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Employee-Related Costs

Employee-related costs increased by SAR 2.7 million in 2019G, compared to 2018G, due to a number of employees hired in the Head Office, in addition to the payment of bonuses and an annual employees' salary increase during the same year.

Employee-related costs increased by SAR 8.2 million in 2020G, compared to 2019G, due to a number of employees hired in the Head Office, in addition to an annual salary increase for employees during the same year.

Professional Fees

Professional fees decreased by SAR 0.5 million in 2019G due to lower consultant costs.

Professional fees increased by SAR 0.7 million in 2020G, due to an increase in the costs related to the arbitrator appointed by the Group in pursuit of trade receivables related to outstanding legal disputes with some defaulting clients.

Transportation and Travel

These costs relate to the Executive Management's transportation and travel costs, as required by the Group's business. Transportation and travel costs decreased by SAR 0.3 million in 2019G, compared to 2018G, due to the reduced number of business trips made by the Group's executives. In 2020G, travel costs decreased by SAR 0.7 million due to the reduced number of business trips made by the Group's executives and the measures taken during 2020G following the outbreak of Covid-19.

Depreciation on Right-of-Use Assets

Following the application of IFRS 16 on 1 January 2019G, a right-of-use asset of SAR 1.7 million was recognised during 2019G. There was no significant change in the cost of depreciation on right-of-use assets during 2020G.

IT Infrastructure Costs

There was no significant change in the infrastructure costs during 2018G-2019G. In 2020G, costs increased by SAR 0.4 million, driven by the features added to the software used by the Company and online services.

The following table sets out the general and administrative expenses by Subsidiary for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.18: General and Administrative Expenses by Subsidiary for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G	2019G	2020G	2018G-2019G	2019G-2020G	2018G-2020G
ADC	22,196	28,202	40,374	27.1%	43.2%	34.9%
DHV	7,569	8,272	8,233	9.3%	(0.5%)	4.3%
SFPC	7,891	6,958	8,531	(11.8%)	22.6%	4.0%
PFF	9,201	9,998	9,685	8.7%	(3.1%)	2.6%
Tanmiah Food Company	(1,248)	(216)	(541)	(82.7%)	150.5%	(34.2%)
Tanmiah Food Company LLC – a Liquidated Company	30	-	-	(100.0%)	0.0%	(100.0%)
General and administrative expenses as per audited financial statements	**45,639**	**53,215**	**66,281**	**16.6%**	**24.6%**	**20.5%**
As a percentage of general and administrative expenses						
ADC	48.6%	53.0%	60.9%			
DHV	16.6%	15.5%	12.4%			
SFPC	17.3%	13.1%	12.9%			
PFF	20.2%	18.8%	14.6%			

Source: The Group's information.

ADC

Expenses of the Head Office accounted for 96.0% of the total general and administrative expenses in 2020G for ADC (94.2% and 95.7% in 2018G and 2019G, respectively), which represent shared services that the Group offered to ADC, such as employee services and professional fees.

General and administrative expenses increased from SAR 22.2 million in 2018G to SAR 28.2 million in 2019G, primarily due to the increase in expenses charged to ADC from 51.0% of total sales in 2018G to 65.0% in 2019G, as a result of an expected increase in ADC's revenues in 2019G, in addition to ceasing to charge Dukan any general and administrative expenses since April 2019G.

ADC's general and administrative expenses increased during 2020G, compared to 2019G, primarily due to the increase in Head Office expenses from SAR 27.0 million in 2019G to SAR 38.8 million in 2020G. Such higher expenses are attributed to the increase in the Group-wide total expenses from SAR 43.4 million in 2019G to SAR 54.6 million in 2020G, due to the increase in the Head Office employee-related costs by SAR 8.4 million during 2020G, compared to 2019G, the increase in the amount of expenses charged by the Head Office to ADC from 65.0% to 70.9% during 2020G, as well as the increase in charges due to not charging Dukan any of these expenses, as these expenses were charged to Dukan until April 2019G.

DHV

In DHV, Head Office expenses accounted for 77.5% of the total general and administrative expenses in 2020G (69.3% and 83.5% in 2018G and 2019G, respectively). General and administrative expenses increased from SAR 7.6 million in 2018G to SAR 8.3 million in 2019G, as a result of an increase of SAR 1.7 million in the expenses charged to DHV by ADC. This was offset by a decrease in employee-related expenses following the reversal of the surplus provisions related to bonuses, travel tickets and end-of-service benefits that were recognised during 2018G.

General and administrative expenses decreased in 2020G by 0.5% to SAR 8.2 million, due to a decline in the expenses of the Head Office by SAR 0.5 million, while employee-related costs and other expenses increased by SAR 0.1 million and SAR 0.4 million, respectively.

SFPC

In SFPC, Head Office expenses accounted for 68.9% of the total general and administrative expenses in 2020G (67.6% and 67.2% in 2018G and 2019G, respectively).

General and administrative expenses decreased from SAR 7.9 million in 2018G to SAR 7.0 million in 2019G, owing to a decrease in the Company's expenses by SAR 0.7 million as a result of lower SFPC sales during 2019G. Professional fees and employee-related costs also decreased by SAR 0.2 million and SAR 72 thousand, respectively, during 2019G.

General and administrative expenses increased from SAR 7.0 million in 2019G to SAR 8.5 million in 2020G, due to an increase in Head Office expenses and employee-related costs by SAR 1.2 million and SAR 0.5 million, respectively. This was offset by a reduction of SAR 0.2 million in professional fees, utility costs and other expenses.

PFF

In PFF, Head Office expenses accounted for 37.7% of the total general and administrative expenses in 2020G (39.5% and 19.7% in 2018G and 2019G, respectively), while employee-related costs accounted for 50.0% of the total general and administrative expenses in 2020G (52.6% and 64.8% in 2018G and 2019G, respectively).

General and administrative expenses increased from SAR 9.2 million in 2018G to SAR 10.0 million in 2019G due to the increase in employee-related costs.

General and administrative expenses decreased from SAR 10.0 million in 2019G to SAR 9.7 million in 2020G, due to a decline in Head Office expenses and other expenses by SAR 1.1 million and SAR 0.4 million, respectively. This was offset by an increase in employee-related costs by SAR 1.2 million.

Tanmiah Food Company

The Company started adding 1% profit margin to the expenses charged to the Group's subsidiaries in 2018G. Accordingly, the 1% profit margin was included in the general and administrative expenses, which led to recognition of the Company-wide profit during 2018G, 2019G and 2020G.

Selling and Marketing Expenses

The following table sets out the selling and marketing expenses by Subsidiary for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.19: Distribution and Marketing Expenses by Subsidiary for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G	2019G	2020G	2017G - 2018G	2018G - 2019G	2017G - 2019G
ADC	70,219	82,953	100,094	18.1%	20.7%	19.4%
DHV	9,546	10,755	10,660	12.7%	(0.9%)	5.7%
SFPC	11,404	13,243	13,281	16.1%	0.3%	7.9%
PFF	10,473	12,954	8,731	23.7%	(32.6%)	(8.7%)
Distribution and Marketing Expenses as per Audited Financials	**101,643**	**119,905**	**132,766**	**18.0%**	**10.7%**	**14.3%**
As a Percentage of Distribution and Marketing Expenses						
ADC	69.1%	69.2%	75.4%			
DHV	9.4%	9.0%	8.0%			
SFPC	11.2%	11.0%	10.0%			
PFF	10.3%	10.8%	6.6%			

Source: The Group's information.

Distribution and marketing increased by 18.0% from SAR 101.6 million in 2018G SAR 119.9 million in 2019G mainly due to:

- increase in selling and distribution expenses of ADC by 18.1% (SAR 12.7 million) driven by an increase in employee-related costs of the Company and an increase in sales commissions as a result of increased sales in 2019G compared to 2018G;
- increase in selling and distribution expenses for SFPC due to higher employee-related costs, appointment of an additional sales manager, new sales staff and lower rent expenses; this was were offset by an increase in relation to the right-of-use assets as a result of the application of IFRS 16 in 2019G;
- the increase in selling and distribution expenses of PFF by SAR 2.5 million due to the increase in the rent expenses related to the cold stores by SAR 1.2 million due to the disruption of the Company's storage facilities, higher costs related to the transfer of inventory from the Company's facilities to the leased facilities, and higher costs related to employees due to the annual salary increase;
- the increase in selling and distribution expenses of DHV, due to the increase in depreciation expenses related to cars by SAR 0.9 million and the increase in advertising and marketing expenses by SAR 0.5 million; and
- the increase in depreciation by SAR 9.5 million in relation to right-of-use assets due to application of IFRS 16 in 2019G.

Selling and distribution expenses increased by 10.7% from SAR 119.9 million in 2019G to SAR 132.8 million during 2020G, mainly due to:

- an increase in selling and distribution expenses of ADC. by 20.7% (SAR 17.1 million), driven by an increase of SAR 10.3 million in the Company's employee-related costs and higher sales commissions, due to the growth in sales in 2020G, compared to 2019G;
- SFPC's higher selling and distribution expenses as a result of an increase in employee-related costs by SAR 1.0 million and growing sales commissions, offset by a decline in rental, transportation and travel costs by SAR 583 thousand;
- this increase was offset by a decrease in DHV's selling and distribution expenses, mainly due to lower employee-related costs of SAR 164 thousand following the permanent suspension of Harad Feed Mill in March 2020G;
- a decline in PFF's selling and distribution expenses by SAR 4.2 million due to a decrease in rent expenses by SAR 1.0 million following PFF's use of facilities of its own instead of leased facilities, coupled with a fall in employee-related costs by SAR 1.3 million after the General Manager of Business Development was transferred to an Associate and transportation and travel costs decreased by SAR 1.4 million due to the outbreak of the Covid-19 pandemic.

The following table sets out selling and distribution expenses for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.20: Selling and Distribution Expenses for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G-2019G	2019G-2020G	2018G-2020G
Employee-Related Costs	42,736	49,111	61,771	14.9%	25.8%	20.2%
Transportation and Travel	30,039	25,766	25,931	(14.2%)	(0.6%)	(7.1%)
Depreciation of the Right-Of-Use Assets	-	9,524	12,133	100.0%	27.4%	100.0%
Sales Commission	6,823	9,499	11,770	39.2%	23.9%	31.3%
Advertising and Sales Promotion	2,337	5,709	3,122	144.3%	(45.3%)	15.6%
Rent	7,990	4,446	3,966	(44.4%)	(10.8%)	(29.5%)
Utilities	1,753	2,533	2,313	44.5%	(8.7%)	14.9%
Depreciation of Property, Plant and Equipment	1,359	1,494	2,027	10.0%	35.7%	22.1%
Insurance	1,510	1,513	1,273	0.2%	(15.9%	(8.2%)
Repairs and Maintenance	1,039	1,190	859	14.5%	(27.8%)	(9.1%)
Others	6,057	9,121	7,601	50.6%	(12.5%)	14.8%
Total Selling and Distribution Expenses	**101,643**	**119,905**	**132,766**	**18.0%**	**10.7%**	**14.3%**
As a percentage of Revenue						
Employee Related Costs	3.9%	4.3%	5.1%			
Travel and Transportation	2.8%	2.2%	2.1%			
Rent	0.7%	0.4%	0.3%			
Sales Commission	0.6%	0.8%	1.0%			
Selling and Distribution Expenses	9.3%	10.5%	11.0%			

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Employee-Related Costs

Employee-related costs increased by SAR 6.4 million in 2019G compared to 2018G due to the increase in employee salaries in addition to the increase in the number of full-time employees. Moreover, the number of the ADC's contractual employees increased in 2019G due to the expansion of production operations.

Employee-related costs increased by SAR 12.7 million in 2020G, compared to 2019G, primarily due to ADC's employee-related costs as a result of the increase in the number of employees and their annual salary increase, as well as SFPC's higher employee-related costs. This was offset by a decrease in DHV and PFF's employee-related expenses, primarily due to lower revenues for the two companies during 2020G.

Transportation and Travel

Transportation and travel costs decreased by SAR 4.3 million in 2019G compared to 2018G, due to the application of IFRS 16, whereby vehicle rent expenses were treated as capital expenditures as part of the right-of-use assets.

There was no significant change in transportation and travel costs during 2020G, compared to 2019G.

Depreciation on Right-of-Use Assets

Following the application of IFRS 16 on 1 January 2019G, right-of-use assets of SAR 9.6 million were recognised.

The cost of right-of-use assets increased from SAR 9.5 million during 2019G to SAR 12.1 million during 2020G, due to an increase in the number of motor vehicles rented during 2020G, compared to 2019G.

Sales Commission

The increase by SAR 2.8 million in 2019G was also attributed to higher sales and higher commission rates, from 0.9% in 2018G to 1.1% in 2019G of ADC's total revenues.

Sales commission increased in 2020G by SAR 2.3 million, compared to 2019G, due to an increase in ADC's sales commission rate from SAR 1.1 million to SAR 1.2 million in line with ADC's growing sales and the recognition of a sales commission of SAR 0.4 million and SAR 0.5 million at DHV and SFPC, respectively, during 2020G, accounting for nil in 2019G.

Advertising and Sales Promotion

Advertising and sales promotion increased in 2019G by SAR 3.4 million, in line with the management's decision to invest in promotional activities through social media.

Advertising and sales promotion expenses decreased in 2020G by SAR 2.6 million in 2020G, compared to 2019G, due to the lower expenses related to promotional activities, along with the changes to the Executive Management's strategy in relying on discounts in order to boost sales instead of promotional campaigns.

Rent

Expenses decreased by SAR 3.5 million in 2019G compared to 2018G, due to the application of IFRS 16, whereby vehicle rent expenses were treated as capital expenditures as part of the right-of-use assets.

Rent expenses decreased by SAR 0.5 million due to a decline of SAR 1.2 million in SFPC and PFF's rent expenses that are not classified under the right-of-use assets, while the rent expenses of ADC and DHV facilities increased to SAR 756 thousand during 2020G, compared to 2019G.

Utilities

Utility costs increased by SAR 0.8 million in 2019G, mainly due to the increase in electricity costs for warehouses and stores of ADC, SFPC and PFF. Utility costs decreased in 2020G as a result of the drop in PFF's costs in line with the drop in sales during 2020G.

Depreciation of Property, Plant and Equipment

Depreciation expenses decreased by SAR 0.5 million in 2018G due to the full depreciation of some assets. Selling and distribution expenses increased in 2020G, compared to 2019G, due to an increase in the book balance of property and equipment used in selling and distribution.

Other Costs

Other expenses increased by SAR 3.0 million during 2019G compared to 2018G, due to the expenses related to establishing the branch of ADC in Bahrain, in addition to the increase in the ADC's packaging expenses due to the increase in its sales.

Other expenses decreased in 2020G, due to the lower costs that the Group paid during 2019G to establish a subsidiary in the Kingdom of Bahrain, which is wholly owned by ADC.

(E) Impairment Loss on Financial Assets

The following table shows the losses of the decrease in financial assets by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.21: Loss of Impairment on Financial Assets by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G	2019G	2020G	2018G - 2019G	2019G-2020G	2018G - 2020G
ADC	(2,048)	(154)	(1,652)	(92.5%)	927.7%	10.2%
DHV	626	(456)	(478)	(172.8%)	4.8%	N/A
SFPC	(17)	(117)	(2,275)	(588.2%)	1,844.4%	1,056.8%
PFF	(680)	(272)	(1)	(60.0%)	(99.6%)	(96.2%)
Total Impairment Loss on Financial Assets	**(2,118)**	**(998)**	**(4,406)**	**(52.9%)**	**341.5%**	**44.2%**
As a Percentage of Total Impairment Losses on Financial Assets						
ADC	96.7%	15.4%	37.5%			
DHV	29.6%	45.7%	10.8%			

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G	2019G	2020G	2018G - 2019G	2019G-2020G	2018G - 2020G
SFPC	0.8%	11.7%	51.6%			
PFF	32.1%	27.3%	0.0%			

Source: The Group's information.

The Group records the impairment loss on financial assets on a forward-looking basis at amortised cost. Assets mainly represent trade receivable. The impairment methodology applied depends on whether there has been a significant increase in credit risk, which is the main reason for changes in impairment loss on assets. Refer to Table 6.48 to show the movement in the provision for impairment of the Group's financial receivables.

ADC

Impairment loss on financial assets of ADC decreased from SAR 2.0 million in 2018G to SAR 154,000 in 2019G due to a decrease in receivables that are outstanding for more than 365 days in ADC as of 31 December 2019G to SAR 2.3 million against the balance of receivables that are outstanding for more than 365 days as of 31 December 2018G amounting to SAR 5.0 million.

Impairment loss on financial assets increased in 2020G to SAR 1.7 million, primarily due to the recognition of a SAR 1.6 million provision against trade receivables related to ongoing legal disputes.

DHV

In 2019G, DHV wrote off commercial receivables amounting to SAR 2.1 million, which represent balances with over 365 days past due. In addition, the Company increased the provision for impairment of receivables (specific provision) by SAR 0.5 million based on a study of the provision for expected credit losses. DHV also recognised an impairment loss on financial assets of SAR 0.5 million during 2020G, with an increase of SAR 22 thousand compared to 2019G, in line with the requirements of the ECL provision review.

SFPC

Impairment loss on financial assets of SFPC increased from SAR 17,000 in 2018G to SAR 0.1 million in 2019G due to the increase in receivables due for more than 365 days as of 31 December 2019G to SAR 3.4 million compared to accounts receivable of SAR 0.6 million with over 365 days past due as of 31 December 2018G.

Impairment loss increased during 2020G to SAR 2.3 million as a result of the losses resulting from the requirements of the ECL provision review, in addition to the recognition of provisions for some customers due to doubts over the ability to collect these receivables. To collect these balances, SFPC has instituted proceedings against customers by whom these balances are owed.

PFF

Impairment loss on financial assets of PFF decreased from SAR 0.7 million in 2018G to SAR 0.3 million in 2019G in conjunction with the slight increase in the specific provision required according to the study of provision for expected credit losses. Specific provision increased by SAR 0.3 million as of 31 December 2019G compared to SAR 0.7 million as of 31 December 2018G. PFF did not recognise significant losses in the value of financial assets in 2020G.

(F) Other Income

The following tables set out the Group's other income for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.22: Group's Other Income for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial year ended 31 December			Increase / decrease		CAGR
	2018G	2019G	2020G	2018G-2019G	2019G-2020G	2018G-2020G
Other Income	882	3,290	1,060	273.0%	(67.8%)	9.6%
Total other income	**882**	**3,290**	**1,060**	**273.0%**	**(67.8%)**	**9.6%**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Table 6.23: Other Income by the Group's Subsidiaries as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial year ended 31 December			Increase / decrease		CAGR
	2018G	2019G	2020G	2018G-2019G	2019G-2020G	2018G-2020G
ADC	26	1,148	650	4,315.4%	(43.4%)	400.0%
DHV	776	2,021	265	160.4%	(86.9%)	(41.6%)
SFPC	45	53	43	17.8%	(18.9%)	(2.2%)
PFF	30	68	102	126.7%	50.0%	84.4%
Tanmiah Food Company	5	-	-	(100.0%)	-	(100.0%)
Total financing costs	**882**	**3,290**	**1,060**	**273.0%**	**(67.8%)**	**9.6%**

Source: The Group's information.

Other income is mainly related to the sale of poultry residuals, scrap sales and other income outside the scope of the normal work of the Group's companies.

Other income increased by 272.9% from SAR 0.9 million in 2018G to SAR 3.3 million in 2019G, owing to an increase of SAR 1.2 million in the sales commission of DHV animal health products related to the DuPont and Evonik brands. Income from sales of poultry residuals increased by 0.9, after being classified under "Other Income" during 2019G instead of "Revenues" in 2018G.

Other income decreased by 67.8% from SAR 3.3 million in 2019G to SAR 1.1 million during 2020G, primarily due to the decrease in sales commission of some animal health products as a result of a decline of sales and collections related to these products by SAR 1.8 million during 2020G, compared to 2019G.

(G) Financial Charges

The following table sets out the finance charges by Subsidiary for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.24: Finance Charges by Subsidiary for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G	2019G	2020G	2018G - 2019G	2019G - 2020G	2018G - 2020G
ADC	6,497	20,694	19,856	218.5%	(0.4%)	74.8%
DHV	1,407	1,626	1,043	15.6%	(35.9%)	(13.9%)
SFPC	1,851	2,453	2,348	32.5%	(4.3%)	12.6%
PFF	1,613	3,646	2,473	126.0	(32.2%)	23.8%
Total Finance Charges	**11,367**	**28,419**	**25,720**	**150.0%**	**(9.5%)**	**50.4%**
As a Percentage of Total Impairment Losses on Financial Assets						
ADC	57.2%	72.8%	77.2%			
DHV	12.4%	5.7%	4.1%			
SFPC	16.3%	8.6%	9.1%			
PFF	142%	12.8%	9.6%			

Source: The Group's information.

The following table sets out the Group's finance charges for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.25: Group's Finance Charges for the financial years ended 31 December 2018G, 2019G and 2020G

	Financial Year Ended 31 December			Increase/ Decrease		CAGR
Currency: SAR'000	2018G	2019G	2020G	2018G - 2019G	2019G-2020G	2018G-2020G
Interest on Short-Term Loans	13,226	14,722	11,422	11.3%	(22.4%)	(7.1%)
Interest on Rental Liabilities	-	11,611	10,713	100.0%	(7.7%)	100.0%
Others	1,549	2,086	3,585	34.7%	71.9%)	52.1%
Charged to an Associate	(3,407)	-	-	(100.0%)	0.0%	(100.0%
Total Finance Charges	**11,367**	**28,419**	**25,720**	**150.0%**	**(9.5%)**	**50.4%**
As Percentage of Total Finance Charges						
Interest on Short-Term Loans	116.4%	51.8%	44.4%			
Interest on Rental Liabilities	0.0%	40.9%	41.7%			
Others	13.6%	7.3%	13.9%			
Charged to an Associate	(30.0%)	0.0%	0.0%			

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Increase in finance charges of the Group from SAR 11.4 million in 2018G to SAR 28.4 million in 2019G. This increase is mainly due to:

- the increase in costs of ADC due to the application of IFRS 16, which had an estimated impact of SAR 9.5 million in 2019G, in addition to ADC ceasing to charge finance charges charged to Dukan, which amounted to SAR 3.5 million during 2018G, which led to an increase in finance charges charged by ADC, instead of charging them to Dukan, during 2019G;
- the increase in finance charges of DHV due to application of IFRS 16, which led to recognition of SAR 0.2 million and an increase in the rate of finance charges to 6.7% in 2019G;
- the increase in finance charges of SFPC mainly due to the application of IFRS 16, which led to recognition of costs amounting to SAR 0.8 million; and
- the increase in finance charges of PFF by SAR 2.0 million, due to the increase in interest rates and banking costs on short-term loans to finance the Company's operations with SAR 0.9 million and the increase in finance charges related to the lease liabilities by SAR 1.0 million due to the application of IFRS 16.

The Group's financing costs decreased from SAR 28.4 million in 2019G to SAR 25.7 million in 2020G, mainly due to:

- the decrease in ADC's financing costs as a result of the decline in the financing costs related to the right-of-use assets from SAR 9.7 million in 2019G to SAR 8.9 million during 2020G;
- the decrease in DHV's financing costs as a result of exemptions from financing costs in the amount of SAR 0.9 million due to the outbreak of Covid-19, which was offset by an increase in losses resulting from the exchange difference that increased by SAR 0.3 million during 2020G;
- a slight reduction of SFPC's financing costs, primarily due to a decrease in the balance of short-term loans during 2020G compared to 2019G; and
- a decline in PFF financing costs by SAR 1.2 million due to poor production, which resulted in reduced use of facilities available to PFF and banking costs during 2020G.

(H) Zakat

The following table sets out Zakat by Subsidiary for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.26: Zakat by Subsidiary for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December,		
	2018G	2019G	2020G
ADC	1,464	2,038	4,439
DHV	1,649	1,745	1,328
SFPC	1,210	2,196	1,352
Tanmiah Food Company	3,000	2,000	-
Total Zakat	**7,323**	**7,979**	**7,119**

Source: The Group's information.

The Group incurred Zakat expenses of SAR 7.4 million for 2018G as follows:

- ADC recorded Zakat in an amount of SAR 1.5 million against profits of SAR 51.2 million generated during the year;
- DHV recorded Zakat in an amount of SAR 1.6 million against profits of SAR 8.3 million generated during the year; and
- SFPC recorded Zakat in an amount of SAR 1.2 million against profits of SAR 16.9 million generated during the year.

The Group incurred Zakat expenses of SAR 8.0 million for 2019G as follows:

- the Company recorded Zakat in an amount of SAR 2.0 million against profits of SAR 58.0 million generated during the year;
- DHV recorded Zakat in an amount of SAR 1.7 million against profits of SAR 5.5 million generated during the year;
- SFPC recorded Zakat in an amount of SAR 2.2 million against profits of SAR 8.8 million generated during the year; and
- the Company completed its Zakat assessments with ZATCA until 2010G. During the previous years, the Company received additional Zakat assessments of SAR 27.0 million for the financial years ended 31 March 2003G to 31 March 2010G and the short period ended 31 December 2010G. The Company objected to these assessments and reached a settlement with ZATCA during 2019G in an amount of SAR 6.0 million. As of 31 December 2018G, the Company has allocated an amount of SAR 4 million for these additional assessments (of which SAR 1.0 million were recognised before 2016G and SAR 3.0 million in 2018G). The Company recognised the remaining amount of additional Zakat assessments before 31 December 2018G of SAR 2.0 million in 2019G. Moreover, during 2019G the Company entered into an agreement with ADGHC, a shareholder, pursuant to which all liabilities related to the assessments up to the financial year ended 31 December 2018G shall be recovered from ADGHC. Accordingly, the additional amount of SAR 2 million paid against the aforementioned settlement was recovered from ADGHC.

The Group incurred Zakat expenses of SAR 7.1 million in 2020G, set out as follows:

- ADC recognised Zakat expenses of SAR 4.4 million based on a Zakat base of SAR 234.8 million in 2020G;
- DHV recognised Zakat expenses of SAR 1.3 million based on a Zakat base of SAR 69.0 million in 2020G; and
- SFPC recognised Zakat expenses of SAR 1.4 million based on a Zakat base of SAR 70.8 million in 2020G.

(I) Net Profit

The following table presents the Group's net profit for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.27: Group's Net Profit for the Financial Years Ended 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G-2020G	2018G - 2020G
Operating Profit/(Loss)	**93,586**	**107,221**	**107,252**	**14.6%**	**0.0%**	**7.1%**
Finance Charges	(11,367)	(28,419)	(25,720)	150.0%	(9.5%)	50.4%
Profit (Loss) Before Zakat	**82,219**	**78,802**	**81,532**	**(4.2%)**	**3.5%**	**(0.4%)**
Zakat	(7,323)	(7,979)	(7,119)	9.0%	(10.8%)	(1.4%)
Net Profit (Loss)	**74,896**	**70,823**	**74,414**	**(5.4%)**	**5.1%**	**(0.3%)**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G amd 2020G.

The following table presents the net profit by Subsidiary for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.28: Net Profit by Subsidiary for the Financial Years Ended 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G	2019G	2020G	2018G - 2019G	2019G-2020G	2018G - 2020G
ADC	51,178	58.019	76,633	13.4%	32.1%	22.4%
DHV	8,284	5,518	(314)	(33.4%)	(105.7%)	N/A
SFPC	16,915	8,847	(2,170)	(47.7%)	(124.5%)	N/A
PFF	7,358	5,584	(6,916)	(24.1%)	(223.9%)	N/A
Tanmiah Food Company	74,898	68,226	66,372	(8.9%)	(2.7%)	(5.9%)
Tanmiah Food Company LLC – a Liquidated Company	(30)	-	-	(100.0%)	0.0%	(100.0%)
Intercompany Eliminations	(83,707)	(75,372)	(59,191)	(10.0%)	(21.5%)	(15.9%)
Net Profit (Loss) as per Audited Financials	**74,896**	**70,823**	**74,414**	**(5.4%)**	**5.1%**	**(0.3%)**
Margin for Subsidiaries						
ADC	7.1%	7.2%	8.6%			
DHV	4.2%	2.8%	(0.2%)			
SFPC	11.7%	6.7%	(1.5%)			
PFF	5.4%	4.1%	(7.7%)			
Group Net Profit Margin	6.9%	6.2%	6.1%			

Source: The Group's information.

Net profit from continuing operations decreased from SAR 74.9 million in 2018G to SAR 70.8 million in 2019G, which led to a decrease in the net profit margin from 6.9% in 2018G to 6.2% in 2019G. Such decrease is driven by:

- net profits of DHV, SFPC due to lower sales and gross margin and higher general and administrative costs as a result of declining sales, gross margin and higher general and administrative expenses;
- decrease in net profits of PFF due to lower sales and higher general and administrative expenses and selling and distribution expenses;
- financing costs increased by SAR 17.0 million from SAR 11.4 million in 2018G to SAR 28.4 million in 2019G, primarily due to the application of IFRS 16 from 1 January 2019G which resulted in recording financing costs of SAR 11.6 million in relation to the lease liabilities; and
- this increase was offset by an improvement in ADC sales from SAR 715.9 million in 2018G to SAR 808.0 million in 2019G. This contributed to the increase in the net profit margin from 7.1% in 2018G to 7.2% in 2019G.

Net profit increased from SAR 70.8 million in 2019G to SAR 74.4 million in 2020G, while the net profit margin decreased from 6.2% in 2019G to 6.1% in 2020G. Such increase is attributed to:

- an increase in ADC's net profit from SAR 58.0 million in 2019G to SAR 76.6 million in 2020G, primarily due to the increase in ADC's sales from SAR 808.0 million in 2019G to SAR 892.1 million in 2020G. This contributed to the increase of the net profit margin from 7.2% in 2019G to 8.6% in 2020G;
- this was offset by a decline in the net profits of DHV and PFF, due to lower sales and gross margin of both companies; and
- SFPC's net profit decreased, in spite of the increase in the Company's sales during 2020G as compared to 2019G, due to higher general and administrative expenses, the increase in the impairment loss on financial assets, and losses resulting from the Company's share in net income from investments.

(J) Comprehensive Income

The following table sets out the Group's consolidated statement of comprehensive income for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.29: Group's Consolidated Statement of Comprehensive Income for the Financial Years Ended 31 December 2018G, 2019G and 2020G.

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G - 2020G	2017G - 2019G
Net Profit (Loss)	74,896	70,823	74,414	(5.4%)	5.1%	(0.3%)
Items that will not be Reclassified to a Statement of Income:						
Re-Measurements of Post-Employment Benefits Obligations	(1,256)	(3,997)	(13,769)	218.2%	244.5%	231.1%
Changes in the Fair Value of Equity Investments at Fair Value Through Other Comprehensive Income	(9,578)	(10,200)	-	6.5%	(100.0%)	(100.0%)
Total Comprehensive Income	64,062	56,626	(11.6%)	(11.6%)	7.1%	(2.7%)

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The Company recorded another comprehensive income as follows:

- comprehensive income related to re-measurements of post-employment benefits obligations (refer to the section related to employee benefits obligations in the section of financial position discussion); and
- changes in the fair value of equity investments at FVOCI due to decline in Red Sea International investment (refer to the section on fair value investments and financial assets through other comprehensive income in the section of financial position discussion).

(K) Related Party Transactions

The following table sets out the Group's related party transactions for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.30: Group's Related Party Transactions for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Sales to an Associate	25,194	18,888	26,356
Employee Related Costs Paid to an Associate	(8,106)	(5,639)	(3,212)
Carve-Out of Investment in the Red Sea International to an Associate	-	37,500	-
Property, Plant and Equipment Transferred by a Related Party		1	
Capital Contribution by the Parent Company	-	50,000	-
Amounts Paid on Behalf of the Parent Company	-	8,708	14,438
Expenses Re-Charged to an Associate	7,157	2,641	-
Financing Costs Charged to an Associate	3,407	-	-
Employee Benefits Commitments Transferred from an Associate due to Employee's Transfer to the Group	-	-	221
Employee Benefits Commitments Transferred to a Third party due to Employee's Transfer to the Mother Company	-	-	6,303

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Sales to an Associate

Sales to an Associate primarily include sales made by the Group to Dukan. As of 2018G, Dukan has been carved out, and the sales to Dukan are presented as sales to Related Parties. Sales to Dukan decreased due to the closure of a number of showrooms from 193 showrooms in 2018G to 98 showrooms in 2019G. The Group's sales to Associates increased as a result of the continued increase in sales to Dukan in 2020G.

Employee Related Costs Paid to an Associate

Costs charged to the Related Parties represent the employee services provided to Dukan and ADC. In 2018G, and after the carve-out of Dukan, these costs decreased by SAR 5.0 million. The expenses decreased in 2019G due to the decrease in the number of employees compared to 2018G.

These costs continued to decrease during 2020G as a result of ADC's reliance on third parties instead of Associates to obtain these services in 2020G.

Carve-out of Investment in the Red Sea International to an Associate

On 27 November 2019G, the Company carved out all its investments in the Red Sea International, a public joint stock company listed on the Exchange. The Company sold to Tanmiah Commercial Group Company its shares of SAR 3.0 million, representing 5.0% of the capital of the Red Sea International, at an amount of SAR 37.5 million. The Group recognised losses of SAR 10.2 million in relation to the fair value of equity investments at FVOCI.

Capital Contribution by the Parent Company

As of 31 December 2019G, the Company's capital increased from SAR 100 million to SAR 200 million. The increase in the capital resulted from the transfer of SAR 50 million from the contributed share capital, through a transfer from the Company's balance to ADGHC.

Amounts Paid on Behalf of the Parent Company

These amounts comprise Offering-related expenses which were re-charged to the Parent Company.

Expenses Re-Charged to an Associate

Re-chargeable expenses decreased in 2019G compared to 2018G, as the shared service expenses that were re-charged to Dukan were related to three months of 2019G compared to the 12-month period of 2018G.

Financing Costs Charged to an Associate

Transactions in 2018G represent the finance charges charged to ADGHC in exchange for the use of part of the Dukan's facilities.

Employee Benefit Obligations Transferred from Associates due to Transfer of Employees to the Group

The Group transferred 12 employees from Associates to the Group's Subsidiaries (11 employees to ADC and one employee to ADC). As a result of transfer of these employees, the Group recognised related end of service benefit obligations of SAR 221 thousand.

Employee Benefit Obligations Transferred to a Related Party due to Transfer of Employees to the Parent Company

The Group transferred two employees from the Group to ADGHC, resulting in the Group transferring the obligations of these two employees to ADGHC, which amounted to SAR 6.3 million.

6.6.1.2 Statement of Financial Position

The following table sets out the Group's consolidated statement of financial position as of 31 December 2018G, 2019G and 2020G:

Table 6.31: Group's Consolidated Statement of Financial Position as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Non-Current Assets			
Financial Assets at Fair Value Through Other Comprehensive Income ("FVOCI")	48,474	774	774
Intangible Assets	1,961	1,382	1,602
Property, Plant and Equipment	132,296	138,553	155,299
Right-of-Use Assets	-	187,749	199,730
Total Non-Current Assets	**182,731**	**328,458**	**357,406**
Current Assets			
Cash and Cash Equivalents	22,771	23,919	60,459
Trade Receivables and Other Debtors	351,055	430,630	472,357
Prepaid Expenses and Other Receivables	71,591	70,402	83,922
Inventories	145,206	160,621	138,998
Contract Assets	277	1,600	1,969
Biological Assets	55,826	57,041	82,233
Total Current Assets	**646,725**	**744,213**	**839,938**
Total Assets	**829,456**	**1,072,670**	**1,197,344**
Loans	281,959	318,323	313,440
Trade Payables	135,566	139,502	161,395
Dues to Related Parties	77,179	-	-
Accruals and Other Liabilities	85,768	69,293	103,355
Lease Obligations	-	55,829	55,129
Zakat Provision	11,474	7,991	9,910
Total Current Liabilities	**591,946**	**590,938**	**643,230**
Employee Benefits Obligations	59,245	65,957	82,555
Lease Obligations	-	128,884	124,023
Total Non-Current Liabilities	**59,245**	**194,841**	**206,578**
Capital	100,000	200,000	200,000
Contributed Capital	-	-	-
Statutory Reserve	21,217	7,082	14,524
Financial Assets at FVOCI Reserve	26,763	-	-
Retained Earnings/(Accumulate Loss)	30,285	79,809	133,012
Non-Controlling Interests	(1)	-	-
Total Equities	**178,264**	**286,891**	**347,536**
Total Liabilities and Equity	**829,456**	**1,072,670**	**1,197,344**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

(A) Assets

(i) Non-Current Assets

The following table sets out the Group's non-current assets as of 31 December 2018G, 2019G and 2020G.

Table 6.32: Group's Non-Current Assets as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)	48,474	774	774
Intangible Assets	1,961	1,382	1,602
Property, Plant and Equipment	132,296	138,553	155,299
Right-of-Use Assets	-	187,749	199,730
Total Non-Current Assets	**182,731**	**328,458**	**357,406**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Investments and Financial Assets at Fair Value Through Other Comprehensive Income

The following table sets out the Group's investments and financial assets at fair value through other comprehensive income as of 31 December 2018G, 2019G and 2020G:

Table 6.33: Group's Investments and Financial Assets at Fair Value through Other Comprehensive Income as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Red Sea International	47,700	-	-
Listed Securities	47,700	-	-
Alexandria Copenhagen	774	774	774
Unlisted Securities	774	774	774
Total Financial Investments and Assets at FVTOCI	**48,474**	**774**	**774**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Investment in listed securities is represented in the investment in Red Sea International in 31 December 2018G.

On 27 November 2019G, the Company carved out all its investments in the Red Sea International, a public joint stock company listed on the Exchange, as it sold to Tanmiah Commercial Group Company its 3.0 million shares, representing 5.0% of the capital of the Red Sea International, at an amount of SAR 37.5 million, which is equivalent to SAR 12.5 per share. This price is the closing price of the share at the date of the transaction. The Group recorded a loss of SAR 10.2 million in relation to the fair value of equity investments at FVOCI, which represents the difference between the book value as of 31 December 2018G and the amount at which the shares were sold (SAR 47.7 million and SAR 37.5 million, respectively).

Investment in unlisted securities relates to investment in Alexandria Copenhagen as of 2018G. No significant change occurred to the unlisted securities in 2018G, 2019G and 2020G.

Intangible Assets

The following table sets out intangible assets by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.34: Intangible Assets by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	569	379	874
DHV	7	3	-
SFPC	6	-	-
Tanmiah Food Company	1,025	758	598
PFF	354	242	131
Total Intangible Assets	**1,961**	**1,382**	**1,602**

Source: The Group's information.

The following table sets out the Group's intangible assets as of 31 December 2018G, 2019G and 2020G:

Table 6.35: Group's Intangible Assets as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
The Opening Balance on 1 January	3,331	1,961	1,382
Additions	-	-	94
Transfers from PPE			669
Amortisation	(811)	(579)	(543)
Exclusion of a Subsidiary	(559)	-	-
The Closing Balance on 31 December	**1,961**	**1,382**	**1,602**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The intangible assets represented in software decreased from SAR 2.0 million as of 31 December 2018G to SAR 1.6 million as of 31 December 2020G, due to:

- decrease in the intangible assets of the Company by amortisation of SAR 521 thousand during 2019G and 2020G, which was offset by additions of SAR 94,000, so that the intangible assets balance amounted SAR 598,000 on 31 December 2020G;
- decrease in the intangible assets of DHV by amortisation of SAR 7 thousand during 2018G and 2019G, which amounted to SAR nil as of 31 December 2020G;
- decrease in the intangible assets of SFPC by amortisation of SAR 6 thousand during 2019G and 2020G, which was nil as of 31 December 2020G;
- decrease in the intangible assets of PFF by amortisation of SAR 223 thousand during 2019G and 2020G, which amounted to SAR 131 thousand as of 31 December 2020G; and

this was offset by an increase of ADC's intangible assets by SAR 304 thousand due to PPE transfers into intangible assets of SAR 669 thousand during 2019G, which was offset by amortisation of 364 thousand during 2019G and 2020G, so that the intangible assets amounted to SAR 874 thousand as of 31 December 2020G.

Property, Plant and Equipment by Subsidiary

The following tables show the net book value of property, plant and equipment by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.36: Net Book Value of Property, Plant and Equipment by Subsidiary as of 31 December 2018G

Currency: SAR'000	Land	Buildings	Leasehold Improvements	Machinery and Equipment	Motor Vehicles	Furniture, Fixtures and Others	Capital Work-in-Progress	Total PPE
ADC	17,424	15,336	3,397	27,985	9	142	3,490	67,783
DHV	-	198	9	232	-	11	-	450
SFPC	-	2,051	86	3,265	-	17	-	5,419
PFF	-	26,165	0	21,656	189	34	317	48,361
Tanmiah Food Company	9,499	-	40	708	0	37	-	10,284
Total PPE	**26,923**	**43,749**	**3,532**	**53,846**	**198**	**242**	**3,807**	**132,296**

Source: The Group's information.

Table 6.37: Net Book Value of Property, Plant and Equipment by Subsidiary as of 31 December 2019G

Currency: SAR'000	Land	Buildings	Leasehold Improvements	Machinery and Equipment	Motor Vehicles	Furniture, Fixtures and Others	Capital Work-in-Progress	Total PPE
ADC	17,236	14,216	3,565	29,750	-	100	11,100	75,968
DHV	-	185	5	272	-	9	-	470
SFPC	-	1,727	317	2,553	-	14	1,968	6,578
PFF	-	24,433	-	20,095	329	191	-	45,048
Tanmiah Food Company	9,499	-	141	838	-	10	-	10,488
Total PPE	**26,735**	**40,560**	**4,028**	**53,508**	**329**	**324**	**13,068**	**138,553**

Source: The Group's information.

Table 6.38: Net Book Value of Property, Plant and Equipment by Subsidiary as of 31 December 2020G

Currency: SAR'000	Land	Buildings	Leasehold Improvements	Machinery and Equipment	Motor Vehicles	Furniture, Fixtures and Others	Capital Work-in-Progress	Total PPE
ADC	17,236	12,981	3,535	33,326	-	61	22,301	89,440
DHV	-	171	2	239	-	7	-	419
SFPC	-	1,451	3,409	6,392	-	27	2,953	14,231
PFF	-	23,107	-	17,128	226	246	-	40,707
Tanmiah Food Company	9,499	-	119	872	-	13	-	10,502
Total PPE	**26,735**	**37,711**	**7,065**	**57,957**	**226**	**353**	**25,253**	**155,299**

Source: The Group's information.

ADC

The value of land decreased by SAR 188 thousand as of 31 December 2019G, due to reclassification of some of expenses of a general and administrative nature and legal expenses to the comprehensive income statement; however, they had been recognised in the property and plant during previous years within the land balance, with such expenses amounting to SAR 188 thousand. There were no further movements within the land balance during 2018G, 2019G and 2020G.

Total property, plant and equipment increased as of 31 December 2019G to SAR 76.0 million compared to a balance of SAR 67.8 million as of 31 December 2018G, mainly due to the following additions, which had a greater impact than the annual depreciation value:

- ADC made additions of SAR 7.6 million to the capital in progress in 2019G. This related to the construction of on-going projects (development of Shaqraa and Salboukh plants and the feeding system); and

- additions of SAR 10.6 million in machinery and equipment in 2019G. These additions represented refrigerators, freezers and other tools for laboratories.

Total property, plant and equipment increased from SAR 76.0 million as of 31 December 2019G to SAR 89.4 million as of 31 December 2020G, mainly due to the following additions, which had a greater impact than the annual depreciation value in 2020G:

- additions of SAR 11.2 million to capital work-in-progress. This amount is mainly associated with additions of SAR 3.2 million related to expansion of production lines, and additions of SAR 7.8 million related to the feed mixing and manufacturing systems; and
- additions of SAR 14.5 million to machinery and equipment.

See Section on ADC for more details about the property, plant and equipment of ADC.

DHV

As of 31 December 2020G, the net book value of machinery and equipment represented 57.0%, while the net book value of buildings represented 40.9% of the total net book value of property, plant and equipment.

Net book value of property and equipment increased by SAR 20 thousand as of 31 December 2019G, due to recognition of additions of SAR 80 thousand during 2019G, which was offset by depreciation of SAR 48 thousand during 2019G. As of 31 December 2019G, the accumulated depreciation value of property and equipment constitutes 94.7% of the total value of property and equipment.

Net book value of property and equipment decreased by SAR 51 thousand as of 31 December 2020G, primarily due to recognition of depreciation of SAR 111 thousand during 2020G, while additions to machinery and equipment amounted to SAR 61 thousand during this year.

SFPC

Net book value of property, plant and equipment increased from SAR 5.4 million as of 31 December 2018G to SAR 6.6 million as of 31 December 2019G, due to net additions of SAR 2.9 million during 2019G, which was offset by depreciation of SAR 1.7 million. In 2019G, additions were mainly associated with capital work-in-progress costs related to leasehold improvements. Those costs amounted to SAR 2.0 million as of 31 December 2019G.

Net book value of property, plant and equipment increased from SAR 6.6 million as of 31 December 2019G to SAR 14.2 million as of 31 December 2020G, due to net additions of SAR 9.2 million during 2020G in relation to capital work-in-progress costs pertaining to expansion of a production line to meet the needs of a top QSR.

PFF

The net book value of property, plant and equipment as of 31 December 2018G decreased from SAR 48.4 million to SAR 45.0 million as of 31 December 2019G, due to annual depreciation of SAR 5.2 million. This decrease was offset by net additions of SAR 2.2 million during 2019G. Additions in 2019G are mainly related to machinery and equipment costs.

The net book value of property, plant and equipment as of 31 December 2019G decreased from SAR 45.0 million to SAR 40.7 million as of 31 December 2020G, due to annual depreciation of SAR 5.0 million. This depreciation was offset by net additions of SAR 0.7 million in 2020G. These additions are attributed to the purchase of new equipment for the Plant.

Tanmiah Food Company

Property, plant and equipment of Tanmiah Food Company mainly comprise lands of SAR 9.5 million, computers and printers of SAR 0.9 million. There were no major additions or exclusions in 2018G, 2019G and 2020G.

The following table sets out the Group's net book value of property, plant and equipment as of 31 December 2018G, 2019G and 2020G.

Table 6.39: Group's Net Book Value of Property, Plant and Equipment as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Land	Buildings	Leasehold Improvements	Machinery and Equipment	Motor Vehicles	Furniture, Fixtures and Others	Capital in Progress	Total PPE
Cost								
As of 1 January 2018G	26,923	94,151	60,712	252,189	35,298	5,512	4,578	479,361
Additions	-	1,490	545	6,308	142	52	3,490	12,026
Transfers	-	-	-	2,243	-	-	(2,243)	-
Write-offs	-	(79)	(6,007)	(42,642)	(14,984)	(2,714)	-	(66,427)
Exclusions	-	-	-	(352)	(132)	-	-	(484)
Exclusion of a Subsidiary	-	-	(39,157)	(21,516)	-	(290)	(2,018)	(62,981)
As of 31 December 2018G	26,923	95,561	16,091	196,229	20,324	2,560	3,807	361,496
Additions	-	194	2,083	10,044	226	182	12,924	25,654
Transfers from a Related Party	-	-	-	1	-	-	-	1
Transfers	-	-	-	3,346	-	-	(3,346)	-
Exclusions	(187)	-	(41)	(2)	(460)	-	(317)	(1,008)
As of 31 December 2019G	26,735	95,756	18,133	209,618	20,091	2,742	13,068	386,143
Additions	-	-	672	14,030	8	133	23,668	38,511
Write-offs	-	-	-	(2.4)	-	-	-	(2.4)
Transfers to intangible assets	-	-	-	-	-	-	(669)	(669)
Transfers	-	71	4,525	6,218	-	-	(10,813)	-
Exclusions	-	-	-	-	(787)	-	-	(787)
As of 31 December 2020G	26,735	95,826	23,331	229,864	19,312	2,875	25,253	423,196
Accumulated Depreciation								
As of 1 January 2018G	-	48,794	25,509	182,838	34,972	4,961	-	297,074
Depreciation	-	3,097	1,551	13,607	260	134	-	18,649
Write-offs	-	(79)	(6,004)	(42,624)	(14,974)	(2,703)	-	(66,384)
Exclusions	-	-	-	(350)	(132)	-	-	(481)
Exclusion of a Subsidiary	-	-	(8,496)	(11,088)	-	(73)	-	(19,657)
As of 31 December 2018G	-	51,813	12,560	142,383	20,126	2,318	-	229,199
Depreciation	-	3,383	1,587	13,730	95	100	-	18,894
Exclusions	-	-	(41)	(3)	(460)	-	-	(503)
As of 31 December 2019G	-	55,196	14,106	156,110	19,762	2,418	-	247,591
Depreciation	-	2,920	2,160	15,798	111	104	-	21,093
Write-offs	-	-	-	(1)	-	-	-	(1)
Exclusions	-	-	-	-	(787)	-	-	(787)
As of 31 December 2020G	-	58,116	16,266	171,907	19,086	2,522	-	267,896
Net Book Value								
As of 31 December 2018G	26,923	43,749	3,532	53,846	198	242	3,807	132,296
As of 31 December 2019G	26,735	40,560	4,028	53,508	329	324	13,068	138,553
As of 31 December 2020G	26,735	37,711	7,065	57,957	226	353	25,253	155,299

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Property, plant and equipment represented 13% of the Group's total assets as of 31 December 2019G.

Land

As of 31 December 2020G, ADC and the Comapny] own the lands of the Group. There are no effective additions or exclusions in 2018G, 2019G and 2020G.

Buildings

The net book value of buildings decreased as of 31 December 2018G from SAR 43.7 million to SAR 40.6 million as of 31 December 2019G, due to annual depreciation of SAR 3.1 million. This decrease was offset by net additions of SAR 0.2 million in 2019G.

The net book value of buildings decreased as of 31 December 2019G from SAR 40.6 million to SAR 37.7 million as of 31 December 2020G, due to annual depreciation of SAR 2.9 million. This decrease was offset by net immaterial capital work-in-progress transfers of SAR 0.1 million in 2020G.

Leasehold Improvements

Net book value of leasehold improvements increased as of 31 December 2018G from SAR 3.5 million to SAR 4.0 million as of 31 December 2019G, as a result of additions of SAR 2.1 million. This was offset by depreciation of SAR 1.6 million during 2019G.

Net book value of leasehold improvements as of 31 December 2019G increased from SAR 4.0 million to SAR 7.1 million as of 31 December 2020G, due to transfers from capital work-in-progress of SAR 4.5 million and additions of SAR 0.7 million during 2020G, which was offset by depreciation of SAR 2.2 million.

Machinery and Equipment

The net book value of machinery and equipment decreased as of 31 December 2018G from SAR 35.8 million to SAR 53.5 million as of 31 December 2019G, mainly due to net additions of SAR 10.0 million in 2019G and transfers from capital work-in-progress of SAR 3.3 million. The additions were made mainly in ADC. These additions related to freezing cooling devices and other laboratory tools. This was offset by a depreciation of machinery and equipment of SAR 13.7 million in 2019G.

The net book value of machinery and equipment increased as of 31 December 2019G from SAR 53.5 million to SAR 58.0 million as of 31 December 2020G, mainly due to transfers from capital work-in-progress of SAR 6.2 million, and additions of SAR 14.0 million in 2020G. This was offset by a depreciation of SAR 15.8 million.

Motor Vehicles

The net book value of motor vehicles is SAR 0.3 million as of 31 December 2019G. In 2020G, the value of motor vehicles decreased to SAR 103 thousand, due to recognition of depreciation of SAR 111 thousand.

Furniture, Fixtures and Others

The net book value of furniture, fixtures and others increased as of 31 December 2018G from SAR 0.2 million to SAR 0.3 million as of 31 December 2019G, due to annual depreciation of SAR 0.1 million. This increase was offset by net additions of SAR 0.2 million in 2019G.

The net book value of furniture, fixtures and others increased as of 31 December 2019G from SAR 0.3 million to SAR 0.4 million as of 31 December 2020G, due to annual depreciation of SAR 0.1 million. This increase was offset by net additions of SAR 0.2 million in 2020G.

Capital Work-in-Progress

Capital work-in-progress increased from SAR 3.8 million as of 31 December 2018G to SAR 13.1 million as of 31 December 2019G, as a result of ADC's additions of SAR 7.6 million in 2019G in relation to construction of ongoing projects (development of Shaqraa and Salboukh slaughterhouses and the feeding system). In addition, in 2019G, SFPC made additions of SAR 2.0 million related to improvements pertaining to expansion of a production line to meet the needs of a new QSR. SFPC is expected to provide the new QSR with all of its requirements, starting from the end of Q1 of 2021G.

Capital work-in-progress increased from SAR 13.1 million as of 31 December 2019G to SAR 25.3 million as of 31 December 2020G, as a result of ADC's additions of SAR 23.7 million, offset by transfers from capital work-in-progress of SAR 11.5 million during 2020G. These additions involved the expansion of cold rooms and production lines, purchase of feed mixing and manufacturing machinery, afforestation projects, and a water treatment plant. In addition, in 2020G, SFPC made additions of SAR 1.0 million related to improvements pertaining to expansion of a production line to meet the needs of a new QSR. SFPC is expected to provide the new QSR with all of its requirements, starting from the end of Q1 of 2021G.

The Company rents facilities according to the nature of the Group's work. These facilities include:

- 20 breeder farms for production of hatching eggs;
- six hatcheries;
- 63 broiler chick farms;
- two chicken slaughterhouses;
- three further food processing plants; and
- 13 dry and cold storage facilities;
- for more details on these facilities, see Section 4.7.2 (**Production Process and Facilities**) of this Prospectus.

Depreciation is calculated on a straight-line basis over the below useful lives.

Table 6.40: Useful Lives by the Group's Subsidiaries

Category	Tanmiah Food Company	ADC	DHV	SFPC	PFF
Buildings	20	20	20	20	30
Leasehold Improvements	6-7	6-7	6-7	6-7	N/A
Machinery and Equipment	4-10	4-10	4-10	4-10	10-15
Motor Vehicles	4-6.67	4-6.67	4-6.67	4-6.67	4
Furniture and Fixtures	6.67-10	6.67-10	6.67-10	6.67-10	6-7

Source: The Group's information.

Right-of-Use Assets

The following table sets out right-of-use assets by Subsidiaries as of 31 December 2018G, 2019G and 2020G:

Table 6.41: Right-of-Use Assets per the Group's Subsidiaries as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	-	154,387	168,348
DHV	-	1,412	427
SFPC	-	12,270	9,194
PFF	-	16,277	20,141
Tanmiah Food Company	-	3,404	1,620
Total Right-of-Use Assets	**-**	**187,749**	**199,730**

Source: The Group's information.

The following table sets out right-of-use assets by type of leased assets as of 31 December 2018G, 2019G and 2020G:

Table 6.42: Right-of-Use Assets per the Group's Subsidiaries as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	-	121,112	126,354
DHV	-	-	-
SFPC	-	12,270	9,194
PFF	-	16,277	20,141
Tanmiah Food Company	-	1,614	421
Total Right-of-Use Assets - Buildings	**-**	**151,272**	**156,109**
ADC	-	33,275	41,994

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
DHV	-	1,412	427
SFPC	-	-	-
PFF	-	-	-
Tanmiah Food Company	-	1,791	1,199
Total Right-of-Use Assets – Motor Vehicles	**-**	**36,477**	**43,621**

Source: The Group's information.

Until the financial year ended in 2018G, property, plant and equipment leases were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated comprehensive income statement on a straight-line basis over the lease term. As of 1 January 2019G, IFRS 16 was applied, and leases have been recognised as a right to use asset and as a corresponding liability on the date the leased asset is available for use by the Group. The value of the right-of-use assets by Subsidiary amounted to SAR 187.7 million as of 31 December 2019G and SAR 199.7 million as of 31 December 2020G.

The Group leases various residences, warehouses, buildings, poultry processing plants, farms, motor vehicles and offices. Leases are typically of fixed terms ranging from 1 to 50 years. The 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 obligations, but the leased assets may not be used as collateral for borrowing purposes.

As of 31 December 2020G, the Group had no leases classified as a right to use asset with a variable nature. Some leases contain irrevocable options to extend the lease, which the Group may exercise before the end of the lease term. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. Extension options are only exercised by the Group. At the start of the lease, the Group assesses whether it is reasonably certain to exercise the options. The Group does not provide the residual value guarantees with respect to any of its leases.

(ii) Current Assets

The following table sets out the Group's current assets as of 31 December 2018G, 2019G and 2020G:

Table 6.43: Group's Current Assets as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Cash and Cash Equivalents	22,771	23,919	60,459
Trade Receivables	351,055	430,630	472,357
Prepaid Expenses and Other Receivables	71,591	70,402	83,922
Inventories	145,206	160,621	138,998
Contract Assets	277	1,600	1,969
Biological Assets	55,826	57,041	82,233
Total Current Assets	**646,725**	**744,213**	**839,938**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G, 2020G.

Cash and Cash Equivalents

The following tables set out cash and cash equivalents by Subsidiary and type of cash as of 31 December 2018G, 2019G and 2020G:

Table 6.44: Cash and Cash Equivalents by the Group's Subsidiaries as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	9,081	12,584	18,136
DHV	4,673	1,899	29,735
SFPC	1,514	3,027	4,641
PFF	3,225	4,490	6,947
Tanmiah Food Company	4,228	1,920	1,001
Tanmiah Food Company LLC - a Liquidated Company	50	-	-
Dukan	-	-	-
Total Cash and Cash Equivalents	**22,771**	**23,919**	**60,459**

Source: The Group's information.

Table 6.45: Cash and Cash Equivalents by Type of Cash as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Cash at Banks	18,508	19,517	55,809
Cash at Hand	4,262	4,402	4,650
Total Cash and Cash Equivalents	**22,771**	**23,919**	**60,459**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G, 2020G.

Cash and cash equivalents increased from SAR 22.8 million as of 31 December 2018G to SAR 60.5 million as of 31 December 2020G. For details on the movement of cash, refer to the section on the cash flow statement.

Cash Pledge Against Loan to ADGHC

In 2019G, ADGHC (a Substantial Shareholder) obtained a loan of SAR 275 million from a local commercial bank (the "Lender"). The purpose of the loan was to settle the outstanding balance between two companies of the Group (AD and SFPC, which are wholly owned by the Group) and Dukan. This financing constitutes a short-term loan obtained by ADGHC as temporary financing until the proceeds of the Offering are collected and used to settle the amount due from Dukan. The proceeds of the loan were transferred to the Group (namely ADC and SFPC). This amount was deposited in an intermediary account in the name of the Group (namely, ADC and SFPC) to obtain the loan from ADGHC. The Group (namely, ADC and SFPC) made an irrevocable undertaking that enables the lender to offset the proceeds against the loan obtained by ADGHC in the event that the initial public offering is not completed by 30 April 2020G. In effect, this means that the loan proceeds have been secured as a pledge to secure the loan obtained by ADGHC.

While the loan agreement between ADGHC and the Lender stipulates that an amount of SAR 275 million was supposed to be applied to pay the amount due from Dukan, this amount has been deposited in an intermediary account so that the Group (particularly, ADC and SFPC) cannot have access to this intermediary account and the amount therein cannot be used by the Group to finance its operations. Consequently, the Group (particularly, ADC and SFPC) is not entitled to have any economic benefit from this amount. Therefore, the Group has not recognised the amount received or the related liability resulting from the pledge in its financial statements. The Group (particularly, ADC and SFPC) continued to recognise accounts receivable from Dukan in its financial statements.

The management of ADGHC settled the loan balance on 30 April 2020G. ADC and SFPC continued to recognise the receivables by Dukan in their financial statements.

Trade Receivables

The following table sets out the Group's trade receivables as of 31 December 2018G, 2019G and 2020G:

Table 6.46: Group's Trade Receivables as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Trade Receivables	161,909	165,071	173,992
Due by Related Parties	200,811	273,319	310,129
Less: Provision for Impairment of Receivables	(11,665)	(7,760)	(11,764)
Total Trade Receivables	**351,055**	**430,630**	**472,357**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G, 2020G.

Trade receivables increased from SAR 351.1 million as of 31 December 2018G to SAR 430.6 million as of 31 December 2020G, mainly due to an increase in receivables from the related parties. The balance of Dukan and ADGHC increased by SAR 52.4 million and SAR 21.0 million, respectively.

Trade receivables increased from SAR 430.6 million as of 31 December 2019G to SAR 472.4 million as of 31 December 2020G, primarily due to higher receivables from the Related Parties. The balance of Dukan increased by SAR 32.2 million, while trade receivables from third parties increased by SAR 8.9 million. This was offset by an increase in the provision for impairment of receivables by SAR 4.0 million.

The following table sets out trade receivables by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.47: Trade Receivables by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
ADC	263,328	350,712	381,904
DHV	97,965	88,163	57,540
SFPC	58,599	78,833	81,970
PFF	32,120	23,344	18,993
Tanmiah Food Company	361	20,780	27,548
Eliminations of Mutual Operations Between Subsidiaries	(97,207)	(131,202)	(95,598)
Eliminations of Mutual Operations Between Non-Subsidiaries	(4,112)	-	-
Total Trade Receivables	**351,055**	**430,630**	**472,357**

Source: The Group's information.

The following table sets out aging analysis of trade receivables as of 31 December 2018G, 2019G and 2020G:

Table 6.48: Aging Analysis of Trade Receivable (Without Related Parties) as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
Non-accrued Receivables (Within the Grace Period Granted to Customers)	94,865	98,937	104,919
1-90 days	48,678	48,602	43,546
91-180 days	3,197	2,542	8,871
181-270 days	1,338	1,837	1,527
271-360 days	1,290	1,831	619
Over 360 days	3,637	5,394	5,353
Certain provision	8,903	5,928	9,158
Total Accounts Receivable	**161,909**	**165,071**	**173,992**

Source: The Group's information.

ADC

The increase in trade receivables as of 31 December 2019G was mainly driven by the additional increase in receivables from related parties from Dukan (SAR 55.0 million), the Company (SAR 12.1 million) and SFPC (SAR 21.7 million).

The increase in trade receivables as of 31 December 2020G was driven by an increase in trade receivables from related parties, given the balance of Dukan increased in 2020G by SAR 24.6 million, but offset by a decrease in the balance of SFPC by SAR 4.6 million during the same period. Trade receivables from third parties increased during 2020G by SAR 14.7 million.

DHV

The decrease in the balance as of 31 December 2019G was mainly due to the settlement made by ADC in the amount of SAR 12.2 million in relation to intercompany purchases.

The decrease in trade receivables as of 31 December 2020G was mainly due to the decrease in receivables from ADC from SAR 59.2 million as of 31 December 2019G to SAR 26.9 million as of 31 December 2020G, which are attributed to intercompany purchases.

SFPC

The increase in receivables as of 31 December 2019G was mainly due to the increase in receivables from the Company as a result of prepaid expenses for expenses of the Head Office amounting to SAR 15.1 million in addition to financing provided to PFF and Dukan amounting to SAR 5.9 million and SAR 3.0 million, respectively. The impact of the increase was offset by a decrease in accounts receivable driven by efficient customer collections mainly from Subway Kuwait, Maestro Pizza and Pizza Hut.

The balance of receivables as of 31 December 2020G increased to SAR 82.0 million, primarily due to the increase in trade receivables from third parties by SAR 2.5 million in line with the increase in sales during 2020G and the increase in trade receivables from related parties by SAR 2.9 million. This was offset by an increase in the provision for impairment of receivables by SAR 2.3 million during 2020G.

PFF

The balance decreased to SAR 23.3 million as of 31 December 2019G due to a decrease in related party receivables in 2019G.

The balance of receivables of PFF decreased in 2020G to SAR 19.0 million due to a decline in sales during 2020G besides the decrease in the balance of receivables from related parties, given receivables from the Company decreased from SAR 1.9 million as of 31 December 2019G to SAR 0.7 million as of 31 December 2020G.

Tanmiah Food Company

Tanmiah Food Company 's receivables increased to SAR 20.8 million as of 31 December 2019G, driven by an increase in the related party receivables, mainly SFPC.

The balance of receivables of Tanmiah Food Company increased as a result of the increase in receivables from ADGHC to SAR 25.6 million due to the higher expenses related to the Offering. The Group incurred these expenses, to be later charged to ADGHC.

The following table sets out the Group's trade receivables from the Related Parties as of 31 December 2018G, 2019G and 2020G:

Table 6.49: Group's Trade Receivables from Related Parties as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Nature of Relationship	As of 31 December		
		2018G Audited	2019G Audited	2020G Audited
Dukan	Associate	199,922	252,277	284,471
ADGHC	Substantial Shareholder	-	21,029	25,625
Gulf Power International Company	Associate	258	-	-
National Scientific Company	Associate	630	10	30
APSL	Associate	-	3	3
Total Trade Receivables - Related Parties		**200,810**	**273,319**	**310,129**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The following table sets out the Group's aging analysis of accounts receivable from the Related Parties as of 31 December 2018G, 2019G and 2020G:

Table 6.50: Aging Analysis of Group's Trade Receivable from Related Parties as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
Non-accrued Receivables (Within the Grace Period Granted to Customers)	79,403	67,046	7,282
1-89 days	4,542	4,468	9,916
90-179 days	5,713	3,952	9,359
180-269 days	7,681	4,557	13,844
270-360 days	2,805	1,411	16,688
Over 360 days	100,666	191,885	253,040
Total Accounts Receivable	**200,810**	**273,319**	**310,129**

Source: The Group's information.

The balance of trade receivables from the Related Parties increased in 2019G due to an increase in the balance of Dukan by SAR 52.4 million to SAR 252.3 million due to the increase in sales to Dukan in 2019G and the costs related to administrative services charged by Tanmiah Development Group to Dukan. Trade receivables increased from ADGHC to SAR 21.0 million against disposal of the investment in Red Sea International.

The balance of trade receivables from the Related Parties increased in 2020G due to an increase in the balance of Dukan by SAR 32.2 million to SAR 284.5 million due to the increase in sales from the Group to Dukan. Although Dukan is no longer a subsidiary of the Company, it is a Related Party and is owned by the same Shareholders. In addition, the Group's Shareholders have undertaken that Dukan's balance will be fully paid upon the CMA's approval for the Company's Offering.

The following table sets out the Group's provision for impairment of receivables as of 31 December 2018G, 2019G and 2020G:

Table 6.51: Group's Provision for Impairment of the Financial Receivables as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Opening Balance	12,063	11,665	7,760
Additions	2,118	998	4,406
Write-Offs	(2,516)	(4,903)	(402)
Total Provision for Impairment of Financial Receivables	**11,665**	**7,760**	**11,764**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Trade receivables are non-derivative financial assets carried at amortised cost, and generally accrue at periods of 30 to 90 days. The carrying amount may be affected by changes in the credit risk of counterparties. Under its policy, the Company does not obtain collateral against receivables, and therefore these balances are secured by collateral. Due to short maturity of trade receivables, their carrying amounts are the same as their fair values.

Domestic receivables from the Saudi Arabian market represented 75.6%, 76.2% and 87.0% in 2018G, 2019G and 2020G, respectively. Accounts receivable for the five largest balances accounted for 25.1%, 38.2% and 44.4% of the total accounts receivable as of 31 December 2018G, 2019G and 2020G, respectively.

The Group writes off financial assets, in whole or in part, when it exhausts all recovery efforts, and decides that there is no reasonable expectation of recovery. The Group records that there is no reasonable expectation of recovery once it is not subject to recovery activity.

Provision for accounts receivable decreased to SAR 7.8 million as of 31 December 2019G. This decrease in the provision is due to the recognition of a provision of SAR 1.0 million and write-off of accounts receivable of SAR 4.9 million in 2019G.

Provision for accounts receivable increased to SAR 11.8 million as of 31 December 2020G. This increase in the provision is due to the recognition of a provision of SAR 4.4 million and write-off of accounts receivable of SAR 4.0 million in 2020G.

Prepaid Expenses and Other Receivables

The following table sets out prepaid expenses and other receivables by Subsidiary as of 31 December 2018G, 2019G and 2020G.

Table 6.52: Prepaid Expenses and Other Receivables by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	57,458	50,058	65,112
DHV	1,629	2,147	2,712
SFPC	2,567	9,141	4,627
PFF	6,000	5,873	7,053
Tanmiah Food Company	3,937	3,182	4,729
Dukan	-	-	-
Total Prepaid Expenses and Other Receivables	**71,591**	**70,402**	**83,922**

Source: The Group's information.

ADC

Prepaid expenses and other receivables decreased to SAR 50.1 million as of 31 December 2019G due to a decrease in the Government subsidy receivable during the year from SAR 27.2 million as of 31 December 2018G to SAR 19.0 million as of 31 December 2019G.

Prepaid expenses and other receivables increased to SAR 65.1 million as of 31 December 2020G, as a result of the increase in the balance of advances to suppliers by SAR 13.4 million and the rise in prepaid expenses by SAR 5.4 million during 2020G. This was offset by a decrease in the Government subsidy receivable during the year from SAR 19.0 million as of 31 December 2019G to SAR 11.9 million as of 31 December 2020G.

DHV

Prepaid expenses increased to SAR 2.1 million as of 31 December 2019G with an increase in advances to suppliers during the year paid on credit terms to suppliers who requested 100% payment.

Prepaid expenses and other receivables increased to SAR 2.7 million as of 31 December 2020G due to the increase in prepaid expenses by SAR 0.9 million in 2020G, while advances to suppliers decreased to SAR 0.3 million in 2020G.

SFPC

Prepaid expenses and other receivables increased to SAR 9.1 million as of 31 December 2019G and were mainly driven by an additional increase in prepayments made to various international suppliers.

The balance decreased to SAR 4.6 million due to a decline in advances to suppliers by SAR 5.2 million. This was offset by an increase in prepaid expenses by SAR 0.8 million during 2020G.

PFF

The balance of prepaid expenses decreased from SAR 6.0 million as of 31 December 2018G to SAR 5.9 million as of 31 December 2019G, driven by a decrease in prepaid expenses by SAR 0.3 million and advances to suppliers by SAR 88 thousand. This was offset by an increase in employee receivables by SAR 269 thousand as of 31 December 2019G.

The balance of prepaid expenses increased to SAR 7.1 million as of 31 December 2020G, driven by the increase in advances to suppliers and other receivables by SAR 1.3 million and SAR 2.3 million, respectively. This was offset by a decline in prepaid expenses and receivables from employees by SAR 2.2 million and SAR 0.3 million, respectively.

Tanmiah Food Company

The balance of prepaid expenses and other receivables decreased to SAR 3.2 million as of 31 December 2019G, driven by a decrease in prepaid expenses as a result of the adoption of IFRS 16.

The balance of prepaid expenses and other receivables increased to SAR 4.7 million as of 31 December 2020G, driven by higher prepaid expenses, advances to suppliers, receivables from employees and other receivables.

The following table sets out the Group's prepaid expenses and other receivables as of 31 December 2018G, 2019G and 2020G:

Table 6.53: Group's Prepaid Expenses and Other Receivables as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Government Subsidy Receivable	27,174	18,963	11,893
Advances to Suppliers	15,314	25,842	35,589
Prepaid Expenses	25,337	15,815	24,014
Receivables from Employees	2,565	2,661	4,581
Other Receivables	1,201	7,122	7,845
Total Prepaid Expenses and Other Receivables	**71,591**	**70,402**	**83,922**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The balance of prepaid expenses and receivables continued to decrease in 2019G to SAR 70.4 million as of 31 December 2019G for the following reasons:

- Government subsidy decreased by SAR 8.2 million from SAR 27.2 million as of 31 December 2018G to SAR 19.0 million as of 31 December 2019G. The reason for this decrease is due to the collections made by the Company in an amount of SAR 60.8 million in 2019G. This was offset by additions of SAR 52.6 million against the purchases made by ADC in 2019G;
- the balance of prepaid expenses decreased by SAR 9.5 million to SAR 25.8 million as of 31 December 2019G, due to the application of IFRS 16, whereby the Group recognised lease liabilities of SAR 9.5 million with respect to leases that were previously classified under "operating leases". Thus, prepayment related to these leased facilities has been eliminated. In addition, some expenses of SAR 2.4 million have been reclassified to the balance of other receivables; and
- this was offset by an increase in advances to suppliers by SAR 10.5 million and an increase in other receivables by SAR 5.9 million in 2019G. This is primarily due to SFPC and PFF deciding to purchase more raw meat to mitigate the risk of raw meat shortage caused by the restrictions imposed by SFDA on importing from certain factories in several parts of the world. Other receivables increased by SAR 5.9 million as a result of an increase in customs-related receivables by SAR 1.3 million and higher VAT-related receivables that increased by SAR 1.6 million, in addition to reclassification of some prepaid expenses of SAR 2.4 million to other receivables.

As of 31 December 2020G, the balance of prepaid expenses and receivables increased to SAR 83.9 million for the following reasons:

- Government subsidy decreased by SAR 7.1 million from SAR 19.0 million as of 31 December 2019G to SAR 11.9 million as of 31 December 2020G. This decrease is due to the collections made by the Company in an amount of SAR 67.0 million in 2020G. This was offset by additions of SAR 59.9 million against the purchases made by ADC in 2020G;
- the balance of advances to suppliers increased from SAR 25.8 million as of 31 December 2019G to SAR 35.6 million as of 31 December 2020G, due to ADC's higher production levels during 2020G;
- the balance of prepaid expenses increased from SAR 15.8 million as of 31 December 2019G to SAR 24.0 million as of 31 December 2020G, due to an increase in costs related to health insurance and Government expenses of residencies, along with recruitment costs as a result of higher number of ADC's employees during 2020G;
- the balance of receivables from employees increased from SAR 2.7 million as of 31 December 2019G to SAR 4.6 million as of 31 December 2020G, due to an increase in the number of employees during 2020G. These receivables constitute advances to employees, deducted from their salaries per month; and
- there was no material reason for the change in the balance of other receivables.

Inventories

The following table sets out the inventories by Subsidiary for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.54: Inventories by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	78,025	78,428	79,395
DHV	22,496	24,817	19,813
SFPC	14,511	24,854	23,411
PFF	30,174	32,522	16,379
Total Inventory	**145,206**	**160,621**	**138,998**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Inventories increased from SAR 145.2 million as of 31 December 2018G to SAR 160.6 million in 2019G, due to the following reasons:

- inventories increased from SAR 78.0 million as of 2018G to SAR 78.4 million as of December 2019G. This increase is due to the high level of raw material inventory, which is offset by a decrease in goods in transit;
- the inventories of DHV increased from SAR 22.5 million as of 31 December 2018G to SAR 24.8 million in December 2019G. This is primarily due to the arrival of a shipment of animal health products amounting to SAR 1.0 million on 30 December 2019G, in addition to an increase in equipment prepared for sale at a value of SAR 1.1 million during 2019G;
- the increase in the SFPC's inventory from SAR 14.5 million as of 31 December 2018G to SAR 24.9 million as of December 2019G was due to an increase in the inventory of finished products and raw materials; and
- inventories of PFF increased from SAR 30.2 million as of 31 December 2018G to SAR 32.5 million as of December 2019G. This increase is due to an increase in the balance of raw materials at a value of SAR 6.6 million, and finished products at a value of SAR 0.8 million, and this is offset by lower goods in transit at a value of SAR 6.5 million.

The balance of inventories decreased from SAR 160.6 million as of 31 December 2019G to SAR 139.0 million during 2020G, due to:

- the inventory of DHV decreased from SAR 24.8 million as of 31 December 2019G to SAR 19.8 million as of 31 December 2020G, primarily due to a decrease in the inventory of animal health products by SAR 1.4 million as of 31 December 2020G, in addition to a decline in raw material stocks by SAR 1.6 million during 2020G;
- the inventory of SFPC decreased from SAR 24.9 million as of 31 December 2019G to SAR 23.4 million as of 31 December 2020G, primarily due to a decrease in finished product stocks;
- the inventory of PFF decreased from SAR 32.5 million as of 31 December 2019G to SAR 16.4 million as of 31 December 2020G, driven primarily by a decrease in the inventory of raw materials, finished products, goods in transit, and packaging materials by SAR 12.3 million, SAR 1.3 million, SAR 0.7 million, and SAR 1.0 million, respectively; and
- this was offset by an increase in ADC's inventory from SAR 78.4 million as of December 2019G to SAR 79.4 million as of 31 December 2020G, driven by an increase in raw material stocks, which was offset by a decrease in goods in transit.

The following table sets out the Group's inventories as of 31 December 2018G, 2019G and 2020G:

Table 6.55: Group's Inventories as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Raw Materials	43,377	58,553	55,081
Goods in Transit	34,573	23,247	3,804
Finished Goods	15,692	22,078	17,532
Poultry Meat and Other Foodstuff	15,300	17,591	19,777
Animal Health Products	16,228	16,563	15,204
Packaging Materials	9,188	8,427	12,170

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Spare Parts	7,403	8,321	10,347
Equipment for Sale	4,218	5,364	5,493
Work in progress	-	-	79
Others	3,745	5,721	6,334
Less: Provision for Slow-Moving Inventory	(4,516)	(5,244)	(6,823)
Total Inventories	**145,206**	**160,621**	**138,998**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Raw Materials

Raw material stock increased by SAR 15.2 million during 2019G, compared to 2018G, to SAR 58.6 million as of 31 December 2019G, due to SFPC by SAR 5.0 million, as the Executive Management decided to purchase additional raw materials to mitigate the unavailability risks. The inventories of ADC increased by SAR 3 million due to the increase in production and consumption. In addition, the inventories of PFF increased by SAR 6.0 million due to the goods in transit in 2018G, which became part of the stock of raw materials as of 31 December 2019G.

Raw material stock decreased by SAR 3.5 million during 2020G to SAR 55.1 million as of 31 December 2020G, driven by the decline in the raw materials of PFF by SAR 12.3 million as a result of lower demand for its products following the outbreak of the Covid-19 pandemic, in addition to a decline in DHV's raw materials by SAR 2.6 million. This was offset by an increase in the ADC's raw material stock.

Goods in Transit

The stock of goods in transit decreased by SAR 11.3 million as of 31 December 2019G, due to ADC by SAR 4.8 million and PFF by SAR 6.3 million due to goods in transit at the end of 2018G, which were delivered in 2019G. The stock of goods in transit decreased by SAR 3.8 million as of 31 December 2020G due to ADC's receipt of these goods during the year.

Finished Goods

The stock of finished products increased by SAR 6.4 million as of 31 December 2019G, mainly due to SFPC's plan to suspend operations in the Company's plant for maintenance and establish production lines for a period of three weeks during Q1 of 2020G. Therefore, the management decided to purchase additional raw materials to mitigate the unavailability risks during the times operations are suspended. Finished products further decreased by SAR 4.6 million, primarily driven by the decrease in SFPC's stock of finished products as a result of the falling demand for these products, coupled with lower production.

Poultry Meat and Other Foodstuff

The stock of poultry meat and other foodstuffs increased by SAR 2.3 million in 2019G and SAR 2.2 million in 2020G, which is mainly attributed to ADC due to the increase in feed materials, frozen materials and other types of poultry in line with the increase in commercial activity.

Animal Health Products

The stock of animal health products increased by SAR 0.3 million as of 31 December 2019G. This increase is due to DHV as a result of the increase in shipments of medicines received in 2019G. The stock of animal health products decreased to SAR 15.2 million Saudi Arabian Riyals as of 31 December 2020G, due to the poor demand by ADC and third parties during 2020G.

Packaging Materials

The stock of packaging materials decreased by SAR 0.8 million as of 31 December 2019G, due to the increase in consumption and the decrease in purchases of packaging materials in 2019G. The stock of packaging materials increased by SAR 3.7 million as of 31 December 2020G, mainly due to the increase in ADC's stock of packaging materials used to package chicken pieces for sale.

Spare Parts

The stock of spare parts increased by SAR 0.9 million as of 31 December 2019G and SAR 2.0 million as of 31 December 2020G due to the increase in operating time of machines in line with the increase in production, and production lines.

Equipment for Sale

The inventory of equipment for sale increased by SAR 1.1 million as of 31 December 2019G, compared to 2018G, primarily due to the arrival of a shipment of aluminum used in the construction of farms in Q4 of the year amounting to SAR 0.9 million and the receipt of other goods in Q4 of 2019G amounting to SAR 0.1 million, which led to an increase in the inventory as of 31 December 2019G. The changes made in 2020G did not constitute a material change in the nature and content of equipment for sale as of 31 December 2020G.

Others

The stock of other materials increased from SAR 3.7 million as of 31 December 2018G to SAR 5.7 million as of 31 December 2019G, due to the introduction of new materials by DHV in relation to animal health care.

Other stock increased by SAR 0.7 million as of 31 December 2020G, primarily due to the increase in the Company's stock of masks and gloves used to prevent the outbreak of the Covid-19 pandemic.

The following table sets out the movement of the Group's provision for slow-moving inventory as of 31 December 2018G, 2019G and 2020G:

Table 6.56: Movement of Group's Provision for Slow-Moving Inventory as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Opening Balance	8,868	4,516	5,244
Additions / (Reversals)	(1,569)	2,877	3,215
Exclusion of a Subsidiary	(450)	-	-
Write-offs	(2,334)	(2,149)	(1,635)
Closing Balance	**4,516**	**5,244**	**6,823**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Contract Assets

The following table sets out contract assets by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.57: Contract Assets by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
Desert Hills Veterinary Services Company	277	1,600	1,969
Total Contract Assets	**277**	**1,600**	**1,969**

Source: The Group's information.

Contract assets represent unpaid invoices related to poultry farm construction and building, as the Group classifies these unpaid invoices in accordance with the IFRS as endorsed in the Kingdom and records them in contract assets.

Biological Assets

The following table sets out biological assets by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.58: Biological Assets by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	54,045	52,351	81,554
DHV	1,781	4,690	679
Total Biological Assets	**55,826**	**57,041**	**82,233**

Source: The Group's information.

The following table sets out the value of biological assets by type as of 31 December 2018G, 2019G and 2020G:

Table 6.59: Group's Biological Assets as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Broilers	18,798	13,250	24,841
Breeders – Rearing and Production	29,290	35,610	43,509
Hatchery Eggs	7,738	8,180	13,882
Total Biological Assets	**55,826**	**57,041**	**82,233**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The following table sets out biological assets by type as of 31 December 2018G, 2019G and 2020G:

Table 6.60: The Number of the Group's Biological Assets as of 31 December 2018G, 2019G and 2020G

Million units	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Broiler Baby Chicks	6.6	5.2	10.8
Breeders - Rearing and Production	1.1	1.1	1.1
Hatchery Eggs	4.1	7.2	13.4

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The value of biological assets increased in 2019G to SAR 57.0 million as of 31 December 2019G. This is primarily due to an increase in the value of breeder at ADC by SAR 6.3 million in 2019G compared to the balance of biological assets on 31 December 2018G, as a result of the presence of 71% of breeder in the production stage (older than 25 weeks) on 31 December 2019G compared to 51% in the same stage on 31 December 2018G, and opening new poultry farm on October 2019G, contributing to the increase in biological assets during 2019G. This was offset by a decrease in the value of broilers at ADC by SAR 5.5 million in 2019G due to the decrease of the number of chickens on 31 December 2019G compared to 31 December 2018G.

The value of biological assets further increased in 2020G to SAR 82.2 million as of 31 December 2020G, primarily due to an increase in the number of farms and facilities run by the Group, the higher demand for poultry in the local markets, and the growth of the Group's sales during 2020G, compared to 2018G.

During the financial year ended 31 December 2020G, 88.6 million broilers were slaughtered (31 December 2018G: 72.9 million broilers, 31 December 2019G: 84.6 million broilers).

The Company measures biological assets at fair value less the cost to sell from the initial recognition of such biological assets up to the point of harvest. Due to lack of an active live broiler market in the Kingdom and lack of statistics in this regard, the Executive Management has used 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.

The fair value measurements for the biological assets have been categorised as a Level 3 fair value hierarchy based on the inputs to the valuation techniques used. Following are important assessment methods and unobservable inputs used to assess biological assets.

Biological Assets	Valuation Techniques	Significant Unobservable Inputs	The Relationship Between Significant Unobservable Inputs and Fair Value Measurement
Live Broilers	Fair Value: The valuation model takes into account the average weight of live birds, mortality rate, and estimated sale price less the cost to sell, including the additional cost needed to make the birds ready for sale (i.e., the cost of feed, medicine, and indirect expenses).	a- Bird mortality b- Average weight of birds c- The sale price of rearing into full birds less the cost to sell.	Estimated fair value will increase / (decrease) to the extent the mortality level is lower / (higher), the bird average weight is higher / (lower), and the sale price of the rearing into full birds, less the cost to sell was higher / (lower).

The fair values of the hatchery eggs are determined by reference to the market prices of the hatchery eggs less the cost to sell at the end of the year, making use of assumptions that are based primarily on the market conditions prevailing at each reporting date.

The Group's financial management consists of a team that makes assessments of the Group's biological assets for financial reporting purposes, including Level 3 fair values. This team reports directly to the CFO, and discussions on assessments and results are held between the CFO and assessment team at least once a year.

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

- bird mortality was determined based on the historical rate and interstitial elements;
- live broilers grow at different rates, and there can be a large margin in the quality and weight of broilers that affect their price. An assumption is made regarding the average weight of slaughter-able broilers that have not yet reached a marketable weight.

(B) Liabilities

(i) Current Liabilities

The following table sets out the Group's current liabilities as of 31 December 2018G, 2019G and 2020G:

Table 6.61: Group's Current Liabilities as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Loans	281,959	318,323	313,440
Trade Payables	135,566	139,502	161,395
Dues to Related Parties	77,179	-	-
Accruals and Other Liabilities	85,768	69,293	103,355
Lease Liabilities	-	55,829	55,129
Zakat Provision	11,474	7,992	9,910
Total Current Liabilities	**591,946**	**590,938**	**643,230**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Short-Term Bank Loans

The following table sets out the Group's short-term bank loans as of 31 December 2018G, 2019G and 2020G:

Table 6.62: Group's Short-Term Bank Loans as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Short-Term Bank Loans	277,602	315,604	311,324
Bank Overdrafts	2,389	-	-
Interest Payable	1,968	2,719	2,117
Total Short-Term Loans	**281,959**	**318,323**	**313,440**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The following table sets out short-term bank loans by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.63: Short-Term Bank Loans by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
Refinance	159,181	199,116	202,720
Overdraft	2,389	-	-
Interest Payable	1,750	1,857	1,321
ADC	**163,320**	**200,974**	**204,041**
Refinance	20,380	17,149	16,112
Interest Payable	-	173	93
DHV	**20,380**	**17,322**	**16,205**
Refinance	16,030	30,731	29,913
Overdraft	-	-	-
Interest Payable	218	327	598
SFPC	**16,248**	**31,058**	**30,511**
Import Loans	35,065	26,175	16,420
Interest Payable	-	363	104
PFF	**35,065**	**26,538**	**16,524**
Refinance	46,946	42,432	46,159
Tanmiah Food Company	**46,946**	**42,432**	**46,159**
Total Short-Term Bank Loans	**281,959**	**318,323**	**313,440**

Source: The Group's information.

ADC

ADC's short-term bank loans increased to SAR 201.0 million as of 31 December 2019G due to a new loan obtained from Bank ABC Islamic Bank ABC for purposes of working capital financing.

The balance increased to SAR 201.0 million as of 31 December 2020G, slightly during 2020G, in line with the increase in operations and sales of ADC during 2020G in order to meet the working capital needs.

Desert Hills Veterinary Services Company

Short-term loans decreased by SAR 3.1 million as of 31 December 2019G due to the partial repayment of the loan granted by SAIB in 2019G. The bank loans of DHV further decreased during 2020G to SAR 16.2 million, due to repayment of the outstanding loan instalments.

SFPC

As of 31 December 2019G, the balance increased to SAR 31.1 million due to the increase in loans to fund working capital, especially those to secure raw materials used in production. SFPC used letters of credit to secure the procurement of raw materials and these credits turned into short-term loans after goods were received.

The bank loans of SFPC decreased during 2020G to SAR 30.5 million, due to repayment of the outstanding loan instalments.

Perfect Foods Factory

The decrease in the short-term loans to SAR 26.5 million as of 31 December 2019G was due to the full settlement of a loan from HSBC during the year. The decrease in the balance of PFF to SAR 16.5 million as of 31 December 2020G was due to the decline in the balance of loans, given there was no need to import raw materials used in production due to the falling revenue during the year following the outbreak of Covid-19.

Tanmiah Food Company

Tanmiah Food Company 's short-term loans decreased from SAR 46.9 million as of 31 December 2018G to SAR 42.4 million as of 31 December 2018G, in line with the settlement of a part of bank loans with Banque Saudi Fransi in the amount of SAR 4.5 during 2020G.

The short-term loans of Tanmiah Food Company increased to SAR 46.2 million as of 31 December 2020G, due to the increase in the balance of Banque Saudi Fransi by SAR 3.7 million during 2020G.

The following table sets out the Group's short-term bank loans by bank as of 31 December 2018G, 2019G and 2020G:

Table 6.64: Group's Short-Term Bank Loans by Bank (Not Including Due Interests and Overdrafts) as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Guarantees as of 31 December 2019G		As of 31 December			Unused Facilities as of 31 December
	Basic guarantee	Secondary guarantee by	2018G	2019G	2020G	
Riyad Bank	Promissory note	ADGHC and Jamal Al-Dabbagh	31,731	38,018	24,396	87,870
Banque Saudi Fransi	Promissory note	ADGHC, ADC, SFPC, and DHV	46,946	42,432	46,159	30,359
Alawwal Bank	Promissory note	ADGHC, SFPC, ADC, National Scientific Company Limited, and Tanmiah Food Company	141,150	134,307	-	-
SABB	Promissory note	ADGHC, ADC, and Tanmiah Food Company	-	-	130,372	12,980
Alinma Bank	Promissory note	Tanmiah Commercial Group Company and ADC	2,330	13,231	14,486	514
HSBC	N/A	N/A	4,541	-	-	-
Dubai Islamic Bank	Promissory note	SFPC	30,524	26,175	11,867	33,598
Emirates Islamic Bank	Promissory note	SFPC	-	-	4,553	11,017
SAIB	Promissory note	ADC, DHV, Tanmiah Food Company and SFPC	20,380	17,149	20,539	22,047
Arab Banking Corporation Bank	Promissory note	SFPC and Tanmiah Food Company	-	44,292	58,953	35,552
Total bank short-term loans			277,602	315,604	311,324	233,937

Source: The Group's information.

Details of loans availed by the Group as of 31 December 2018G, 2019G and 2020G are discussed in Section 12.6 (**Financing Agreements**) of this Prospectus for collateral and charges.

The guarantees provided by the Company and its Subsidiaries to banks and lenders against these loans include promissory notes, personal guarantees provided by some individual Shareholders and corporate guarantees provided by ADGHC, Tanmiah Commercial Group Company, or a Subsidiary of the Company. ADC and SFPC have obtained a written approval from Saudi British Bank and Riyad Bank to waive these personal guarantees (for further details about these guarantees, see Section 2.1.29 (**Risks Related to Personal and Corporate Guarantees Provided by Shareholders**)).

The Group has obtained loans from several banks to meet its working capital requirements against guarantees from the Shareholders of the Group.

Total short-term bank loans increased in 2019G to SAR 318.3 million in December 2019G, primarily due to an increase in the balance of Bank ABC by SAR 44.3 million in 2019G.

In 2020G, total bank short-term loans decreased to SAR 313.4 million as of 31 December 2020G, due to a decline in the loan balance of Riyad Bank, Alawwal Bank and Dubai Islamic Bank by SAR 162.2 million. This was offset by an increase in the balance of Banque Saudi Fransi, Saudi British Bank, Alinma Bank, Emirates Islamic Bank, SAIB and Arab Banking Corporation Bank by SAR 158.0 million.

Trade Payables

The following table sets out the Group's trade payables as of 31 December 2018G, 2019G and 2020G:

Table 6.65: Group's Trade Payables as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Trade Payables	135,505	139,502	161,395
Due to Related Parties	61	-	-
Total Trade Payables	135,566	139,502	161,395

Source: The Financial Statements for the financial years ended 31 December 2018G and 2019G and 2020G.

The following table sets out trade payables by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.66: Trade Payables by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	153,331	148,799	140,841
DHV	42,534	34,704	27,811
SFPC	4,313	29,943	29,346
PFF	32,657	30,070	23,399
Tanmiah Food Company	4,032	27,187	35,595
Tanmiah Food Company LLC – a Liquidated Company	18	-	-
Intercompany Eliminations	(101,318)	(131,202)	(95,598)
Total Trade Payables	135,566	139,502	161,395

Source: The Group's information.

ADC

Trade payables of ADC decreased from SAR 153.3 million as of 31 December 2018G to SAR 148.8 million as of 31 December 2019G, mainly due to the decrease in payables to DHV by SAR 12.2 million in 2019G.

ADC's trade payables decreased from SAR 148.8 million as of 31 December 2019G to SAR 140.8 million as of 31 December 2020G, mainly due to a decline in payables to DHV by SAR 32.2 million during 2020G, which was offset by an increase in payables to third parties by a SAR 24.3 million during 2020G.

DHV

Trade payables decreased by SAR 7.8 in 2019G from SAR 42.5 million as of 31 December 2018G to SAR 34.7 million as of 31 December 2019G. This decrease is due to the settlement of feed suppliers' dues before the end of the year.

Trade payables of DHV decreased from SAR 34.7 million as of 31 December 2019G to SAR 27.8 million as of 31 December 2020G. This decrease is mainly due to a decrease in payables to third parties by SAR 6.7 million in 2020G.

SFPC

Trade payables increased by SAR 25.6 million in 2019G from SAR 4.3 million as of 31 December 2018G to SAR 29.9 million as of 31 December 2019G. The increase was primarily due to the increase in accounts payables of ADC from SAR 0.6 million as of 31 December 2018G to SAR 21.7 million as of 31 December 2019G. These balances were trade payables and financial transfers with a view to financing working capital.

Trade payables of SEFC slightly decreased in 2020G. This decrease did not represent a material change in trade payables.

Perfect Foods Factory

Trade payables decreased by SAR 2.6 million in 2019G from SAR 32.7 million as of 31 December 2018G to SAR 30.1 million as of 31 December 2019G. This decrease is mainly due to the payment of SAR 1.5 million owed by PFF to ADC, which PFF obtained to support working capital.

Trade payables of PFF decreased from SAR 30.1 million as of 31 December 2019G to SAR 23.4 million as of 31 December 2020G, mainly due to a decrease by SAR 6.4 million in payables from the Related Parties during 2020G.

Tanmiah Food Company

Trade payables increased from SAR 4.0 million as of 31 December 2018G to SAR 27.2 million as of 31 December 2019G. This increase is attributable to prepayments made by ADC and SFPC related to the expenses of the Head Office.

Trade payables of ADC increased from SAR 27.2 million as of 31 December 2019G to SAR 35.6 million as of 31 December 2020G, primarily due to an increase by SAR 4.6 million in the payables from the Related Parties and an increase in the balance of third parties by SAR 3.7 million during 2020G.

The following table sets out payables to the Related Parties as of 31 December 2018G, 2019G and 2020G:

Table 6.67: Trade Payables to Related Parties as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000		As of 31 December		
	Nature of Relationship	2018G Audited	2019G Audited	2020G Audited
Al Takadom Petroleum Services Co.	Associate	61	-	-
Total Trade Payables - Related Parties		**61**	**-**	**-**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

In 2018G, payables were mainly payables to Al Takadom Petroleum Services Co., which were not material.

Dues to Related Parties

The following table sets out dues to the Related Parties by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.68: Dues to Related Parties by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
Al-Dabbagh Group Holding Company	77,179	-	-
Total Dues to Related Parties	**77,179**	**-**	**-**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The Company owned 95% of Dukan. On 1 January 2018G, the Company disposed its complete investment in Dukan to ADGHC at its book value.

The total book value of the net identifiable liabilities of Dukan at the date of its carve-out was SAR 77.9 million, which led to an increase in dues to SAR ADGHC by this amount at the date of the carve-out, i.e. On 1 January 2018G. Trade payables of ADGHC decreased during 2018G, driven by receivables of SAR 0.6 million for expenses related to the Offering, which led to a decrease in the balance to SAR 77.2 million as of 31 December 2018G.

Accruals and Other Liabilities

The following table sets out accruals and other liabilities by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.69: Accruals and Other Liabilities by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	46,291	43,274	75,473
DHV	6,226	6,582	6,004
SFPC	8,086	4,755	6,747
PFF	9,023	4,864	6,109
Tanmiah Food Company	15,668	9,426	8,942
Tanmiah Food Company – a Liquidated Company	48	-	-
Reclassification	427	-	(311)
Intercompany Eliminations	-	392	392
Total accruals and Other Liabilities	**85,768**	**69,293**	**103,355**

Source: The Group's information.

Accruals and other liabilities decreased from SAR 85.8 million on 31 December 2018G to SAR 69.3 million on 31 December 2019G, mainly due to:

- ADC's accruals and other liabilities decreased from SAR 46.3 million as of 31 December 2018G to SAR 43.3 million as of 31 December 2019G, due to a decline in accrued rent expenses by SAR 7.0 million following application of IFRS 16. This was offset by an increase in discounts owed by ADC by SAR 2.7 million and in expenses related to transportation of goods by SAR 1.0 million, in line with the higher revenues;
- SFPC's accruals and other liabilities decreased from SAR 8.1 million as of 31 December 2018G to SAR 4.8 million as of 31 December 2019G, driven a decrease in VAT-related expenses, accrued expenses related to customs, and employee-related costs by SAR 0.5 million, SAR 0.5 million, and SAR 1.3 million, respectively;
- PFF's accruals and other liabilities decreased from SAR 9.0 million as of 31 December 2018G to SAR 4.9 million as of 31 December 2019G. This was mainly due to a decline in accrued employee-related costs by SAR 3.1 million;
- the Company's accruals and other liabilities decreased from SAR 15.7 million as of 31 December 2018G to SAR 9.4 million as of 31 December 2019G, due to a decrease in the accrued expenses related to the Offering of the Company's Shares by SAR 6.0 million during 2019G; and
- this was offset by an increase in DHV's accruals and other liabilities as a result of an increase in advances from customers by SAR 1.6 million, and this was offset by a decrease of SAR 1.2 million in other accrued expenses, sales commission and accrued employee-related costs.

Accruals and other liabilities increased from SAR 69.3 million as of 31 December 2019G to SAR 103.4 million as of 31 December 2020G, mainly due to:

- ADC's accruals and other liabilities increased from SAR 43.3 million as of 31 December 2019G to SAR 75.5 million as of 31 December 2020G, due to an increase in accrued expenses by SAR 11.9 million, in accrued employee-related costs by SAR 13.8 million, and in other liabilities that constitute VAT-related payables of by SAR 6.3 million during 2020G;
- SFPC's accruals and other liabilities increased from SAR 4.8 million as of 31 December 2019G to SAR 6.7 million as of 31 December 2020G, due to an increase in accrued employee-related costs by SAR 1.3 million and other accrued expenses by SAR 0.6 million; and
- PFF's accruals and other liabilities increased from SAR 4.9 million as of 31 December 2019G to SAR 6.1 million as of 31 December 2020G, due to an increase in accrued employee-related costs by SAR 1.3 million and VAT-related payables by SAR 0.5 million.

This was offset by:

- a decrease in the Company's accruals and other liabilities from SAR 9.4 million as of 31 December 2019G to SAR 8.9 million as of 31 December 2020G, due to reclassification of some receivables to the balance of trade payables, which was offset by a rise in employees' receivables; and
- a decrease in DHV's accruals and other liabilities as a result of a decline in advances from customers by SAR 1.9 million, and this was offset by an increase of SAR 1.0 million in other accrued expenses and accrued employee-related costs.

The following table sets out the Group's accruals and other liabilities as of 31 December 2018G, 2019G and 2020G:

Table 6.70: Group's Accruals and Other Liabilities as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Accrued Expenses	53,219	32,239	45,494
Accrued Employee-Related Cost	27,869	28,122	44,645
Utilities Payable	2,221	3,164	4,146
Advances from Customers	1,630	3,757	1,703
Other Provisions	829	2,011	7,367
Total Accruals and Other Liabilities	**85,768**	**69,293**	**103,355**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Accrued Expenses

The decrease in the balance of accruals and other liabilities to SAR 32.2 million as of 31 December 2019G was due to a decrease SAR 7.0 million by in the rents owed to ADC due to the application of IFRS 16 in addition to the decrease in the DHV's sales commission and the decrease in customs clearance and related fees. The balance of subscription costs decreased during 2019G by SAR 6.0 million, after the Group had paid these balances to the consultants appointed in respect of the Offering.

Accrued expenses increased from SAR 32.2 million as of 31 December 2019G to SAR 45.5 million as of 31 December 2020G. This increase is attributed an increase in accrued expenses related to accrued insurance expenses of SAR 2.5 million, accrued transportation expenses of SAR 4.0 million, accrued rent expenses of SAR 1.4 million, promotion expenses of SAR 2.5 million, and processing expenses of SAR 2.0 million, during 2020G.

Accrued Employee-Related Cost

The 2019G increase did not represent a significant change, compared to the balance as of 31 December 2018G. The balance of employee-related costs increased during 2020G by SAR 16.5 million to SAR 44.6 million as of 31 December 2020G, driven by the higher number of employees during 2020G, compared to 2019G, and an increase in provisions related to employees' incentives and sales commission in line with ADC's growing sales during 2020G.

Utilities Payable

The balance increased to SAR 3.2 million as of 31 December 2019G due to the increase in utility expenses such as electricity and fresh water, mainly in line with the increase in the ADC's operations.

In 2020G, accounts payable relating to utilities payable increased by SAR 1.0 million, driven mainly the higher number of sites in which ADC operates, which led to an increase in the charges related to electricity, water and fuel used to generate electricity in 2020G, compared to 2019G.

Advances from Customers

Advances from customers increased to SAR 3.8 million as of 31 December 2019G due to the increase in prepayments received by DHV for the purchase of equipment.

The balance of advances from customers, which related to farm construction projects of DHV, decreased to SAR 1.7 million, due to DHV ceasing to provide its services to some customers during 2020G.

Other Provisions

Other provisions increased from SAR 0.8 million in 2018G to SAR 2.0 million as of 31 December 2019G, due to the balance of the Directors' remuneration.

Other provisions increased from SAR 2.0 million as of 31 December 2019G to SAR 7.4 million as of 31 December 2020G. This increase was due to an increase in VAT-related payables during 2020G.

Current Lease Liabilities

The following table sets out the current lease liabilities by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.71: Group's Current Lease Liabilities by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	-	48,131	48,586
DHV	-	794	160
SFPC	-	4,696	4,871
PFF	-	149	877
Tanmiah Food Company	-	2,059	635
Total Current Liabilities	**-**	**55,829**	**55,129**

Source: The Group's information.

When applying IFRS 16, the Group recognised lease liabilities in relation to leases that were previously treated as "operating leases" in accordance with IAS 17 - "Leases". These liabilities are measured at the present value of the remaining rental payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019G. The weighted average of the lessee's additional borrowing rate applied to lease liabilities on 1 January 2019G was 5.9% and 6.5% in the Kingdom and the United Arab Emirates, respectively.

Please refer to the Basis of Preparation and Summary of Significant Accounting Policies in this Section of the Prospectus. The Company recorded interest of SAR 11.6 million on lease liabilities in 2019G. This was offset by payments of SAR 66.1 million related to these liabilities during this year. Consequently, the total lease liabilities were SAR 183.0 million divided into current lease liabilities of SAR 55.8 million and non-current lease liabilities of SAR 128.9 million as of 31 December 2019G.

Current lease liabilities remained relatively stable during 2019G-2020G, as current liabilities decreased by only SAR 0.7 million. In 2020G, the Group recognised interest of SAR 10.7 million on lease liabilities (current and non-current). This was offset by payments of SAR 81.8 million in respect of these liabilities, additions of SAR 69.7 million, and adjustments that led to an increase in the total liabilities by SAR 4.2 million during this year, thus taking total lease liabilities to SAR 179.2 million, divided into current lease liabilities of SAR 55.1 million and non-current lease liabilities of SAR 124.0 million as of 31 December 2020G.

Zakat Provision

The following table sets out Zakat provision by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.72: Zakat Provision by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	3,334	3,903	6,263
DHV	2,646	2,729	2,276
SFPC	1,366	1,313	1,325
Tanmiah Food Company	4,127	47	47
Total Zakat Provision	**11,474**	**7,992**	**9,910**

Source: The Group's information.

The Zakat provision decreased from SAR 11.5 million on 31 December 2018G to SAR 8.0 million on 31 December 2019G due to recognition of Zakat expenses of SAR 8.0 million during 2019G. This was offset by payments from the Zakat provision due amounting to SAR 11.5 million during 2019G.

Zakat provision increased from SAR 8.0 million as of 31 December 2019G to SAR 9.9 million as of 31 December 2020G, driven by recognition of Zakat expenses of SAR 7.1 million in 2020G. This increase was offset by payments from the Zakat provision due amounting to SAR 5.2 million during 2020G.

The following table sets out Zakat provision by group as of 31 December 2018G, 2019G and 2020G:

Table 6.73: Movement of Zakat Provision by Group as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
1 January	7,390	11,474	7,992
Provision for the Year	7,323	7,979	7,119
Payments	(3,239)	(11,461)	(5,200)
31 December	**11,474**	**7,992**	**9,910**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The Company completed its Zakat assessments with ZATCA until 2010G. During the previous years, the Company received additional Zakat assessments of SAR 27.0 million for the financial years ended 31 March 2003G to 31 March 2010G and the short period ended 31 December 2010G. The Company objected to these assessments and reached a settlement with ZATCA during 2019G in the amount of SAR 6 million. As of 31 December 2018G, the Company has allocated an amount of SAR 4.0 million for these additional assessments (of which SAR 1.0 million were recognised before 2016G and SAR 3.0 million in 2018G). The Company recognised the remaining amount of SAR 2.0 million in 2019G in relation to the additional assessments for the period preceding 31 December 2018G.

Moreover, during 2019G the Company entered into an agreement with ADGHC, a shareholder, pursuant to which all liabilities related to the assessments up to the financial year ended 31 December 2018G shall be recovered from ADGHC. Accordingly, the additional amount of SAR 2.0 million paid against the aforementioned settlement was recovered from ADGHC.

Zakat returns of Subsidiaries were filed separately up to 31 December 2010G, and final Zakat assessments have not been obtained for all years up to 2010G (except for 2009G and 2010G for SFPC).

Moreover, the Company has submitted the Zakat return for the years from 2011G to 2013G on a consolidated basis, having obtained ZATCA's consent to file a consolidated Zakat return. In 2014G, due to the transfer of its shares in its Subsidiaries, the Company no longer owns 100% of the shares in its Subsidiaries, and therefore it submitted non-consolidated Zakat returns for the financial years ended 2014G until 2018G. ADC, DHV, and SFPC filed separate Zakat returns for the financial years ended 31 December 2014G to 2018G. The Company has not received the final assessments for those years.

Since 2019G, the Company has continued to submit a consolidated Zakat return, having obtained ZATCA's consent, given all Subsidiaries are now fully owned by the Company.

(ii) Non-Current Liabilities

The following table sets out the Group's non-current liabilities as of 31 December 2018G, 2019G and 2020G:

Table 6.74: Group's Non-Current Liabilities as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Employee Benefits Obligations	59,245	65,957	82,555
Lease Liabilities	-	128,884	124,023
Total Non-Current Liabilities	**59,245**	**194,841**	**206,578**

Source: The Financial Statements for the financial years ended 31 December 2018G 2019G and 2020G.

Employee Benefits Obligations

The following table sets out the Group's employee benefits obligations as of 31 December 2018G, 2019G and 2020G:

Table 6.75: Group's Employee Benefits Obligations as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
1 January	60,686	59,245	65,957
Exclusion of Subsidiary	(6,520)	-	-
Transfer from a Related Party			221
Net transfer to a Related Party	-	-	(6,303)
Current Service Cost	6,191	6,986	9,666
Interest Cost	1,714	1,862	2,059
Actuarial (Gain) Loss on the Obligation	1,256	3,997	13,769
Benefits Paid	(4,082)	(6,133)	(2,814)
31 December	**59,245**	**65,957**	**82,555**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The following table sets out employee benefits obligations by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.76: Employee Benefits Obligations by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	28,657	33,823	47,301
DHV	5,518	5,419	4,375
SFPC	4,676	5,392	7,620
PFF	1,954	2,605	3,473
Tanmiah Food Company	18,440	18,718	19,787
Dukan	-	-	-
Total Employee Benefits Obligations	**59,245**	**65,957**	**82,555**

Source: The Group's information.

Companies in the Kingdom must record a provision for end of service benefits in accordance with the Saudi Labour Law. This provision is calculated on the basis of actuarial assumptions as required under IFRS.

Employee benefits obligations increased from SAR 59.2 million on 31 December 2018G to SAR 66.0 million on 31 December 2019G due to the high number of employees from 1,510 in 2018G to 1,551 in 2019G, current service cost additions for 2019G, interest cost and actuarial losses on the obligation. This was offset by a decrease in employee benefit obligations, driven by payments of SAR 6.1 million to employees during 2019G.

Employee benefits obligations increased from SAR 66.0 million as of 31 December 2019G to SAR 82.6 million as of 31 December 2020G, due to an increase in the number of employees during 2020G compared to SAR 2019G, additions to current service costs for 2020G, interest cost, and actuarial loss on the obligation.

This was offset by a decrease in employee benefits obligation due to payments of SAR 2.8 million to employees and transfers related to the benefits obligations of some employees amounting to SAR 6.3 million after they were transferred from the Company to its Associates.

ADC

Employee benefits obligations of ADC increased from SAR 28.7 million as of 31 December 2018G to SAR 33.8 million as of 31 December 2019G and to SAR 47.3 million as of 31 December 2020G, due to annual salary increases in addition to the increase in the number of full-time employees on an annual basis.

Desert Hills Veterinary Services Company

Employee benefits obligations were relatively stable between SAR 5.5 million as of 31 December 2018G, and SAR 5.4 million as of 31 December 2019G.

Employee benefits obligations decreased from SAR 5.4 million as of 31 December 2019G to SAR 4.4 million as of 31 December 2020G, driven by the transfer of some employees from DHV to ADC during 2020G.

SFPC

Employee benefits obligations of SFPC increased from SAR 4.7 million as of 31 December 2018G to SAR 5.4 million as of 31 December 2019G in line with the increase in the number of full-time employees on an annual basis.

Employee benefits obligations of SFPC increased during 2020G to SAR 7.6 million, mainly driven by additions of SAR 0.9 million related to the current service cost and actuarial loss of SAR 1.2 million during 2020G.

Perfect Foods Factory

Employee benefits obligations of PFF increased from SAR 2.0 million as of 31 December 2018G to SAR 2.6 million as of 31 December 2019G, despite the decrease in the number of full-time employees on an annual basis.

This was driven by additions of SAR 0.9 million to the current service cost during 2019G, which was offset by a decrease due to payments of SAR 0.2 million made by PFF during 2019G.

The employee benefits obligations of PFF increased to SAR 3.5 million as of 31 December 2020G, mainly driven by a current service cost of SAR 1.0 million during 2020G, which was offset by a decrease resulting from employee payments of SAR 0.1 million during 2020G.

Tanmiah Food Comapny

Employee benefits obligations of Tanmiah Food Company increased from SAR 18.4 million as of 31 December 2018G to SAR 18.7 million as of 31 December 2019G, despite the decrease in the number of full-time employees on an annual basis.

This was driven by additions related to the current service cost, finance charges and actuarial loss of SAR 3.4 million during 2019G. This was offset by payments of SAR 3.2 million related to these obligations during 2019G.

The employee benefits obligations of Tanmiah Food Company increased to SAR 19.8 million as of 31 December 2020G, mainly driven by a current service cost of SAR 2.0 million during 2020G and actuarial losses of SAR 5.7 million and interest costs of SAR 0.6 million. This was offset by a decrease by SAR 6.7 million related to the transfer of some employees to the Associates, which was offset by a decrease resulting from employee payments of SAR 0.7 million during 2020G.

Non-Current Lease Liabilities

The following table sets out non-current lease liabilities by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.77: Non-Current Lease Liabilities by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	-	104,581	100,565
DHV	-	472	80
SFPC	-	6,426	3,305
PFF	-	16,451	19,764
Tanmiah Food Company	-	954	310
Total Non-Current Liabilities	**-**	**128,884**	**124,023**

Source: The Group's information.

Following the application of IFRS 16, the Company recorded interest of SAR 11.6 million on lease liabilities in 2019G. This was offset by payments of SAR 66.1 million related to these liabilities in this year, which brought the total lease liabilities to SAR 184.7 million divided into current lease liabilities of SAR 55.8 million and non-current lease liabilities of SAR 128.9 million as of 31 December 2019G. For further details, refer to the Basis of Preparation and Summary of Significant Accounting Policies in this Section of the Prospectus.

Non-current lease liabilities decreased from SAR 128.9 million as of 31 December 2019G to SAR 124.0 million as of 31 December 2020G. In 2020G, the Group recognised SAR 10.7 million in interest on lease liabilities (current and non-current). This was offset by payments of SAR 81.8 million with respect to these liabilities, additions of SAR 69.7 million, and adjustments that led to an increase in the total lease liabilities by SAR 4.2 million during this year, bringing total lease liabilities to SAR 179.2 million. They are divided into current lease liabilities of SAR 55.1 million and non-current lease liabilities of SAR 124.0 million as of 31 December 2020G.

(C) Equity

The following table sets out the Group's equity as of 31 December 2018G, 2019G and 2020G:

Table 6.78: Equity of the Group as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Capital	100,000	200,000	200,000
Contributed Capital	-	-	-
Statutory Reserve	21,217	7,082	14,524
Financial Assets at FVOCI Reserve	26,763	-	-
(Losses)/Retained Earnings	30,285	79,809	133,0112
Non-Controlling Interests	(1)	-	-
Total Equities	178,264	286,891	347,536

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and the 2020G.

Total equities increased in 2019G to SAR 286.9 million, mainly due to profits recorded by the Company during this year and the financial contribution provided by the shareholders in the Company, which amounted to SAR 50.0 million to increase the capital.

Total equities increased in 2020G to SAR 347.5 million, primarily due to profits of SAR 74.4 million achieved by the Company during 2020G.

Capital

The following table sets out the capital by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.79: Capital by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	20,000	20,000	20,000
DHV	1,000	1,000	1,000
SFPC	8,625	8,625	8,625
PFF	20,760	20,760	20,760
Tanmiah Food Company	100,000	200,000	200,000
Tanmiah Food Company LLC – a Liquidated Company	50	-	-
Dukan	-	-	-
Intercompany Eliminations	(50,435)	(50,385)	(50,385)
Total Capital	100,000	200,000	200,000

Source: The Group's information.

As of 31 December 2018G, the Group's capital of SAR 100 million consists of 100,000 fully paid shares of SAR 1,000 each.

As of 31 December 2019G, the Company's capital of SAR 200 million consists of SAR 20 million issued and fully paid shares of SAR 10 each. There was no change in the value of the capital in 2020G.

Capital Contribution

The following table sets out contributed capital by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.80: Contributed Capital by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
PFF	13,418	13,418	13,418
Tanmiah Food Company	-	-	-
Intercompany Eliminations	(13,418)	(13,418)	(13,418)
Total Contributed Capital	**-**	**-**	**-**

Source: The Group's information.

The capital contribution during 2018G, 2019G and 2020G remained at SAR zero without any change.

Statutory Reserve

The following table sets out the statutory reserve by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.81: Statutory Reserve by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	6,256	6,256	6,256
DHV	500	500	500
SFPC	4,313	4,313	4,313
PFF	1,402	1,961	1,961
Tanmiah Food Company	21,217	7,082	14,524
Intercompany Eliminations	(12,471)	(13,030)	(13,030)
Total Statutory Reserve	**21,217**	**7,082**	**14,524**

Source: The Group's information.

In accordance with the Saudi Companies Law, the Group is required to transfer 10% of the net income for the year to the statutory reserve until it equals 30% of its capital. The reserve is not available for distribution to the Shareholders of the Group. In 2018G, the Group transferred SAR 7.5 million from the retained earnings to the statutory reserve. The Group transferred SAR 21.2 million from the statutory reserve to increase the Group's capital in 2019G. In 2019G, the Group transferred SAR 7.0 million from the retained earnings to the statutory reserve. During 2020G, the Group transferred SAR 7.4 million from the retained earnings account, which led to an increase in statutory reserve from SAR 7.1 million as of 31 December 2019G to SAR 14.5 million as of 31 December 2020G.

Financial Assets at FVOCI Reserve

The following table sets out the financial assets at FVOCI reserve by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.82: Financial Assets at FVOCI Reserve by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Tanmiah Food Company	26,763	-	-
Total Financial Assets at FVOCI Reserve	**26,763**	**-**	**-**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The financial assets at FVOCI reserve decreased to zero on 31 December 2019G after the Group excluded all its investments in the Red Sea International on 27 November 2019G. As a result of this exclusion, the Group transferred SAR 26.7 million from the financial assets at FVOCI reserve to retained earnings.

As per IFRS as endorsed in the Kingdom, the financial assets at fair value through comprehensive income need to be fair valued at the end of each financial period. Therefore, the above investments have been fairly valued as of 31 December 2018G.

Retained Earnings

The following table sets out retained earnings by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.83: Retained Earnings by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
ADC	109,099	165,125	235,437
DHV	50,473	55,679	54,885
SFPC	76,539	85,095	81,684
PFF	5,956	10,982	4,065
Tanmiah Food Company	30,285	79,809	133,012
Tanmiah Food Company LLC – a Liquidated Company	(65)	-	-
Dukan	-	-	-
Intercompany Eliminations	(242,002)	(316,881)	(376,071)
Total Accumulated (Loss)/Retained Earnings	**30,285**	**79,809**	**133,012**

Source: The Group's information.

Retained earnings further increased to SAR 79.8 million on 31 December 2019G, due to the following reasons:

- the Company realised net profit for the year amounting to SAR 70.8 million;
- total financial assets at FVOCI reserve of SAR 26.8 million were transferred to the retained earnings after the Company eliminated all its investment in the Red Sea International on 27 November; and
- an amount of SAR 7.0 million was transferred from the retained earnings to the statutory reserve during this year.

Retained earnings increased to SAR 133.0 million as of 31 December 2020G, driven by the Company achieving net comprehensive income for the year of SAR 60.6 million, which was offset by a transfer of SAR 7.4 million to the statutory reserve.

No dividends were declared by the Company during 2018G – 2020G.

Non-Controlling Interest

The balance of the non-controlling interests decreased from SAR 9.8 million as of 31 December 2017G to SAR 600 as of 31 December 2018G, mainly attributable to that during 2018G the remaining 4% ownership in ADC, SFPC and DHV was transferred from Tanmiah Commercial Group to the Group, and as of 1 January 2018G, the Company directly owns 100% of ownership in ADC, SFPC and DHV. As of 31 December, 2018G, the balance of the non-controlling interests represents the non-controlling interests in Tanmiah Food Company LLC, which was liquidated during the year 2019G.

(D) Group's Commitments and Liabilities

The following table sets out the Group's liabilities and obligations as of 31 December 2018G, 2019G and 2020G.

Table 6.84: Group's Commitments and Liabilities as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Bank Guarantee and LC	55,060	51,039	40,734
Capex Commitment	208	23,600	15,913

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Bank Guarantee and LC

The following table sets out the bank guarantee and LC by Subsidiary as of 31 December 2018G, 2019G and 2020G:

Table 6.85: Bank Guarantee and LC by Subsidiary as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
ADC	36,800	19,458	22,430
DHV	-	144	2,562
SFPC	1,000	3,858	3,801
PFF	-	-	207
Tanmiah Food Company	17,200	27,579	8,482
Total Bank Guarantee and LC	**55,000**	**51,039**	**37,482**

Source: The Group's information.

Other commitments and contingencies consist mainly of letters of credit and guarantees issued by banks on behalf of Tanmiah Group in the normal course of business of SAR 40.7 million in December 2020G.

Capex Commitment

Capex commitment amounted to SAR 15.9 million as of 31 December 2020G. This amount is related to ADC and SFPC, as these represent expenditure commitments for the Company's expansion of hatcheries and storage facilities and production lines of the two companies.

(E) Cash Pledge against Loan to ADGHC

In 2019G, ADGHC (the Parent Company) obtained a loan of SAR 275 million from a local commercial bank (the "**Lender**"). The purpose of the loan was to settle the outstanding balance among Group companies (ADC and SFPC (both wholly owned by the Group) and Dukan).

This financing represents a short-term loan obtained by ADGHC as temporary financing until the Offering Proceeds are collected and used to settle the balance due from Dukan. The proceeds of the loan were transferred to the Group (namely ADC and SFPC). This amount was deposited in an intermediary account in the name of the Group (namely, ADC and SFPC) to obtain the loan from ADGHC. The Group submitted (namely, ADC and SFPC), and those irrevocable undertaking that enables the lender to offset the proceeds against the loan obtained by ADGHC in the event that the Offering is not completed by 30 April 2020G. In effect, this means that the loan proceeds have been secured as a pledge to secure the loan obtained by ADGHC.

While the loan agreement between ADGHC and the lender stipulates that an amount of SAR 275 million was supposed to be applied to pay the amount due from Dukan, this amount has been deposited in an intermediary account so that the Group (particularly, ADC and SFPC) cannot use it to finance its operations. Consequently, the Group (particularly, ADC and SFPC) is not entitled to use these proceeds for any economic benefit. Therefore, the Group has not recognised the amount received or the related liability resulting from the pledge in its financial statements. The Group (particularly, ADC and SFPC) continued to recognise accounts receivable from Dukan in its financial statements.

It should be noted that the management of ADGHC settled the loan balance on 30 April 2020G. ADC and SFPC continued to recognise the receivables by Dukan in their financial statements.

6.6.1.3 Statement of Cash Flows

The following table sets out the Group's consolidated statement of cash flows for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.86: Summary of the Group's Statement of Cash Flows Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Net Cash Resulting from/(Utilised in) Operating Activities	32,279	19,737	161,089
Net Cash Resulting from/(Utilised in) Investing Activities	(4,198)	11,912	(38,491)
Net Cash Resulting from/(Utilised in) Financing Activities	(33,566)	(28,112)	(86,058)
Net Increase (Decrease) in Cash and Cash Equivalents	(5,486)	3,537	36,540
Cash and Cash Equivalents at Beginning of Year	38,119	20,382	23,919
Cash and its Equivalents Disbursed upon Selling of a Subsidiary	(12,252)	-	-
Cash and its Equivalents at the End of the Year	20,382	23,919	60,459

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The following table sets out the Group's reconciliations to cash and cash equivalents as of 31 December 2018G, 2019G and 2020G:

Table 6.87: Group's Reconciliations to Cash and Cash Equivalents as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Cash and Cash Equivalents	22,771	23,919	60,459
Additions: Overdraft	(2,389)	-	-
Cash and its Equivalents at the End of the Year	20,382	23,919	60,459

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

(A) Summary of the Statement of Cash Flows by Subsidiary

(i) ADC

The following table sets out ADC's statement of cash flows for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.88: Summary of ADC's Statement of Cash Flows for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Net Cash Generated from Operating Activities	39,003	42,258	103,259
Net Cash (Utilised) in Investing Activities	(9,722)	(19,952)	(28,125)
Net Cash (Utilised in) Financing Activities	(41,384)	(16,415)	(69,582)
Net Change in Cash and Cash Equivalents	(12,103)	5,892	5,552
Cash and Cash Equivalents at Beginning of Year	18,796	6,692	12,584
Cash and its Equivalents at the End of the Year	6,692	12,584	18,136

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Cash Flows from Operating Activities

Net cash generated from operating activities increased from SAR 39.0 million 2018G to SAR 42.3 million in 2019G, mainly driven by an increase in profits before Zakat in 2019G compared to 2018G where they amounted to SAR 7.4 million.

Net cash generated from operating activities increased from SAR 42.3 million in 2019G to SAR 103.3 million in 2020G, mainly due to:

- profit before Zakat increased by SAR 21.0 million in 2020G, compared to 2019G;
- depreciation of SAR 47.8 million on the right-of-use assets was recognised in 2020G, compared to SAR 41.2 million in 2019G;
- the net cash utilised in receivables decreased from SAR 87.5 million in 2019G to SAR 32.8 million during 2020G;
- accrued expenses and other liabilities increased during 2020G by SAR 32.2 million; and
- this was offset by an increase in prepayments and other assets (including Government subsidy receivable) by SAR 13.5 million in 2020G and an increase in the value of biological assets by SAR 29.2 million in 2020G.

Cash Flows from Investment Activities

The capital expenditures of ADC increased from SAR 9.7 million to SAR 20.0 million in 2018G and 2019G respectively as a result of purchasing fixed assets, particularly including the water treatment plant, two water filling machines and updating of the watering and nutrition system as well as additions to the capital in order to increase the production capacity of the Company.

The capital expenditures of ADC increased from SAR 20.0 million in 2019G to SAR 28.1 million during 2020G. The capital expenditures of ADC in the financial year 2020G included additions to plant and equipment in relation to refrigeration equipment, egg printing machines, steam boilers, generators and motors, totalling SAR 9.2 million during 2020G, and additions to capital work in progress in connection with the expansion of freezer rooms, afforestation projects, a water treatment plant, and feed manufacturing machinery, totalling SAR 18.5 million during 2020G.

Cash Flows from Financing Activities

The cash utilised in financing activities decreased by SAR 60.3% to 16.4 million in 2019G, primarily driven by the main elements of lease payments during the year due to application of IFRS 16, which amounted to 40.9 million related to buildings and SAR 15.4 million related to lease of vehicles rented by the Company. This was offset by the net cash resulting from the change in the short-term loans in the first place as a result of a loan granted by Bank ABC.

Expenses related to the financing activities of ADC increased to SAR 69.6 million during 2020G, which also included payments made by the Company for lease liabilities of SAR 73.2 million during 2020G.

(ii) Desert Hills Veterinary Services Company

The following table sets out DHV's statement of cash flows for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.89: Summary of the DHV's Statement of Cash Flows for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G	2019G	2020G
Net Cash Generated from (Utilised in) Operating Activities	(12,776)	1,829	30,040
Net Cash Generated from (Utilised in) Investing Activities	(7)	(118)	(61)
Net Cash Generated from (Utilised in) Financing Activities	13,450	(4,486)	(2,142)
Net Increase in Cash and Cash Equivalents	**667**	**(2,775)**	**27,836**
Cash and Cash Equivalents at Beginning of Year	4,006	4,673	1,899
Cash and its Equivalents at the End of the Year	**4,673**	**1,899**	**29,735**

Source: The Group's information.

Cash Flows from Operating Activities

The movement of cash flows from operating activities in the financial years ended 31 December 2018G, 2019G and 2020G was mainly affected by the following:

- in 2018G, net cash utilised in operating activities amounted to SAR 12.8 million, and cash flows from operating activities were negative due to the high balance of trade receivables from the Related Parties (ADC);
- in 2019G, net cash utilised in operating activities amounted to SAR 1.8 million, and cash flows from operating activities were positive due to a decrease in receivables from the Associates by SAR 12.8 million; and
- in 2020G, net cash utilised in operating activities amounted to SAR 30.0 million, and cash flows from operating activities were positive due to a decrease in receivables from Associates by SAR 32.3 million and a decline in working capital by SAR 5.2 million. This was offset by an increase in the balance of payables to the Company by SAR 7.7 million.

Cash Flows from Investing Activities

The Company made insignificant additions during 2019G and 2020G, which involved the purchase of a forklift and other small appliances such as refrigerators and computers.

Cash Flows from Financing Activities

- net cash generated from financing activities amounted to SAR 13.5 million during 2018G. DHV's management increased its loans by SAR 13.5 million in order to provide financing to be used in its operations;
- net cash utilised in financing activities amounted to SAR 4.5 million during 2019G, due to a decrease in bank loans and rental payments by SAR 3.2 million and SAR 1.3 million, respectively, during 2019G; and
- net cash utilised in financing activities amounted to SAR 2.1 million during 2020G, due to a decrease in bank loans by SAR 1.0 million and a decrease in cash due to rental payments in relation to motor vehicles by SAR 1.1 million during 2020G.

(iii) SFPC

The following table sets out SFPC's statement of cash flows for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.90: Summary of SFPC's Statement of Cash Flows for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial year ended 31 December		
	2018G	2019G	2020G
Net cash generated from (utilised in) operating activities	1,717	(5,064)	15,180
Net cash generated from (utilised in) investing activities	(512)	(2,874)	(9,248)
Net cash generated from (utilised in) financing activities	(3,605)	9,451	(4,318)
Net increase in cash and cash equivalents	**(2,400)**	**1,513**	**1,614**
Cash and cash equivalents at the beginning of the year	3,914	1,514	3,027
Cash and cash equivalents at the end of the year	**1,514**	**3,027**	**4,641**

Source: The Group's information.

Cash Flows from Operating Activities

In 2019G, SFPC recorded net cash utilised in operating activities at a value of SAR 5.1 million, compared to net cash generated from operating activities at a value of SAR 1.7 million in 2018G. This decrease is primarily due to a decrease in SFPC's profit from SAR 16.9 million in 2018G to SAR 8.8 million in 2019G.

Net cash generated from operating activities increased from a utilised cash balance of SAR 5.1 million in 2019G to a generated net cash of SAR 15.2 million in 2020G. This increase is mainly attributed to:

- SFPC recognised a loss of SAR 2.2 million during 2020G, compared to a profit of SAR 8.8 million during 2019G;
- the inventory balance decreased by SAR 1.0 million during 2020G, compared to an increase in inventory by SAR 11.3 million during 2019G;
- the balance of advance payments decreased by SAR 4.5 million during 2020G, compared to an increase in advance payments by SAR 6.5 million during 2019G; and
- this was offset by a decrease in the balance of accounts payable by SAR 0.6 million during 2020G, compared to an increase in the balance of accounts payable by SAR 25.6 million during 2019G.

Cash Flows from Investment Activities

Cash utilised in investing activities relates to expenditures for purchase of equipment or installations for maintenance of the current production capacity. The net cash utilised in investing activities amounted to SAR 0.5 million in 2018G, SAR 2.9 million in 2019G, and SAR 9.3 million in 2020G.

Cash Flows from Financing Activities

In 2019G, cash flows generated from financing activities amounted to SAR 9.5 million. SFPC obtained short-term loans, resulting in a debt increase by SAR 14.7 million to cover the requirements of working capital. This was offset by expenditures related right-of-use assets at a value of SAR 5.3 million.

During 2020G, the cash utilised in financing activities amounted to SAR 4.3 million. SFPC paid lease liabilities of SAR 3.5 million, and the decrease in the balance of short-term loans by SAR 818 thousand contributed to an increase in the net cash utilised in financing activities.

(iv) PFF

The following table sets out PFF's statement of cash flows for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.91: Summary of PFF's Statement of Cash Flows for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G	2019G	2020G
Net Cash Generated from (Utilised in) Operating Activities	7,712	17,842	13,820
Net Cash Generated from (Utilised in) Investing Activities	(1,652)	(2,196)	(5,390)
Net Cash Generated from (Utilised in) Financing Activities	(5,616)	(14,382)	(5,973)
Net Increase in Cash and Cash Equivalents	**444**	**1,264**	**2,457**
Cash and Cash Equivalents at Beginning of Year	2,781	3,225	4,490
Cash and its Equivalents at the End of the Year	**3,225**	**4,490**	**6,947**

Source: The Group's information.

Cash Flows from Operating Activities

Net cash from operating activities in 2019G compared to 2018G increased by SAR 10.1 million. This increase is due to a decrease in the balance of receivables from the Related Parties, by SAR 9.5 million in 2019G.

Net cash generated from operating activities decreased in 2020G by SAR 4.0 million. This decrease was due to a decrease by SAR 16.1 million and SAR 3.1 million in the inventory and trade receivables, respectively, during 2020G, which was offset by losses of SAR 6.9 million recognised during 2020G.

Cash Flows from Investment Activities

The net cash used in investing activities amounted to SAR 1.7 million in the financial year 2018G, primarily attributed to improvement of the liquid waste treatment plant for SAR 851 thousand, a meat injector machine for SAR 127 thousand, and GEA ScanMidi for SAR 164 million.

The net cash used in investing activities amounted to SAR 2.2 million in the financial year 2019G. This balance is associated with the main fixed asset additions due to the purchase of capacitors, compressors and evaporators, as well as the purchase of vehicles and furniture for SAR 2.2 million.

The net cash used in investing activities amounted to SAR 5.4 million in the financial year 2020G, which is mainly attributed to purchase of condensers, compressors, and evaporators, other machinery used in production.

Cash Flows from Financing Activities

The movement of cash flows from financing activities in the financial years ended 31 December 2018G, 2019G and 2020G was as follows:

- a net cash utilised in financing activities of SAR 5.6 million in 2018G. During this period, PFF repaid a borrowing of SAR 14.0 million to ADC. The interest paid on bank borrowing amounted to SAR 1.6 million;
- a net cash utilised in financing activities of SAR 14.4 million in 2019G. During this period, PFF repaid loans extended by HSBC and Dubai Islamic Bank; and

- a net cash utilised in financing activities of SAR 6.0 million in 2020G. During this period, short-term loans decreased by SAR 10.0 million, which was offset by an increase in lease liabilities of SAR 4.0 million.

(v) Group

Cash Flows from the Group's Operating Activities

The table below sets out the Group's cash flows from operating activities for the financial years ended 31 December 2018G, 2019G and 2020G.

Table 6.92: Group's Cash Flows from Operating Activities for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Profit Before Zakat	82,219	78,802	81,532
Depreciation of Property, Plant and Equipment	18,649	18,894	21,094
Depreciation on Right-of-Use Assets	-	47,387	54,518
Amortisation of Intangible Assets	811	578	543
Property, Plant and Equipment Written Off	42	-	1
Impairment Loss on Financial Assets	2,118	998	4,406
Provision for Slow-Moving Inventory	(1,569)	2,877	3,215
Provision for the Employee Benefit Obligations	7,905	8,848	11,725
(Gain)/Loss on Exclusion of Property, Plant and Equipment	(13)	438	(114)
Profit from Lease Termination	-	-	(995)
Finance Charges	11,367	16,809	15,007
Dividend Income	-	-	-
Interest on Lease Liabilities	-	11,610	10,713
Government Subsidy Accrued During the Year	(39,004)	(52,587)	(59,887)
Changes in Operating Assets and Liabilities			
Trade Receivables	(207,159)	(80,573)	(46,133)
Prepayments and Other Receivables	43,394	55,823	46,367
Inventories	(5,440)	(18,292)	18,409
Biological Assets	(9,583)	(1,216)	(25,192)
Contract Assets	(277)	(1,323)	(369)
Contract Liabilities	(763)	-	-
Trade Payables	50,681	3,937	15,811
Other Liabilities	20,696	(14,446)	34,063
Zakat Paid	(3,239)	(11,461)	(5,200)
Commitments for Employee Benefits Paid	(4,082)	(6,133)	(2,814)
Dues to a Related Party	77,179	(25,179)	-
Finance Charges Paid	(11,653)	(16,057)	(15,609)
Net Cash Generated from (Utilised in) Operating Activities	**32,279**	**19,737**	**161,089**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

In 2019G, the Group's net cash flow from operating activities decreased to SAR 19.7 million from SAR 32.3 million in 2018G. This decrease is due to the following reasons:

- the Group achieved a net profit for the year amounting to SAR 70.8 million in 2019G, compared to a net profit of SAR 74.9 million in 2018G;
- receivables increased by SAR 80.6 million in 2019G. In this regard, receivables from Dukan and ADGHC increased by SAR 52.4 million and SAR 21.0 million, respectively;
- balance of payables to the Related Parties increased by SAR 25.2 million;
- accruals and other liabilities decreased by SAR 14.5 million;
- finance charges decreased from SAR 11.4 million in 2018G to SAR 16.8 million in 2019G; and
- additions were recorded to Government subsidy receivable, which amounted to SAR 52.6 million in 2019G, compared to SAR 39.0 million in 2018G.

This was offset by reasons that led to use of cash in 2019G, most notably a decrease in prepayments and other receivables by SAR 55.8 million, which included collection of Government subsidy of SAR 60.8 million.

In 2020G, the Group achieved net cash flows from operating activities amounting to SAR 161.1 million, compared to net cash flows of SAR 19.7 million in 2019G. This increase was due to:

- the Group having achieved an annual profit of SAR 81.5 million before Zakat in 2020G, as compared to SAR 78.8 million in 2019G.
- accruals and other liabilities decreased, which resulted in a net cash generated amounting to SAR 34.1 million during 2020G, compared to a net cash utilised amounting to SAR 14.4 million during 2019G;
- payables increased, which resulted in a net cash generated amounting to SAR 15.8 million during 2020G, compared to SAR 3.9 million during 2019G;
- there were no changes in liabilities to Related Parties during 2020G, which constituted a net cash utilised amounting to SAR 25.2 million during 2019G;
- inventories decreased, which resulted in a net cash generated amounting to SAR 18.4 million during 2020G, compared to a net cash utilised amounting to SAR 18.3 million during 2019G; and
- this was offset by an increase in the value of biological assets, which led to a net cash utilised amounting to SAR 25.2 million during 2020G, compared to a net cash utilised amounting to SAR 1.2 million in 2019G.

Cash Flows from the Investing Activities

The table below presents the Group's cash flows from investing activities for the financial years ended 31 December 2018G, 2019G and 2020G.

Table 6.93: Group's Cash Flows from Investing Activities for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Purchase of Property, Plant and Equipment	(12,026)	(25,654)	(38,511)
Purchase of Intangible Assets	-	-	(94)
Proceeds from Disposal of Property, Plant and Equipment	15	67	114
Proceeds from Sale of Financial Assets at FVOCI	7,813	37,500	-
Net Cash Utilised in Investing Activities	**(4,198)**	**11,912**	**(38,491)**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

In 2018G, the net cash utilised in financing activities amounted to SAR 4.2 million. During this period, the Group carried out a number of operations, particularly:

- additions by the Group of SAR 12.0 million, in particular purchase of water distribution equipment in factories by ADC at SAR 9.7 million; and
- disposal by the Company of its investments in Pure Breed Co. for SAR 7.8 million and SAED International for SAR 1.0 million at book value. The Group achieved gains of SAR 82.2 thousand from the disposal of its investments in Pure Breed Co. which have already been included in the statement of other comprehensive income. An amount of SAR 6.7 million was transferred from the FVOCI reserve to retained earnings.

In 2019G, the net cash utilised in financing activities amounted to SAR 11.9 million. During this period, the Group carried out a number of operations, particularly:

- additions by the Group of SAR 25.7 million, in particular for the refrigerants, purchase of reverse osmosis equipment and the costs of the expansion of the cold rooms, including costs of refrigerators and the project for automation operation of feed mills related to ADC; and
- exclusion of investments in the Red Sea International on 27 November 2019G.

In 2020G, the net cash utilised in financing activities amounted to SAR 38.5 million. During this period, the Group carried out a number of operations, particularly:

- additions by ADC of SAR 28.2 million, which constitute additions of SAR 9.2 million related to refrigeration equipment, egg printing machines, steam boilers, generators, motors and other machinery, besides additions of SAR 18.5 million related to the expansion of cold rooms, afforestation projects and a water treatment plant during 2020G; and
- additions by SFPC of SAR 9.2 million in relation to capital work-in-progress costs pertaining to expansion of a production line to meet the needs of a top QSR.

Cash Flows from Financing Activities

The table below presents the Group's cash flows from financing activities for the financial years ended 31 December 2018G, 2019G and 2020G.

Table 6.94: Group's Cash Flows from Financing Activities for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Short-Term Bank Loans	(38,566)	38,001	(4,280)
Lease Payment	-	(66,113)	(81,778)
Contributed Capital	5,000	-	-
Net Cash Utilised in Financing Activities	**(33,566)**	**(28,112)**	**(86,058)**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Net cash utilised in financing activities amounted to SAR 33.6 million in 2018G, driven by a timing difference in repayment and drawdown of working capital finances.

ADGHC contributed additional amounts to provide financial support to the Company. This balance is not subject to interest and is paid as determined by the Company. The company secured such finance of SAR 5.0 million in the financial year ended 31 December 2018G.

In the financial year ended 31 December 2018G, ADGHC contributed an additional cash capital of SAR 5.0 million, which led to an increase in the balance of the capital contribution to SAR 115.9 million, before it is used to settle the accumulated losses written off during the financial year ended 31 December 2017G. Thus, the balance of the capital contribution decreased to SAR Nil as of 31 December 2018G.

Net cash used in financing activities decreased to SAR 28.1 million in 2019G. Lease payments in respect of IFRS 16 represented SAR 66.1 million. This was offset by an increase in short-term loans represented by the borrowing from Bank ABC.

Net cash utilised in financing activities increased to SAR 86.1 million in 2020G. This use constituted lease payments of SAR 81.8 million in relation to IFRS 16 and a decrease in short-term bank loans by SAR 4.3 million as of 31 December 2020G compared to 31 December 2019G.

6.6.2 ADC

6.6.2.1 Statement of Comprehensive Income

The following table sets out ADC's statement of comprehensive income for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.95: ADC's Statement of Comprehensive Income for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial year ended 31 December			Increase / decrease		CAGR (2018G2020G)
	2018G Audited	2019G Audited	2020G Audited	2018G-2019G	2019G-2020G	
Revenues	715,949	808,044	892,132	12.9%	10.4%	11.6%
Cost of Sales	(562,373)	(617,133)	(649,735)	9.7%	5.3%	7.5%
Gross Profit	153,576	190,911	242,397	24.3%	27.0%	25.6%
Selling and distribution expenses	(70,219)	(82,953)	(100,094)	18.1%	20.7%	19.4%
General and administrative expenses	(22,196)	(28,202)	(40,374)	27.1%	43.2%	34.9%
Impairment loss on financial assets	(2,048)	(154)	(1,652)	(92.5%)	971.9%	(10.2%)
Other Income	26	1,148	650	4,315.4%	(43.4%)	400.0%
Operating Profit	59,139	80,750	100,928	36.5%	25.0%	30.6%
Financing costs	(6,497)	(20,694)	(19,856)	218.5%	(4.0%)	74.8%
Profit before Zakat	52,643	60,057	81,072	14.1%	35.0%	24.1%
Zakat	(1,464)	(2,038)	(4,439)	39.2%	117.9%	74.1%
Profit for the year	51,178	58,019	76,633	13.4%	32.1%	22.4%
Re-measurements of post-employment benefit obligations	(545)	(1,994)	(6,320)	265.9%	217.0%	240.5%
Total comprehensive income for the year	50,633	56,025	70,312	10.6%	25.5%	17.8%
As a percentage of revenues						
Gross profit margin	21.5%	23.6%	27.2%			
Operating profit margin	8.3%	10.0%	11.3%			
Net profit margin	7.1%	7.2%	8.6%			
Fresh poultry (as a percentage of total revenue)	93.0%	90.4%	92.6%			

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from Group's information.

Revenues

Revenues increased by 12.9% from SAR 715.9 million in 2018G to SAR 808.0 million in 2019G, primarily due to an increase in the number of chickens sold during the year from 66.4 million chickens in 2018G to 75.9 million chickens in 2019G. This increase was attributed to ADC's reliance on its own sales channels instead of distributors, as a strategic direction for sale of ADC branded goods. The ban on import of Brazilian poultry during 2019G contributed to the increase in ADC sales of frozen chickens by SAR 19.5 million.

Revenues increased by 10.4% from SAR 808.0 million in 2019G to SAR 892.1 million in 2020G, primarily due to an increase in the number of chickens sold during the year from 75.9 million chickens in 2019G to 81.5 million chickens in 2020G. This increase was attributed to ADC's reliance on its own sales channels instead of distributors, as a strategic direction for sale of ADC branded goods, which contributed to raising the average selling price per bird by 2.4% during 2020G, compared to 2019G.

Cost of Sales

Cost of sales comprises costs of materials consumed, employee-related costs, rents, transportation and other expenses.

Cost of sales increased by 9.7% from SAR 562.3 million in 2018G to SAR 617.1 million in 2019G, driven primarily by the 12.9% increase in sales during the same period.

Cost of sales further increased by 5.3% from SAR 617.1 million in 2019G to SAR 649.7 million in 2020G, driven primarily by the 10.3% increase in sales during the same period.

Gross Profit

Gross profit increased from SAR 153.6 million in 2018G to SAR 190.9 in 2019G, and gross profit margin increased from 21.5% in 2018G to 23.6% in 2019G. The increase of gross profit margin is mainly attributed the decrease in the average cost per bird by 0.4% from SAR 7.68 in 2018G to SAR 7.65 in 2019G and the lower costs of raw materials as a result of falling prices of corn and soybeans.

Gross profit further increased from SAR 190.9 million in 2019G to SAR 242.4 million in 2020G. Moreover, gross profit margin increased from 23.6% in 2019G to 27.2% in 2020G, driven mainly by an increase in revenues by 10.3%, while the cost of revenue increased by 5.3% during the same period.

Selling and Distribution Expenses

Selling and distribution expenses increased by 18.1% from SAR 70.2 million in 2018G to SAR 83.0 million in 2019G, primarily due to the rise in employee-related costs following the 5.0% salary increase, in addition to the higher number of full-time employees totalling 59, with associated Government expenses related to residencies and recruitment expenses. This increase was also driven by an increase in the commission rate from 0.9% in 2018G to 1.1% in 2019G and depreciation on right-of-use assets.

Selling and distribution expenses further increased by 20.7% from SAR 83.0 million in 2019G to SAR 100.1 million during 2020G, primarily due to the rise in employee-related costs following the 5.0% salary increase, in addition to the higher number of full-time employees totalling 114, with associated Government expenses related to residencies and recruitment expenses as a result of expansion of the distribution network to include new areas in Abha, Makkah, Najran and Tabuk.

General and Administrative Expenses

General and administrative expenses increased by 27.1% from SAR 22.2 million in 2018G to SAR 28.2 million in 2019G, primarily due to the increase in expenses charged to ADC from 49.5% of the total sales in 2018G to 58.7% in 2019G, as a result of an expected increase in ADC's revenues in 2019G, in addition to ceasing to charge Dukan any general and administrative expenses.

General and administrative expenses further increased by 43.2% from SAR 28.2 million in 2019G to SAR 40.4 million in 2020G, primarily due to the increase in expenses charged by the Company to ADC from 65.0% of the total sales in 2019G to 70.9% in 2020G, as a result of an expected increase in ADC's revenues in 2020G.

Impairment Loss on Financial Assets

Impairment loss on financial assets decreased from SAR 2.0 million in 2018G to SAR 0.2 million in 2019G, due to a decline in receivables from non-Related Parties by SAR 4.8 million, which were 365 days past due, during 2019G.

In 2020G, impairment loss on financial assets increased by SAR 1.5 million, due to the recognition of specific provisions for customers being parties to ongoing legal disputes with ADC.

Other Income

Other income mainly constitutes poultry residuals sales. In 2019G, other income increased as a result of recognition of poultry residuals sales under 'cost of revenue'. Other income decreased during 2020G, as a result of recognition of production scrap under 'revenue'.

Operating Profit

Operating profit increased from SAR 59.1 million in 2018G to SAR 80.8 million in 2019G, since the operating profit margin improved from 8.3% in 2018G to 10.0% in 2019G. This increase is primarily due to the higher revenues during 2019G, together with the Company's collection of receivables, which contributed to reducing impairment loss on financial assets.

Operating profit increased from SAR 80.8 million in 2019G to SAR 100.9 million in 2020G, since the operating profit margin improved from 10.0% in 2019G to 11.3% in 2020G. Such increase is primarily driven by the increase in revenues in 2020G that exceeded the rise in total operating costs (cost of sales, selling and distribution expenses, general and administrative expenses, and impairment loss on financial assets) during 2020G.

Financing Costs

Financing costs increased by 218.5% from SAR 6.5 million in 2018G to SAR 20.7 million in 2019G, mainly due to a decline in the costs charged to Dukan from SAR 3.4 million in 2018G to SAR nil in 2019G, due to ceasing to charge a portion of financing costs to Dukan during 2019G. Furthermore, a cost of SAR 9.7 million has been recognised following the application of IFRS 16.

Financing costs decreased by 4.0% from SAR 20.7 million in 2019G to SAR 19.9 million in 2020G, primarily due to a decline in interest on short-term loans by SAR 1.2 million in 2020G and on lease liabilities by SAR 0.8 million in 2020G.

Zakat

Zakat expenses of ADC increased from SAR 1.5 million in 2018G to SAR 2.0 million in 2019G due to the increase in the net profit for the year from SAR 51.2 million in 2018G to SAR 58.0 million in 2019G.

Zakat expenses of ADC increased from SAR 2.0 million in 2019G to SAR 4.4 million in 2020G due to the increase in the net profit for the year from SAR 58.0 million in 2019G to SAR 76.6 million in 2020G.

Profit for the Year

Profit for the year increased by 13.4% from SAR 51.2 million in 2018G to SAR 58.0 million in 2019G, and the profit margin increased slightly from 7.1% in 2018G to 7.2% in 2019G. This increase is driven by the higher sales during the year, which was offset by an increase in financing costs, general and administrative expenses, and selling and distribution expenses.

Profit for the year increased by 32.1% from SAR 58.0 million in 2019G to SAR 76.6 million in 2020G, and the profit margin increased from 7.2% in 2019G to 8.6% in 2020G. This increase is driven by the higher sales during the year, combined with lower lease liabilities financing costs, which was offset by an increase in cost of sales, general and administrative expenses, selling and distribution expenses, impairment loss on financial assets and Zakat expenses.

(A) KPIs

The following table presents key performance indicators of ADC for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.96: ADC's KPIs for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December		
	2018G	2019G	2020G
Gross Profit Margin (%)	21.5%	23.6%	27.2%
Profit Margin from Operating Operations (%)	8.3%	10.0%	11.2%
Net Profit Margin (%)	7.1%	7.2%	8.6%
Return on Assets (%)	9.7%	7.5%	8.6%
Return on Equity (%)	37.8%	30.3%	29.3%
The Ratio of Current Assets to Current Liabilities	1.3	1.2	1.3
Liabilities to Equity	2.9	3.0	2.4

Source: The Group's information.

(B) Revenue

The following table sets out ADC's revenue by product for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.97: ADC's Revenue by Product for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G	2019G	2020G	2018G - 2019G	2019G - 2020G	2018G - 2020G
Whole Bird	497,934	548,316	601,421	10.1%	9.7%	9.9%
Portion	181,691	218,744	249,938	20.4%	14.3%	17.3%
Giblets	14,253	13,705	22,113	(3.8%)	61.3%	24.6%
Fresh Poultry	**693,878**	**780,765**	**873,472**	**12.5%**	**11.9%**	**12.2%**
Frozen Chicken	12,187	31,656	26,262	159.8%	(17.0%)	46.8%
Marinated Chicken	5,702	4,568	11,551	(19.9%)	152.9%	42.3%
Other Chicken Products	4,485	2,451	8,500	(45.4%)	246.8%	37.7%
Total Chicken Sales	**716,252**	**819,441**	**918,970**	**14.4%**	**12.1%**	**13.3%**
Feed	16,130	18,285	3,214	13.4%	(82.4%)	(55.4%)
Chicks and Hatching Eggs	10,908	23,932	15,604	119.4%	(34.8%)	19.6%
Cooked Meat	3,175	1,836	2,224	(42.2%)	21.1%	(16.3%)
Sales of Eggs for Eating	-	-	2,164	-	-	100.0%
Total Revenue	**746,465**	**863,494**	**942,991**	**15.7%**	**9.2%**	**12.4%**
Rebates and Delivery Fee	(30,516)	(55,450)	(50,859)	81.7%	(8.3%)	29.1%
Net Revenue	**715,949**	**808,044**	**892,132**	**12.9%**	**10.4%**	**11.6%**
% of Total Revenue						
Fresh Poultry	93.0%	90.4%	92.6%			
Frozen Chicken	1.6%	3.7%	2.8%			
Feed	2.2%	2.1%	0.3%			
Chicks and Hatching Eggs	1.5%	2.8%	1.7%			
Cooked Meat	0.4%	0.2%	0.3%			
Rebates and Delivery Fee	4.1%	6.4%	5.4%			

Source: The Group's information.

Fresh Poultry

Fresh poultry sales increased by 12.5% in 2019G compared to 2018G, driven by that ADC has taken several measures to increase the scale of production via improving the productivity of its bird rearing and hatching cycles. These measures included an increase in the number of broiler farms to convert more baby chicks for rearing into full broilers. Rebates and discounts offered to distributors, customers in the food and service and registration channels were increased to facilitate sales growth. Finally, ADC was able to sustain the low selling prices of fresh poultry prevailing in 2019G by introduction of cost optimisation measures within its value chain aimed at decreasing its cost of bird produced during the year.

In 2020G, sales of fresh poultry increased by 11.9% to SAR 873.5 million, compared to 2019G, due to customers' preference of fresh chicken over frozen chicken in the local market and the improvement in ADC's ability to boost production and access geographical areas such as Abha, Makkah, Najran and Tabuk, which contributed SAR 50.6 million of total sales in 2020G. The average selling price per bird increased by SAR 0.2, which contributed to an increase in sales by SAR 20.0 million.

Frozen Chicken

The Company sells frozen chicken, which represents the surplus production, after it meets market demand for fresh chicken. Frozen chicken sales increased in 2019G to SAR 31.7 million due to an increase in sales from SAR 1.8 million pieces at SAR 6.59 per piece in 2018G to SAR 4.7 million pieces at SAR 6.77 per piece in 2019G. This increase is mainly due to an increase in sales of SFPC to SAR 14.4 million in 2019G due to the ban on the importers of Brazilian frozen chicken.

Revenues of frozen chicken decreased in 2020G as a result of lower sales of SFPC following removal of the ban on import of frozen chicken from Brazil during 2020G, which allowed SFPC to import frozen chicken from Brazil at prices lower than that of ADC. This was offset by an increase in sales of frozen chicken to third parties from SAR 17.4 million in 2019G to SAR 25.5 million in 2020G, despite the fall in the number of chickens sold from 3.0 million birds in 2019G to 2.9 million birds during 2020G. This 2020G increase of third parties is attributed to higher sales of first-class chicken, which is sold at a higher price than the second-class chicken, compared to 2019G.

Marinated Chicken

In 2019G, revenue from marinated chicken decreased to SAR 4.6 million, compared to sales of SAR 5.7 million in 2018G, as a result of the Company's preference to focus on the principal activity (fresh poultry sales), which led to a decline in the number of chickens sold as marinated chicken from 710 thousand chickens in 2018G to 545 thousand chickens in 2019G. This was offset by an increase in the average selling price of marinated chicken by 4.4% during 2019G, as compared to 2018G.

Marinated chicken sales increased in 2020G to SAR 11.6 million due to the increase in the number of chickens sold to 1.3 million chickens, coupled with the increase in the average selling price per chicken by 4.7% during 2020G, as compared to 2019G. The Group believes that this category of sales has the potential to grow significantly. Therefore, the Executive Management sought to increase its share of the marinated chicken market by raising prices and promoting seasonings and flavours of the products sold by ADC.

Other Chicken Products

Other chicken products mainly constitute revenue from the sale of poultry residuals and scrap. Revenues from other chicken products decreased in 2019G to SAR 2.5 million, as compared to SAR 4.5 million in 2018G, mainly driven by the recognition of some of these revenues under 'Other Income' during 2019G.

Revenues from other chicken products increased as a result of the increase in revenue from the sale of poultry residuals and scrap during 2020G to SAR 8.5 million due to the Company's higher sales and production during 2020G, along with recognition of all poultry residuals sales under 'Revenue' in 2020G.

Feed

Feed sales increased by 13.4% from SAR 16.1 million in 2018G to SAR 18.3 million in 2019G, mainly due to an increase in the average selling price of feed to DHV and an increase in prices of corn and soybean in 2019G.

Revenue from feed decreased during 2020G to SAR 3.2 million, due to the lower quantities of feed surplus over production requirements and keeping the quantity of feed at a specified level for biosecurity-related reasons and to avoid disease spread.

Chicks and Hatching Eggs

Chicks and hatching eggs at an average represented 2.0% of ADC's total revenue during 2018G – 2020G.

Income from sale of chicks and hatching eggs increased by 119.4% from SAR 10.9 million in 2018G to SAR 23.9 million in 2019G as a result of expansion and improvement of the hatching facilities. The surplus production was sold to DHV.

Sales of chicks and hatching eggs decreased during 2020G compared to 2019G to SAR 15.6 million, driven by a decrease in the surplus of these chicks and eggs after the internal production needs of ADC were fulfilled.

Cooked Meat

Sales of cooked meat are not part of ADC's principal activity, and there are no sales representatives for this type of product. The Company secures any requirements for some of its current customers by purchasing them from SFPC, per their request. Revenue decreased from SAR 3.2 million in 2018G to SAR 1.8 million in 2019G, due to lower current customer demand. However, sales of cooked meat increased during 2020G as a result of higher demand for these products by some customers in 2020G.

Sales of Eggs for Eating

This product was introduced during Q4 of 2020G and is related to eggs sold to customers through supermarkets and stores. These sales amounted to SAR 2.2 million in 2020G.

Rebates and Delivery Fee

In 2018G, rebates and delivery fees of SAR 30.5 million included rebates of SAR 43.6 million against delivery fee income of SAR 13.1 million.

In 2019G, the Executive Management restructured rebates and delivery fee so that this item includes rebates only, and delivery fee income was reclassified under 'Cost of Revenue'. Rebates increased from SAR 43.6 million in 2018G to SAR 55.5 million in 2019G as a result of promotional cash-back deals that the Executive Management executed for customers as part of its efforts to increase sales.

In 2020G, rebates decreased to SAR 50.9 million, due to lower sales by distributors, which offer higher rebates as compared to other sales channels.

The following table sets out ADC's revenue by distribution channel for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.98: ADC's Revenue by Distribution Channel for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G	2019G	2020G	2018G - 2019G	2019G - 2020G	2018G - 2020G
Distributors	230,044	244,342	145,860	6.2%	(40.3%)	(20.4%)
Supermarkets	185,811	220,008	307,473	18.4%	39.8%	28.6%
Sales by Transport Vehicles	174,231	211,177	317,553	21.2%	50.4%	35.0%
QSRs	129,340	145,750	151,129	12.7%	3.7%	8.1%
Feed Sales	27,038	42,217	20,975	56.1%	(50.3%)	(11.9%)
Total Revenue	**746,465**	**863,494**	**942,991**	**15.7%**	**9.2%**	**12.4%**
Rebates	(30,516)	(55,450)	(50,859)	81.7%	(8.3%)	29.1%
Revenue by Audited Financial Statements	**715,949**	**808,044**	**892,132**	**12.9%**	**10.4%**	**11.6%**
% of Total Revenue						
Distributors	30.8%	28.3%	15.5%			
Supermarkets	24.9%	25.5%	32.6%			
Sales by Transport Vehicles	23.3%	24.5%	33.7%			
QSRs	17.3%	16.8%	16.0%			
Feed and Veterinary Services	3.6%	4.9%	2.2%			

Source: The Group's information.

The Company sells goods through five distribution channels, depending on external parties, as follows:

Distributors

Distributors' sales at an average represented 24.9% of ADC's total revenue during 2018G and 2020G.

Distributors' sales increased during 2019G by 6.2% compared to 2019G due to increased sales of each distributer. It should be noted that the number of distributors decreased to 21 distributors, due to the Company's focus on improving its sales through its distribution channels, which enables the Company to have more control over the sales network. ADC continued implementing its strategy to focus on improving its sales through its distribution channels, which led to a decrease in distributors' sales to SAR 145.9 million during 2020G, and a decrease in the number of distributors from 21 distributors in 2019G to 14 distributors in 2020G.

Supermarkets

Sales to supermarkets at an average represented 27.7% of ADC's total revenue in 2018G to 2020G.

The increase in sales from SAR 185.8 million in 2018G to SAR 220.0 million during 2019G and then to SAR 307.5 million was driven by the high demand for fresh chickens and the increase in the average selling price of the bird by SAR 0.44 during 2019G, compared to 2018G, and SAR 0.06 during 2020G, compared to 2019G, coupled with the increase in the number of birds sold by 1.8 million birds during 2019G and 5.2 million birds during 2020G. The increase in the number of birds and the revenues of supermarkets was driven by the Company's more focus on this channel than the distributors' channel.

Sales by Transport Vehicles

Sales by transport vehicles increased to SAR 211.2 million during 2019G, due to higher bird sales through this channel. This was offset by the low rate of the bird's selling price during the year due to strong competition in the fresh chicken market.

Sales through this channel increased during 2020G by 50.4% to SAR 317.6 million, due to the decrease in distributors' sales, the focus on the sales channel through transport vehicles, and expansion of the distribution network to include new areas such as Abha, Makkah, Najran and Tabuk, which contributed to the sale of 3.4 million birds during 2020G. This was coupled with customers' preference to buy fresh chicken instead of buying ready-made meals from QSRs and the higher bird price for sales by transport vehicles during 2020G.

QSRs

QSRs at an average represented 16.7% of ADC's total revenue in 2018G to 2020G. Sales to QSRs increased during 2019G by 12.7% due to an increase in sales of SFPC to SAR 14.4 million during 2019G. This increase was offset by a decrease in the average price per bird in 2019G compared to the average price per bird in 2018G.

Revenue from QSRs increased slightly to SAR 151.1 million in 2020G, compared to 2019G, as a result of the expansion of the customer network in Makkah, which contributed additional revenue of SAR 3.5 million in 2020G, and in the south, which contributed additional revenue of SAR 1.5 million in 2020G.

Revenue by Geography

The following table sets out ADC's revenue by geography for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.99: ADC's Revenue by Geography for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G	2019G	2020G	2018G - 2019G	2019G - 2020G	2018G - 2020G
Kingdom Sales (Fresh Poultry and Other Poultry Sales)	639,070	734,791	807,799	15.0%	9.9%	12.4%
GCC (Export Sales)	72,697	82,199	103,486	13.1%	25.9%	19.3%
Other Chicken Sales (Feed, Chicks and Cooked Meat) - Kingdom	34,698	46,504	31,705	34.0%	(31.8%)	(4.4%)
Total Revenue	**746,465**	**863,494**	**942,991**	**15.7%**	**9.2%**	**12.4%**
Rebates and Delivery Fee	(30,516)	(55,450)	(50,859)	81.7%	(8.3%)	29.1%
Net Revenue	**715,949**	**808,044**	**892,132**	**12.9%**	**10.4%**	**11.6%**
Revenues from the Biggest Five Customers	33.2%	22.4%	18.1%			

Source: The Group's information.

The Kingdom is the largest market in the GCC for fresh poultry products and other chicken sales and represented on average 85.5% of fresh poultry total revenue during the period of 2018G – 2020G. Sales in Riyadh, Jeddah and Dammam represented 28.4%, 16.0% and 13.5% of total revenue, respectively, for 2018G to 2020G.

Sales in the Kingdom increased from SAR 639.1 million in 2018G to SAR 807.8 million in 2020G, as the management activated sales through the expansion of coverage by sales representatives, increasing their numbers along with the sales target for each representative within the regions in which ADC operates and expanding to new geographical regions within the country. ADC has branches in Riyadh, Jeddah and Dammam, which ensures the presence of ADC in the central, western and eastern regions of the country.

Riyadh, Jeddah and Dammam represent 30.1%, 18.7% and 14.5% of sales respectively during 2020G. The increase in sales volume in Riyadh was driven by increased presence and awareness of trademark in the region.

GCC Sales

GCC sales during the period 2018G — 2020G comprised export sales to Bahrain and UAE. Revenue from GCC sales increased from SAR 72.7 million in 2018G to SAR 103.5 million in 2020G, driven by the following reasons:

Bahrain sales increased from SAR 72.5 million in 2018G to SAR 102.3 million in 2020G, driven by the higher demand for fresh products by customers. Sales of ADC in the UAE increased from SAR 0.2 million to SAR 1.2 million in 2020G, due to the recovery of the Company's operations in UAE.

(C) Cost of Revenue

The following table sets out ADC's cost of revenue for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.100: ADC's Cost of Revenue for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G - 2020G	2018G - 2020G
Materials Consumed	329,853	340,560	342,052	3.2%	0.4%	1.8%
Employee-Related Costs	116,303	153,202	174,079	31.7%	13.6%	22.3%
Rent	35,621	4,021	6,822	(88.7%)	69.7%	(56.2%)
Utilities	20,902	24,263	22,459	16.1%	(7.4%)	3.7%
Travel and Transportation	31,996	34,313	36,377	7.2%	6.0%	6.6%
Amortisation of Property, Plant and Equipment	9,395	10,332	12,247	10.0%	18.5%	(14.7%)
Depreciation on Right-of-Use Assets	-	35,575	39,617	100.0%	11.4%	N/A
Repairs and Maintenance	9,282	8,035	6,893	(13.4%)	(14.2%)	(13.8%)
Insurance	1,684	1,860	2,022	10.5%	8.7%	9.6%
Amortisation	188	189	50	0.5%	(73.5%)	(48.4%)
Others	7,148	4,785	7,116	(33.1%)	48.7%	(0.2%)
Total Cost of Revenue	**562,373**	**617,133**	**649,735**	**9.7%**	**5.3%**	**7.5%**
As a Percentage of Net Revenue						
Materials Consumed	46.1%	42.1%	38.3%			
Employee-Related Costs	16.2%	19.0%	19.5%			
Depreciation on Right-of-Use Assets	-	4.4%	4.4%			
Rent	5.0%	0.5%	0.8%			
Cost of Revenue	78.5%	76.4%	72.8%			

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Materials Consumed

Materials consumed consisted of the cost of breeder chicks, cost of grains, medication, vaccinations, other feed additives and consumables used during the rearing of broilers, as well as breeder flock.

During 2019G, the costs of materials consumed increased by 3.2%, compared to 2018G, up to SAR 340.6 million, driven by the increased quantity of soybeans and corn used in production, coupled with higher chicken production and sales and egg production for 2019G compared to 2018G.

During 2020G, the costs of materials consumed increased by 4.0%, compared to 2019G, up to SAR 342.1 million, driven by the increased quantity of soybeans and corn used in production, coupled with higher chicken production and sales and egg production for 2020G compared to 2019G.

Employee-Related Costs

Employee-related costs increased by 34.8% from SAR 86.3 million in 2018G to SAR 116.3 million in 2018G due to the following factors:

- an increase in the number of staff under contractual arrangements in 2018G to support an increase in and sales production volumes during the year; and
- an increase in production incentives corresponding to an increase in production volumes and discretionary management bonuses during 2018G.

Employee-related costs increased by 31.7% in 2019G to SAR 153.2 million due to the following reasons:

- average annual salary increases of 5% and an increase in bonuses provided due to increase in production level;
- rise in the numbers of employees during this year by 13 employees;
- increase in costs related to Government expenses in relation to accommodation costs, along with an increase in the number of employees of the Company;
- increased costs related to overtime as a result of higher production rates; and
- increased costs of health insurance for employees due to change of the insurance company and an increase in the number of employees.

In 2020G, employee-related costs increased by 13.6% to SAR 174.1 million for the following reasons:

- the average annual salary increases by 5%, combined with higher bonuses as a result of the growing production;
- the number of workers increased by 374 workers;
- the number of employees increased during this year by 32 employees; and
- Government expenses pertaining to residencies increased by SAR 1.4 million, in line with the increase in the number of the Company's employees.

Costs related to procurement of employees' supplies in production facilities (food and prevention supplies) for the purpose of protection against Covid-19 increased by SAR 1.4 million.

Rent

Rent primarily includes annual rents of broiler and breeder farms, the hatcheries, the processing lines in the Kingdom and the warehouses.

Rent expenses decreased by 88.7% to SAR 4.0 million in 2019G from SAR 35.6 million in 2018G, primarily due to the adoption of IFRS 16, whereby rental locations were capitalised as of 1 January 2019G onwards and the expenses known as "depreciation on right-of-use assets" replaced the rent expenses, which represented 35.6 million in 2019G. The remaining amount constitutes rent expenses in connection with the rent of buildings and farms that are not included in IFRS 16.

Rent expenses increased by 69.7% to SAR 6.8 million during 2020G compared to SAR 4.0 million during 2020G, due to an increase in the number of rented machines during 2020G, coupled with the increase in sales of ADC in addition to an increase in the number of farms and the renewal of expired contracts. These contracts were not recognised under right-of-use assets due to the nature of these short-term contracts that do not fulfil the necessary conditions to be part of the right-of-use assets.

Utilities

Utilities primarily consist of fresh water, electricity, fuel for power and other costs.

Utility costs increased by 16.1% in 2019G due to an increase in electricity and water expenses, driven by the rise in production as a result of operating several shifts in production utilities to cope up with the rise in market demand. In addition, five new power lines were added in 2019G.

Utilities decreased by 7.4% during 2020G to SAR 22.5 million, driven by the installation of equipment to extract water from wells instead of purchasing fresh water and using generators for power generation. Conversely, the expenses related to diesel oil used for power generation increased during 2020G.

Travel and Transportation

Travel and transportation costs include transportation of feed to breeder and broiler farms, transportation of eggs from breeder farms to hatcheries, transportation of baby broiler chicks from hatcheries to broiler farms, transportation of broilers from broiler farms to processing lines, transportation cost of sewage and waste removal.

Travel and transportation costs increased by 7.2% during 2019G to reach SAR 34.3 million, mainly due to an increase in sales and production regarding the costs of unclear water removal and transport of goods between facilities at a value of SAR 4.3 million, which was offset by decrease in rent expenses related to cars due to the application of the IFRS 16.

Travel and transportation costs increased by 6.0% during 2020G to SAR 36.4 million, mainly due to the increase in sales and production and the increase in the good transportation costs as a result of expanding the distribution network to reach a larger group of customers.

Depreciation Related to the Right to Use Assets

Depreciation increased by SAR 35.6 million in relation to the right-of-use assets as a result of the application of IFRS 16 in 2019G.

Depreciation on right-of-use assets increased during 2020G by SAR 4.0 million, driven by the increase in the value of right-of-use assets as of 31 December 2020G to SAR 168.3 million, compared to SAR 154.4 million as of 31 December 2019G.

Repairs and Maintenance

Repair and maintenance costs decreased in 2019G to SAR 8.0 million, due to there being no as much breakdowns as in 2018G.

During 2020G, repairs and maintenance costs decreased to SAR 6.9 million due to lower breakdowns of equipment and property related to production during 2020G compared to 2019G.

Others

Other expenses include laboratory expenses, cleaning materials, trays for chicken transport, sterilisation and prevention materials, and other expenses.

Other expenses decreased in 2019G due to reclassification of customs expenses from other expenses to materials consumed in 2019G, which amounted to SAR 4.3 million. This was offset by an increase in laboratory and sterilisation expenses of SAR 1.5 million, in line with the increase in production rates.

Other expenses increased during 2020G to SAR 2.3 million, mainly due to the increase in expenses related to preventative measures to curb the COVID-19 pandemic.

(D) Gross Profit

The following table sets out ADC's gross profit for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.101: ADC's Gross Profit for the Financial Years ended 31 December 2018G,2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G - 2020G	2018G - 2020G
Net Revenue	715,949	808,044	892,132	12.9%	10.4%	11.6%
Cost of Revenue	(562,373)	(617,133)	(649,735)	9.7%	5.3%	7.5%
Gross Profit	**153,576**	**190,911**	**242,397**	**24.3%**	**27.0%**	**25.6%**
Gross Profit Margin	21.5%	23.6%	27.2%			

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

ADC's gross profit increased by 24.3% to SAR 190.9 million in 2019G mainly due to the gross profit margins of chicken, which represented 98.3% of ADC's gross profit in 2019G.

The gross profit margin increased from 21.5% in 2018G to 23.6% in 2019G, primarily due to the expansion of the ADC's operations in new locations (Khamis Mushait, Bisha, Abha, Al Qassim) and the low cost of materials consumed as a percentage of net revenue from 46.1% in 2018G to 42.1% in 2019G. The ban on import of frozen chicken to the Kingdom increased demand for local products. Therefore, this had a positive impact on local producers, including the Company, which led to higher demand and higher prices.

ADC's gross profit increased by 27.0% to SAR 232.4 million in 2020G, mainly due to the gross profit margins of fresh chicken, accounting for 99.3% of ADC's gross profit in 2020G.

Gross profit margin increased from 23.6% in 2019G to 27.2% in 2020G, primarily due to the increase in ADC's sales by 10.4% during 2020G, while the cost of revenue increased by 5.3% during the same year.

(E) **Selling and Distribution Expenses**

The following table sets out ADC's selling and Distribution expenses for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.102: ADC's Selling and Distribution Expenses for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G - 2020G	2018G - 2020G
Employee-Related Costs	25,295	30,645	43,798	21.2%	42.9%	31.6%
Travel and Transportation	24,180	19,393	21,405	(19.8%)	10.4%	(5.9%)
Sales Commission	6,823	9,499	10,788	39.2%	13.6%	25.7%
Rent	4,646	1,920	2,542	(58.7%)	32.4%	(26.0%)
Advertising and Sales Promotion	1,476	4,790	2,595	224.5%	(45.8%)	32.6%
Depreciation of Property, Plant and Equipment	1,174	1,326	1,835	12.9%	38.4%	25.0%
Utilities	711	837	779	17.7%	(6.9%)	4.7%
Depreciation on Right-of-Use Assets	-	5,582	8,176	100.0%	46.5%	n/a
Insurance	1,159	1,020	824	(12.0%)	(19.2%)	(15.7%)
Repairs and Maintenance	1,039	961	832	(7.5%)	(13.4%)	(10.5%)
Others	3,714	6,979	6,519	87.9%	(6.6%)	32.5%
Total Selling and Distribution Expenses	**70,219**	**82,953**	**100,094**	**18.1%**	**20.7%**	**19.4%**
As a Percentage of Net Revenue						
Employee-Related Costs	3.5%	3.8%	4.9%			
Transportation and Travel	3.4%	2.4%	2.4%			
Rent	1.0%	1.2%	1.2%			
Sales Commission	0.6%	0.2%	0.3%			
Selling and Distribution Expenses	9.8%	10.3%	11.2%			

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Employee-Related Costs

Employee-related costs also increased by 21.2% from SAR 25.3 million during 2018G to SAR 30.6 million during 2019G, mainly due to the annual increase in employee salaries by 5%, an increase in bonuses due to increased employee performance and productivity, an increase in Government expenses related expatriate employees with regard to accommodation costs, and an increase of 59 employees in 2019G.

Employee-related costs further increased by 42.9% from SAR 30.6 million in 2019G to SAR 43.8 million during 2020G, mainly due to the annual increase in employees' salaries by 5% and the increase in the number of employees by 114 employees during 2020G.

Transportation and Travel

Travel and transportation costs decreased by SAR 4.8 million to SAR 19.4 million in 2019G, mainly due to adoption of IFRS 16, whereby vehicle rent expenses were replaced by depreciation on right-of-use assets, with rent capitalised for periods starting from 1 January 2019G.

Transportation and travel costs increased by SAR 2.0 million to SAR 21.4 million during 2020G, driven by the increase in sales of ADC and the expansion of the distribution network to new distribution areas.

Sales Commission

Sales commission increased by 39.2% to SAR 9.4 million in 2019G, due to the increase in the Company's revenue during 2019G.

Sales commission increased by 13.6% to SAR 10.8 million in 2020G, driven by an increase in revenue of ADC during 2020G by 10.3% during the same year.

Rent

Rent expenses decreased by SAR 2.7 million between 2018G and 2019G, mainly due to a change in their classification under IFRS 16, whereby rental locations were capitalised as of January 2019G onwards and the expenses known as "depreciation on right-of-use assets" replaced the rent expenses.

Rent expenses increased by SAR 0.6 million between 2019G and 2020G, mainly driven by reclassification of a storage facility contract from right-of-use assets to rent expenses due to renewal of the contract for one year and the increase in the number of leased facilities in the new areas to which ADC expanded during 2020G.

Advertising and Sales Promotion

Advertising and sales promotion expenses increased by SAR 3.3 million in 2019G, due to the increase in promotional activities, especially on social media platforms, in order to raise awareness of the ADC's brand.

Advertising and sales promotion expenses decreased by SAR 2.2 million during 2020G, due to the decrease in promotional activities, especially on media platforms, compared to 2019G.

Depreciation on Right-of-Use Assets

Depreciation on right-of-use assets increased due to the application of IFRS 16 and capitalisation of the rental location as of January 2019G onwards, and the expenses known as "depreciation on right-of-use assets" replaced the rent expenses. Depreciation was SAR 5.6 million in 2019G and SAR 8.2 million in 2020G.

Other Costs

Other costs mainly include sales incentive and costs of containers used in transport of chicken and production materials from one site to another.

Other costs increased by 76.7% from SAR 3.7 million in 2018G to SAR 7.0 million during 2019G, mainly due to high costs of transport boxes concurrent with the increase in production and sales and costs related to incorporation of ADC in Bahrain.

Other costs decreased by 8.2% from SAR 7.0 million during 2020G to SAR 6.5 million, primarily due to the decrease in costs related to the incorporation of ADC in Bahrain, which was offset by an increase in costs related to the preventative measures of the COVID-19 pandemic.

(F) General and Administrative Expenses

The following table sets out ADC's general and administrative expenses for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.103: ADC's General and Administrative Expenses for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G - 2020G	2018G - 2020G
Indirect Costs Recharged by the Parent Company	20,914	26,998	38,755	29.1%	43.5%	36.1%
Professional Fees	642	511	937	(20.4%)	83.4%	20.8%
Others	641	694	682	8.3%	(1.7%)	3.1%
Total General and Administrative Expenses	**22,196**	**28,202**	**40,374**	**27.1%**	**43.2%**	**34.9%**
As a Percentage of Net Revenue						
Cost of Shared Services	2.9%	3.3%	4.3%			
Professional Fees	0.1%	0.1%	0.1%			
General and Administrative Expenses	3.1%	3.5%	4.5%			

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Indirect Costs Recharged by the Parent Company

Indirect Costs Recharged by the Company represented 96.0% of the total general and administrative expenses in 2020G. The Company is the parent company that carries out all the shared services of its Subsidiaries, including human resource services, finance, and information technology. ADC distributes such expenses to its Subsidiaries based on the percentage previously agreed by the managements of ADC and the Group's Subsidiaries. These percentages mainly depend on the Group's inter-company sales, and the Company distributes these expenses plus 1.0% profit margin to the actual costs.

ADC distributes these costs based on a percentage agreed upon by the Group's Subsidiaries at the beginning of the year.

Indirect expenses recharged by the Company increased from SAR 20.9 million in 2018G to SAR 27.0 million in 2019G, due to the increase in the percentage charged by the Company from 49.5% in 2018G to 58.7% in 2019G, in line with the increase in ADC's revenue in 2019G, compared to 2018G.

Indirect expenses recharged by the Company increased from SAR 27.0 million in 2019G to SAR 38.8 million in 2020G, due to the increase in the percentage charged by the Company from 65.0% in 2019G to 70.9% in 2020G, in line with the increase in ADC's revenue in 2020G, compared to 2019G.

Professional Fees

Professional fees include external audit fees, IFRS adoption and VAT implementation, and other professional fees.

Professional fees decreased by SAR 131 thousand due to lower consultancy fees, as consultants were recruited in 2018G for the purpose of implementation of VAT, which is currently being implemented by existing employees.

Professional fees increased by SAR 426 thousand due to the appointment of an arbitrator by the Group to pursue legal cases related to outstanding receivables and audit-related costs of ADC in Bahrain.

(G) Other Operating Income and Expenses

The following table sets out the ADC's other operating income and expenses for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.104: ADC's Other Operating Income and Expenses for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G - 2020G	2018G - 2020G
Impairment Loss on Financial Assets	(2,048)	(154)	(1,652)	(92.5%)	972.7%	972.7%
Other Income	26	1,148	650	4,315.4%	(43.4%)	(43.4%)

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Impartment Loss on Financial Assets

An impairment loss on financial assets relates to impairment of trade receivables as of 31 December 2018G, 2019G and 2020G. At each reporting date, ADC assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The impairment loss on financial assets in 2019G decreased by 92.5%, mainly due to a decrease in trade receivables from external parties, as receivables that were not collected for more than 365 days decreased by SAR 4.8 million in 2019G.

Impairment loss on financial assets increased by 972.7% in 2020G, mainly driven by a provision of SAR 1.6 million during 2020G for some customers who have legal disputes with the Company.

Other Income

Other income, mainly related to the sale of poultry residuals and scrap following slaughter, along with the profit or loss resulting from the exclusion of properties and equipment.

Other income increased from SAR 26 thousand in 2018G to SAR 1.1 million in 2019G, mainly due to the sale of poultry residuals and scrap sales.

Other income decreased from SAR 1.1 million during 2019G to SAR 650 thousand in 2020G, mainly due to the recognition of the sale of poultry residuals and scrap sales under revenues in 2020G. However, it was recognised under other income during 2019G.

(H) Net Profit

The following table sets out ADC's net profit for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.105: ADC's Net Profit for the Financial Years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G - 2020G	2018G - 2020G
Operating Profit (Loss)	59,139	80,750	100,928	36.5%	25.0%	30.6%
Finance Charges	(6,497)	(20,694)	(19,856)	218.5%	(4.0%)	74.8%
Profit (Loss) Before Zakat	52,643	60,057	81,072	14.1%	35.0%	24.1%
Zakat	(1,464)	(2,038)	(4,439)	39.2%	117.8%	74.1%
Net Profit (Loss)	51,178	58,019	76,633	13.4%	32.1%	22.4%
Re-Measurements of Post-Employment Benefits Obligations	(545)	(1,994)	(6,320)	265.9%	217.0%	240.5%
Total Comprehensive Income	**50,633**	**56,025**	**70,312**	**10.6%**	**25.5%**	**17.8%**
As a Percentage of Net Revenue						
Operating Profit Margin	8.3%	10.0%	11.3%			
Net Profit Margin	7.1%	7.2%	8.6%			

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Finance Charges

The following table sets out the finance charges of ADC for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.106: ADC's Finance Charges for the financial years ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial Year Ended 31 December			Increase/ Decrease		CAGR
	2018G Audited	2019G Audited	2020G Audited	2018G - 2019G	2019G-2020G	2018G-2020G
Interest on Short-Term Loans	9,534	10,047	8,872	5.4%	(11.7%)	(3.5%)
Interest on Rental Liabilities	-	9,670	8,864	100.0%	(8.3%)	N/A
Due from Related Parties	283	279	339	(1.4%)	21.5%	9.5%
Charged to an Associate	(3,407)	-	-	(100.0%)	-	(100.0%)
Others	87	699	1,781	703.4%	154.8%	352.5%
Total Finance Charges	**6,497**	**20,694**	**19,856**	**218.5%**	**(4.0%)**	**74.8%**
As Percentage of Total Finance Charges						
Interest on Short-Term Loans	146.7%	48.6%	44.7%			
Interest on Rental Liabilities	-	46.7%	44.6%			
Charged to an Associate	4.4%	1.3%	1.7%			
Charged to an Associate	(52.4%)	-	-			
Others	1.3%	3.4%	9.0%			

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Finance charges include the cost of bank loans to fund ADC's working capital requirements, less interest income related to the borrowing to Qeemah and Dukan for Groceries Company.

Finance charges increased by SAR 218.5% from SAR 6.5 million in 2018G to SAR 20.7 million in 2019G, mainly due to a decrease in fees charged to Dukan from SAR 3.4 million in 2019G to SAR zero in 2019G due to cessation of charging finance charges during 2019G. In addition, the application of IFRS 16 led to costs of SAR 9.7 million, due to ADC ceasing to charge the finance charges during 2018G. Instead, they are charged by the Company.

Finance charges decreased by 4.0% from SAR 20.7 million in 2019G to SAR 19.9 million in 2020G, primarily due to a decline in interest on short-term loans by SAR 1.2 million in 2020G and interest on lease liabilities by SAR 0.8 million in 2020G. Other finance charges increased due to a loss on exchange difference of SAR 0.6 million and administrative expenses of SAR 0.3 million related to loan obtained from the Arab Banking Corporation Bank.

Zakat

Zakat expenses of ADC increased from SAR 1.5 million in 2018G to SAR 2.0 million in 2019G due to the increase in the net profit for the year from SAR 51.2 million during 2018G to SAR 58.0 million during 2019G.

Zakat expenses of ADC increased from SAR 2.0 million in 2019G to SAR 4.4 million in 2020G due to the increase in the net profit for the year from SAR 58.0 million in 2019G to SAR 76.6 million in 2020G.

Net Profit

Net profit margin increased from 7.1% in 2018G to 7.2% in 2019G during the same period as a result of increase in sales volumes of fresh poultry in 2019G and cost optimisation measures implemented by ADC.

Net profit margin increased from SAR 7.2% in 2019G to SAR 8.6% during 2020G, due to the higher fresh poultry sales through all distribution channels and the lower in finance charges.

(I) Related Party Transactions

The following table sets out ADC's Related Party transactions during the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.107: ADC's Related Party Transactions for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Financial year ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Sales to an Associate	47,814	72,182	39,255
Purchases from an Associate	29,195	31,690	28,199
Financial Expenses from a Related Party	3,407	-	-
Employee Related Costs Paid to an Associate	8,106	5,639	3,212
Indirect Expenses Charged by the Parent Company	20,914	26,998	38,755
Finance Charges Recharged by the Parent Company	283	279	339
Employee Benefits Obligations Transferred by Related Parties	-	-	2,260
Transfer of Property, Plant and Equipment by a Related Party	-	11	-
As a Percentage of Net Revenue			
Sales to Related Parties as a Percentage of Net Revenue	6.7%	8.9%	4.4%
Purchases from Related Parties as a Percentage of Total Purchases	6.3%	6.3%	3.7%

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

Sales to Associates

The percentage of the Company's sales to Associates, including DHV, SFPC, and Dukan, out of the total net revenue increased from 6.7% (SAR 47.8 million) in 2018G to 8.9% (SAR 72.2 million) in 2019G due to the increase in sales to DHV in relation to the sale of broilers and hatching eggs. The sales of broilers and hatching eggs represent the ADC's surplus production following satisfaction of the internal needs, which DHV sells to third parties. The increase in sales to SFPC also contributed to the sale of chicken used in production. Sales increased to SFPC due to the ban on importing frozen products from Brazil on which SFPC relied on in production.

The percentage of sales to Associates out of the total net revenue decreased from 8.9% (SAR 72.2 million) in 2019G to 4.4% (SAR 39.3 million) in 2020G, due to the decrease in sales of broiler chickens and hatching eggs to DHV. The sales of broilers and hatching eggs represent the ADC's surplus production following satisfaction of the internal needs, which DHV sells to third parties.

Purchases from an Associate

ADC purchases animal health products from DHV, the purchase of further processed products from SFPC and PFF, the cost of shared services from the Company and interest charged to Qeemah and Dukan for Groceries Company.

Purchases from Associates increased from SAR 29.2 million in 2018G to SAR 31.7 million in 2019G, due to the high purchases from DHV of animal health products and treated materials in addition to higher production. Purchases decreased during 2020G to SAR 28.2 million, due to lower purchases by DHV after being unable to import one of the products manufactured in Turkey.

Financial Expenses from a Related Party

ADC used to finance Dukan's working capital needs, and in return, charge Dukan some financing costs, which amounted to SAR 3.4 million in 2018G. ADC ceased to charge Dukan these financial costs during 2019G and 2020G after the carve-out of Dukan from the Group.

Employee Related Costs Paid to an Associate

Employee related costs paid to an Associate represent the employee services provided to ADC by SAED International, which outsources employees to ADC to help meet production needs. The expenses decreased in 2019G to SAR 5.6 million due to the decrease in the number of employees appointed by the Associate compared to 2018G.

These costs further decreased to SAR 3.2 million during 2020G, due to ADC's reliance on third parties instead of Associates for these services during 2020G.

Indirect Expenses Charged by the Parent Company

Indirect Expenses Charged by the Parent Company represent the expenses charged to ADC by the Company in exchange for the services of the Head Office. Expenses increased from SAR 20.9 million in 2018G to SAR 27.0 million in 2019G due to the increase in the total general expenses at the level of the Company due to the higher employee related costs and the costs that were incurred by the Group for Dukan being distributed to the other companies of the Group, which in turn contributed to the increase in ADC's share of these expenses charged by ADC.

Indirect expenses charged by the Parent Company increased from SAR 27.0 million in 2019G to SAR 38.8 million due to the increase in the total general expenses at the level of the Company and the increase in the percentage charged to ADC as a result of the increase in the percentage of ADC's revenue to the Group's the total revenues from 70.5% in 2019G to 73.6% in 2020G.

6.6.2.2 Statement of Financial Position

The following table sets out ADC's statement of financial position as of 31 December 2018G, 2019G and 2020G:

Table 6.108: ADC's Statement of Financial Position as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Cash and Cash Equivalents	9,081	12,584	18,136
Trade and Other Receivables	263,328	350,712	381,904
Inventories	78,025	78,428	79,395
Biological Assets	54,045	52,351	81,554
Prepayments and Other Receivables	57,458	50,058	65,112
Total Current Assets	**461,937**	**544,133**	**626,101**
Property, Plant and Equipment	67,783	75,968	89,440
Intangible Assets	569	379	874
Right-of-Use Assets	-	154,387	168,348
Total Non-Current Assets	**68,351**	**230,733**	**258,663**
Total Assets	**530,288**	**774,866**	**884,763**
Loans	163,320	200,974	204,041
Trade Payables	153,331	148,799	140,841
Accruals and Other Liabilities	46,291	43,274	75,473
Lease Liabilities	-	48,131	48,586
Zakat Provision	3,334	3,903	6,263
Total Current Liabilities	**366,276**	**445,081**	**475,204**
Employee Benefit Obligations	28,657	33,823	47,301
Lease Liabilities	-	104,581	100,565
Total Non-Current Liabilities	**28,657**	**138,404**	**147,866**
Total Liabilities	**394,933**	**583,485**	**623,070**
Capital	20,000	20,000	20,000
Statutory Reserve	6,256	6,256	6,256
Retained Earnings	109,099	165,125	235,437
Total Equities	**135,355**	**191,381**	**261,693**
Total Liabilities and Equity	**530,288**	**774,866**	**884,763**
KPIs			
Days Sales Outstanding (DSO) – Including Related Parties	134	158	157
Days Inventory Outstanding (DIO)	51	46	45
Days Payable Outstanding (DPO)	100	88	79

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the percentages derived from the Group's information.

(A) Assets

(i) Current Assets

The following table sets out ADC's current assets as of 31 December 2018G, 2019G and 2020G:

Table 6.109: ADC's Current Assets as of 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Cash and Cash Equivalents	9,081	12,584	18,136
Trade and Other Receivables	263,328	350,712	381,904
Inventories	78,025	78,428	79,395
Biological Assets	54,045	52,351	81,554
Prepayments and Other Receivables	57,458	50,058	65,112
Total Current Assets	**461,937**	**544,133**	**626,101**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Cash and Cash Equivalents

The following table sets out the ADC's cash and cash equivalents as of 31 December 2018G, 2019G and 2020G:

Table 6.110: ADC's Cash and Cash Equivalents as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Cash at Banks	6,553	9,819	14,549
Cash in Hand	2,528	2,765	3,587
Total Cash and Cash Equivalents	**9,081**	**12,584**	**18,136**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Cash and cash equivalents increased from SAR 9.1 million as of 31 December 2018G to SAR 12.6 million as of 31 December 2019G. This is primarily attributed to the increase in earnings before Zakat from SAR 52.6 million in 2018G, to SAR 60.1 million during 2019G. For further details on the cash balances, refer to the statement of cash flows in Section 6.6.1.3 (**Statement of Cash Flows**).

Cash and cash equivalents increased from SAR 12.6 million as of 31 December 2019G to SAR 18.1 as of 31 December 2020G, mainly due to the increase in profits before Zakat from SAR 60.1 million in 2019G to SAR 81.1 million during 2020G. For details on cash movement, see the statement of cash flows in Section 6.6.1.3 (**Statement of Cash Flows**).

Trade and Other Receivables

The following table sets out ADC's trade and other receivables as of 31 December 2018G, 2019G and 2020G:

Table 6.111: ADC's Trade Receivables as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Trade Receivables	71,412	76,019	90,670
Dues from Related Parties	197,100	277,186	295,248
Less: Provision for Impairment of Receivables	(5,184)	(2,493)	(4,014)
Total Trade and Other Receivables	**263,328**	**350,712**	**381,904**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Trade and other receivables increased in 2019G by SAR 87.4 million to SAR 350.7 million. The reason for this increase was due to an increase in receivables from the Related Parties from SAR 197.1 million as of 31 December 2018G to SAR 277.2 million as of 31 December 2019G. Such increase was driven by an increase in the receivables of SAR 55.0 million from Dukan. This was offset by an increase in trade receivables from SAR 71.4 million as of 31 December 2018G to SAR 76.0 million as of 31 December 2019G. Such increase was driven by an increase in the Company's sales in 2019G.

Trade and other receivables increased in 2020G by SAR 31.2 million to SAR 381.9 million, driven by the increase in receivables from the Related Parties from SAR 277.2 million as of 31 December 2019G to SAR 295.2 million as of 31 December 2020G. This increase was due to:

- an increase in receivables from Dukan by SAR 24.6 million, offset by a decline in receivables from PFF by SAR 4.6 million during 2020G;
- an increase in trade receivables from third parties from SAR 76.0 million as of 31 December 2019G to SAR 90.7 million as of 31 December 2020G, driven by higher sales during 2020G.

The following table sets out the analysis of ADC's trade receivables ageing as of 31 December 2018G, 2019G and 2020G:

Table 6.112: ADC's Trade Receivables Ageing (Excluding Related Parties) as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
Non-accrued Receivables (Within the Grace Period Granted to Customers)	46,440	50,573	59,193
1-90 Days	15,357	18,463	24,695
91-180 Days	2,132	3,427	2,475
181-270 Days	311	274	926
271-360 Days	1	957	310
Over 360 Days	7,171	2,325	3,071
Total	**71,412**	**76,019**	**90,670**

Source: The Group's information.

Receivables consist of trade receivable from third party credit customers and receivables from the Related Parties (mainly represented by balance with Dukan). Credit terms vary by customer separately and range from 15 to 60 days from the date of invoice.

The Company writes off the financial assets, in whole or in part, when it exhausts all recovery efforts, and decides that there is no reasonable expectation for its recovery. The Group records that there is no reasonable expectation of recovery once it is not subject to recovery activity.

ADC prepares an ageing schedule for trade receivables related to sales made across all sale channels.

The following table sets out the ADC's provision for impairment of receivables as of 31 December 2018G, 2019G and 2020G:

Table 6.113: ADC's Provision for Impairment of Receivables as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Opening Balances	5,652	5,184	2,493
Additions	2,048	154	1,652
Write-Offs	(2,516)	(2,845)	(131)
Total Provision for Impairment of Receivables	**5,184**	**2,493**	**4,014**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Provision for impairment of receivables decreased from SAR 5.2 million as of 31 December 2018G to SAR 2.5 million as of 31 December 2019G, mainly due to a decrease in trade receivables outstanding for more than 365 days.

The decline in the provision for doubtful debts as of 31 December 2019G is also attributable to adjustments made by the Executive Management on the basis of the expected credit loss. The Executive Management has considered receivables that are outstanding for more than 365 days at each balance sheet date as well as the expected receivables dates for those receivables, while assessing whether any further impairment is required against the balance of trade receivables at the end of each balance sheet.

Provision for impairment of receivables increased by SAR 1.5 million, due to additions of SAR 1.7 million related to some receivables related to pending proceedings as of 31 December 2020G. This increase was offset by write-offs of SAR 0.1 million during the same year.

The following table sets out the dues from the Related Parties as of 31 December 2018G, 2019G and 2020G:

Table 6.114: ADC's Dues from Related Parties as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Tanmiah Food Company	-	12,056	12,173
Dukan	174,383	229,384	253,977
PFF	22,024	13,247	8,635
SFPC	-	21,719	20,463
Other	694	780	1
Total Dues from Related Parties	**197,100**	**277,186**	**295,248**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The following table sets out aging analysis of ADC's accounts receivable to related parties as of 31 December 2018G, 2019G and 2020G:

Table 6.115: Aging Analysis of ADC's Trade Receivable from Related Parties as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G	2019G	2020G
Non-accrued Receivables (Within the Grace Period Granted to Customers)	66,962	43,111	3,351
1-90 Days	3,914	3,986	4,289
90-179 Days	4,071	3,245	3,314
180-269 Days	6,157	4,028	8,795
270-360 Days	-	1,411	-
Over 360 Days	90,732	174,383	234,978
Subsidiaries	25,264	47,022	41,271
Total Accounts Receivable	**197,100**	**277,186**	**295,248**

Source: The Group's information.

Dues from the Related Parties increased from SAR 197.1 million as of 31 December 2018G to SAR 277.2 million as of 31 December 2019G. Such increase was driven by an increase in the receivables of SAR 55.0 million from Dukan and a decrease in receivables related to PFF. This decrease was offset by an increase by SAR 21.7 million in receivables from the Related Parties from SFPC for sales to the Company and reclassified costs related to Subsidiaries of the Group.

Due from the Related Parties increased from SAR 277.2 million as of 31 December 2019G to SAR 295.2 million as of 31 December 2020G driven by the increase in receivables by Dukan of SAR 24.6 million and the decrease in receivables by SFPC. This increase was offset by a decrease in receivables by PFF Company of SAR 4.6 million.

Inventories

The following table sets out the inventories of ADC as of 31 December 2018G, 2019G and 2020G:

Table 6.116: ADC's Inventories as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Raw Materials	22,993	26,169	37,266
Poultry Meat and Other Foodstuff	15,300	17,591	19,777
Goods in Transit	27,303	22,514	3,025
Packaging Material	7,390	6,407	9,305
Spare Parts	4,929	6,025	7,610
Others	2,851	2,553	5,556
Less: Provision for Slow-Moving Inventory	(2,741)	(2,832)	(3,145)
Total inventories	**78,025**	**78,428**	**79,395**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Inventories Include:

- raw materials, which primarily include corn, soybean meal, feed additives, vaccines and medications. corn and soybean meal are mainly imported from South America, while feed additives, vaccines and medications are supplied by DHV and other local and foreign suppliers;
- poultry meats and other foodstuff, which includes fresh and frozen chicken, feed, cooked meat and other poultry meats and foodstuff;
- goods in transit, which are mainly represented by imported corn and soybean meal, which have been received at the port; however, they are not physically delivered to ADC's warehouses at the date of the financial statements;
- packing material, which mainly includes shrink films, shrink bags and cartons that are procured from local suppliers; and
- spare parts for plants and machinery.

Inventories slightly increased from SAR 78.0 million as of 31 December 2018G to SAR 78.4 million as of 31 December 2019G, mainly due to an increase in raw materials by SAR 3.2 million and an increase in poultry meat and other foodstuffs by SAR 2.3 million. This was offset by a decrease in goods in transit by SAR 4.8 million.

Inventory increased slightly from SAR 78.4 million as of 31 December 2019G to SAR 79.4 million as of 31 December 2020G, primarily due to an increase in raw materials, poultry meat and other foodstuffs, packaging materials, spare parts, and other inventory by SAR 2.2 million, SAR 11.1 million, SAR 2.9 million, SAR 1.6 million, and SAR 3.0 million, respectively. This was offset by a decrease in goods in transit by SAR 19.5 million.

The following table sets out the ADC's provision for slow-moving inventory as of 31 December 2018G, 2019G and 2020G:

Table 6.117: ADC's Provision for Slow-Moving Inventory as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Opening Balance	4,793	2,741	2,832
Additions	(374)	980	789
Write-Offs	(1,677)	(889)	(476)
Total Provision for Slow-Moving Inventory	**2,741**	**2,832**	**3,145**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

ADC makes provision against products close to expiry, as well as slow-moving inventory of raw materials and spare parts.

Provision for slow-moving inventory increased SAR 2.7 million as of 31 December 2018G to SAR 2.8 million as of 31 December 2019G due to recognition of packaging materials and goods with near dates of expiry.

Provision for slow moving inventory increased from SAR 2.8 million as of 31 December 2019G to SAR 3.1 million as of 31 December 2020G, due to recognition of packaging materials and goods with near dates of expiry, and some goods related to fresh chicken.

Biological Assets

The following table sets out ADC's biological assets as of 31 December 2018G, 2019G and 2020G:

Table 6.118: ADC's Biological Assets as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Broilers	18,798	13,250	24,841
Breeders – Rearing and Production	29,290	32,705	43,509
Hatchery Eggs	5,957	6,395	13,203
Total Biological Assets	**54,045**	**52,351**	**81,554**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The following table sets out number of ADC's biological assets as of 31 December 2018G, 2019G and 2020G:

Table 6.119: ADC's Number of Biological Assets as of 31 December 2018G, 2019G and 2020G

Million Units	As of 31 December		
	2018G	2019G	2020G
Broilers	6.6	5.2	10.8
Breeder Rearing	0.5	0.3	0.4
Breeder Production	0.6	0.7	0.7
Hatchery Eggs	6.4	7.0	12.9

Source: The Group's information.

ADC does not revalue the stock to fair value, as there is no active market for poultry in the Kingdom in order to compare the cost of their flock.

Biological assets decreased in 2019G to SAR 52.4 million as of 31 December 2019G. This is primarily due to a decrease in the value of broilers by SAR 5.5 million in 2019G as a result of high production. This was offset by an increase in the value of breeders by SAR 3.4 million in 2019G compared to the balance of biological assets on 31 December 2018G, as a result of the presence of 70.6% of breeders in the production stage (older than 25 weeks) on 31 December 2019G compared to about 55.3% in the same stage on 31 December 2018G.

Biological assets increased during 2020G to SAR 81.6 million as of 31 December 2020G, primarily driven an increase in the number of broilers from 5.2 million chickens to 10.8 million chickens, the increase in the number of breeders by 173 thousand chickens, and the increase in the number of hatching eggs by 5.9 million eggs as of 31 December 2020G. This was coupled with the increase in the number of farms and growth in the Company's operations.

Prepayments and Other Receivables

The following table sets out the ADC's prepayments and other receivables as of 31 December 2018G, 2019G and 2020G:

Table 6.120: ADC's Prepayments and Other Receivables as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Government Subsidy Receivable	27,174	18,963	11,893
Prepaid Expenses	17,139	10,543	15,969
Advances to Suppliers	11,090	16,538	29,958
Receivables from Employees	1,455	1,617	3,662
Other Receivables	599	2,398	3,631
Total Prepayments and Other Receivables	**57,458**	**50,058**	**65,112**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Government Subsidy Receivable

The following table sets out the Government subsidy receivable as of 31 December 2018G, 2019G and 2020G:

Table 6.121: ADC's Government Subsidy Receivable as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Opening Balance	40,873	27,174	18,963
Additions	39,004	52,587	59,887
Collections	(52,703)	(60,799)	(66,957)
Total Government Subsidy Receivable	**27,174**	**18,963**	**11,893**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

ADC receives a subsidy from the Ministry of Finance of the Kingdom on the import of soybean meal and corn used for the production of feed in the Harad Feed Mill. Government grants are recognised in the 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'.

Government subsidy receivable decreased by SAR 8.2 million from SAR 27.2 million as of 31 December 2018G to SAR 19.0 million as of 31 December 2019G. The reason for this decrease is due to the collections made by the Company in an amount of SAR 60.8 million in 2019G. This was offset by additions of SAR 52.6 million against the purchases made by ADC in 2019G.

Government subsidy receivable decreased by SAR 7.1 million SAR 11.9 million as of 31 December 2020G. This decrease was due to collections of SAR 67.0 million made by the Company in 2020G. This was offset by additions of SAR 60.0 million against the purchases made by ADC in 2020G.

Prepaid Expenses

Prepaid expenses decreased by SAR 6.6 million due to a decrease in prepaid rents due to change of its classification under IFRS 16, whereby rental locations were capitalised as of January 2019G onwards.

Prepaid expenses increased by SAR 5.4 million during 2020G due to the increase in prepaid rents by SAR 0.5 million and the increase in residency and recruitment expenses by SAR 5.0 million as a result of the higher number of employees.

Advances to Suppliers

As of 31 December, 2019G, advances to suppliers increased from SAR 11.1 million to SAR 16.5 million due to an increase in the number of suppliers, mainly due to higher production rates in 2019G compared to 2018G.

Advance payments to suppliers as of 31 December 2020G increased from SAR 16.5 million as of 31 December 2019G to SAR 30.0 million, due to the increase in production rates during 2020G and orders to be received during 2021G.

(ii) Non-Current Assets

The following table sets out ADC's non-current assets as of 31 December 2018G, 2019G and 2020G.

Table 6.122: ADC's Non-Current Assets as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Property, Plant and Equipment	67,783	75,968	89,440
Intangible Assets	569	379	874
Right-of-Use Assets	-	154,387	168,348
Total Non-Current Assets	**68,351**	**230,733**	**258,663**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Non-current assets consist of property, plant and equipment, intangible assets, and the right-of-use assets. Non-current assets increased from SAR 68.4 million as of 31 December 2018G to SAR 230.7 million as of 31 December 2019G, due to the change in classification under IFRS 16 and additions to the capital work-in-progress regarding the development of ongoing projects (development of Shaqraa and Salboukh plants and the feeding system).

Following adoption of IFRS 16, companies are required to recognise assets and liabilities for all leases with a term of more than 12 months. Accordingly, in accordance with the requirements of IFRS, the right-of-use assets is recognised under non-current assets in the statement of financial position, and the lease liabilities are recognised under current and non-current liabilities in the statement of financial position.

Non-current assets increased from SAR 230.7 million as of 31 December 2019G to SAR 258.7 million as of 31 December 2020G, due to additions of SAR 28.2 million to property, plant and equipment during 2020G, offset by depreciation of SAR 14.1 million. The increase in the right-of-use assets also contributed to the increase in non-current assets as a result of additions of SAR 64.9 million to the right-of-use assets during 2020G, offset by depreciation of SAR 47.8 million on the right-of-use assets during 2020G.

Property, Plant and Equipment

The following table sets out ADC's property, plant and equipment as of 31 December 2018G, 2019G and 2020G:

Table 6.123: ADC's Property, Plant and Equipment as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Land	17,424	17,237	17,237
Buildings	15,336	14,216	12,981
Machinery and Equipment	27,985	29,750	33,326
Motor Vehicles	9	-	-
Furniture, Fixtures and Others	142	100	61
Leasehold Improvements	3,397	3,565	3,535
Capital Work-in-Progress	3,490	11,100	22,301
Total PPE	**67,783**	**75,968**	**89,440**

Source: The Group's information and the ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The following table sets out ADC's property, plant and equipment as of 31 December 2018G, 2019G and 2020G.

Property, Plant and Equipment

Table 6.124: ADC's Net Book Value of Property, Plant and Equipment as of 31 December 2018G, 2019G and 2020G as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Land	Buildings	Leasehold improvements	Machinery and equipment	Motor vehicles	Furniture, fixtures and others	Capital work-in-progress	Total PPE
Cost								
As of 1 January 2018G	17,424	48,789	18,174	121,009	27,833	2,713	2,243	238,184
Additions	-	610	545	4,916	142	19	3,490	9,722
Transfers	-	-	-	2,243	-	-	(2,243)	-
Transfers to Related Parties	-	(3,564)	-	(2,826)	-	-	-	(6,389)
Write-offs	-	-	(4,875)	(29,487)	(9,995)	(1,919)	-	(46,276)
Eliminations	-	-	-	(3)	(62)	-	-	(65)
As of 31 December 2018G	17,424	45,836	13,843	95,852	17,918	813	3,490	195,176
Additions	-	194	1,665	7,203	-	-	10,956	20,019
Transfers from a Related Party	-	-	-	11	-	-	-	11
Transfers	-	-	-	3,346	-	-	(3,346)	-
Eliminations	(188)	-	-	-	(460)	-	-	(647)
As of 31 December 2019G	17,237	46,030	15,508	106,413	17,458	813	11,100	214,559
Additions	-	-	572	9,193	-	3	18,457	28,224
Transfers to intangible assets	-	-	-	-	-	-	(669)	(669)
Transfers	-	71	1,204	5,312	-	-	(6,587)	-
Write-offs	-	-	-	(2)	-	-	-	(2)
Eliminations	-	-	-	-	(601)	-	-	(601)
As of 31 December 2020G	17,237	46,101	17,284	120,917	16,857	816	22,301	241,511
Accumulated depreciation								
As of 1 January 2018G	-	32,738	13,840	92,659	27,764	2,523	-	169,523
Depreciation	-	1,326	1,478	7,517	192	57	-	10,569
Write-offs	-	-	(4,872)	(29,480)	(9,985)	(1,909)	-	(46,245)
Eliminations	-	-	-	(3)	(62)	-	-	(65)
Transfers to a Related Party	-	(3,564)	-	(2,826)	-	-	-	(6,389)
As of 31 December 2018G	-	30,500	10,447	67,867	17,909	671	-	127,394
Depreciation	-	1,314	1,496	8,796	9	42	-	11,657
Eliminations	-	-	-	-	(460)	-	-	(460)
As of 31 December 2019G	-	31,814	11,943	76,663	17,458	713	-	138,591
Depreciation	-	1,305	1,806	10,929	-	42	-	14,082
Write-offs	-	-	-	(1)	-	-	-	(1)
Eliminations	-	-	-	-	(601)	-	-	(601)
As of 31 December 2020G	-	33,119	13,749	87,591	16,857	755	-	152,071
Net book value								
As of 31 December 2018G	17,424	15,336	3,397	27,985	9	142	3,490	67,783
As of 31 December 2019G	17,237	14,216	3,565	29,750	-	100	11,100	75,968
As of 31 December 2020G	17,237	12,981	3,535	33,326	-	61	22,301	89,440

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Lands

ADC owns a plot of land in Al-Kharj, and its book value is SAR 17.2 million as of 31 December 2020G.

The value of land decreased by SAR 187 thousand in 2019G as a result of reclassification of some general and administrative expenses and legal expenses to the comprehensive income statement that had been recognised within property and plants in this balance in previous years.

Buildings

As of 31 December 2019G, buildings mainly include the Al Kharj hatchery building (SAR 12.5 million) and other buildings primarily related to the Harad Feed Mill and the Al Kharj hatchery.

ADC added a portable cabin of SAR 0.2 million in 2019G, which was offset by a decrease in the book value due to depreciation of SAR 1.3 million in the same period.

There were no significant additions to buildings during 2020G. The net book value of the buildings decreased by SAR 1.2 million, due to a depreciation of SAR 1.3 million during 2020G, and transfers from capital work-in-progress amounting to SAR 71 thousand during 2020G.

Machinery and Equipment

ADC's machinery and equipment increased by SAR 1.8 million in 2019G due to additions of SAR 10.6 million in 2019G. Such additions represented refrigerators, freezers and other tools for laboratories. These additions were offset by depreciation of SAR 8.8 million in the same period.

ADC's machinery and equipment increased by SAR 3.6 million in 2020G. The Company added equipment related to refrigeration, egg printing machines, steam boilers, generators, motors and other machines amounting to SAR 9.2 million and transfers from capital work in progress of SAR 5.3 million. This was offset by a depreciation of SAR 10.9 million during 2020G.

Leasehold Improvements

Leasehold improvements increased from SAR 3.4 million as of 31 December 2018G to SAR 3.6 million as of 31 December 2019G due to additions of SAR 1.7 million which represented portable cabins and labour costs related to expansions of Shaqraa Plant. It offset the annual depreciation on improvements which amounted to SAR 1.5 million.

Leasehold improvements remained relatively stable as of 31 December 2020G, compared to 31 December 2019G, due to additions of SAR 0.6 million and transfers from the capital work in progress of SAR 1.2 million. This was were offset by a depreciation of SAR 1.8 million during 2020G.

Capital Work-in-Progress

The balance of capital work-in-progress increased to SAR 7.6 million in 2019G. The Company made additions of SAR 11.0 million to the capital work-in-progress, and this was offset by transfers of SAR 3.3 million to machines and equipment in 2019G. This is related to the construction of ongoing projects (development of Shaqraa and Salboukh plants and the feeding system).

The balance of capital work-in-progress increased to SAR 11.2 million in 2020G. Additions to capital work in progress amounted to SAR 18.5 million during 2020G. These additions involved expansion of freezer rooms, production lines, purchase of feed mixing and manufacturing machinery, afforestation projects and a water treatment plant. This was offset by transfers from capital work in progress of SAR 7.2 million during 2020G, which included transfers of SAR 0.7 million to intangible assets.

The depreciation is charged based on a straight-line method. The following table sets out ADC's depreciation rates:

Table 6.125: ADC's Depreciation Rates

Description	No. of Years
Buildings	20
Machinery, Equipment and Other	4-10
Motor Vehicles	4-6.67
Furniture, Fixtures and Others	6.67-10
Leasehold Improvements	6-7

Source: The ADC's Audited Financial Statements for the financial year ended 31 December 2020G.

(B) Liabilities

(i) Current Liabilities

The following table sets out ADC's current liabilities as of 31 December 2018G, 2019G and 2020G:

Table 6.126: ADC's Current Liabilities as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Loans	163,320	200,974	204,041
Trade Payables	153,331	148,799	140,841
Accruals and Other Liabilities	46,291	43,274	75,473
Lease Liabilities	-	48,131	48,586
Zakat Provision	3,334	3,903	6,263
Total Current Liabilities	**366,276**	**445,081**	**475,204**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Loans

The following table sets out ADC's loans as of 31 December 2018G, 2019G and 2020G:

Table 6.127: ADC's Short-Term Loans as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Short-Term Bank Loans	159,181	199,116	202,720
Bank Overdrafts	2,389	-	-
Interest Payable	1,750	1,857	1,321
Total Loans	**163,320**	**200,974**	**204,041**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Short-term loans are mainly represented by loans obtained by ADC from SABB, Alawwal Bank, Riyad Bank and Bank ABC for working capital needs. For further details, see Section 12.6 (**Financing Agreements**).

The following table presents the ADC's short-term loans as of 31 December 2018G, 2019G and 2020G.

Table 6.128: ADC's Short-Term Loans (Without Accrued Interests) as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Alawwal Bank	127,450	122,607	-
Riyad Bank	31,731	38,018	24,396
SABB	-	-	119,372
Bank ABC	-	38,492	58,953
Total ADC Loans	**159,181**	**199,116**	**202,720**

Source: The Group's information.

The outstanding balance of short-term loans increased by 25.1% to SAR 199.1 million at the end of 2019G, mainly due to short-term loans obtained by ADC from Bank ABC to meet its working capital requirements.

The balance of short-term loans increased in 2020G by SAR 3.6 million to SAR 202.7 million. During 2020G, ADC paid off the entire loan of Alawwal Bank and replaced it with a loan from SABB. The balance of short-term loans of Arab Banking Corporation Bank increased by SAR 20.5 million in 2020G, offset by a decrease in the loans of Riyad Bank by SAR 13.6 million.

Trade Payables

The following table sets out ADC's trade payables as of 31 December 2018G, 2019G and 2020G:

Table 6.129: ADC's Trade Payables as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Trade Payables	81,812	89,571	113,912
Dues of Related Parties	71,519	59,228	26,929
Related Party Payables	**153,331**	**148,799**	**140,841**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

ADC payables mainly relate to labour providers, transporting companies, tenants, subcontractors, and suppliers of raw materials.

Payables decreased from SAR 153.3 million as of 31 December 2018G to SAR 148.8 million as of 31 December 2019G, mainly due to a decrease in receivables from the Related Parties by SAR 12.3 million. Such decrease was offset by an increase in receivables of SAR 7.8 million.

Trade payables decreased from SAR 148.8 million as of 31 December 2019G to SAR 140.8 million as of 31 December 2020G, mainly due to a decline in receivables from the Related Parties SAR 32.3 million. This was offset by an increase in payables to third parties by SAR 24.3 million.

The following table sets out payables of Related Parties as of 31 December 2018G, 2019G and 2020G:

Table 6.130: ADC's Payables of Related Parties as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
DHV	71,384	59,228	26,929
National Scientific Company	135	-	-
Total Payables of Related Parties	**71,519**	**59,228**	**26,929**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The total liabilities of related parties decreased from SAR 71.5 million on 31 December 2018G SAR 26.9 million as of 31 December mainly as a result of:

- payables to DHV decreased from SAR 71.4 million as of 31 December 2018G to SAR 59.2 million as of 31 December 2019G due to payment of SAR 12.2 million to DHV;
- accounts payables of DHV decreased from SAR 59.2 million as of 31 December 2019G to SAR 26.9 million as of 31 December 2019G, driven by payment of SAR 32.3 million to DHV.

Accruals and Other Liabilities

The following table sets out ADC's accruals and other liabilities as of 31 December 2018G, 2019G and 2020G:

Table 6.131: ADC's Accruals and Other Liabilities as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Accrued Expenses	26,797	23,305	35,187
Accrued Employee-Related Cost	16,828	16,321	30,101
Utilities Payable	1,790	2,516	3,294
Advances from Customers	594	1,132	577

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Others	282	-	-
VAT Payable	-	-	6,314
Total Accrued Expenses and Other Liabilities	**46,291**	**43,274**	**75,473**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Accrued Expenses

Accrued expenses decreased by SAR 3.5 million during 2019G, driven by several factors, including:

- application of IFRS 16 which led to a decrease in the lease expenses of SAR 7.0 million;
- an increase in the accruals for rebates amounting to SAR 2.7 million; and
- an increase in transportation expenses accrued to employees, amounting to SAR 1.0 million.

In 2020G, ADC's accrued expenses increased to SAR 35.2 million as of 31 December 2020G as a result of an increase in accrued expenses related to accrued insurance expenses of SAR 2.5 million, accrued transportation expenses of SAR 4.0 million, accrued rent expenses of SAR 1.4 million, promotion expenses of SAR 2.5 million, and poultry further processing expenses of SAR 2.0 million, during 2020G.

Accrued Employee-Related Cost

Employee-related costs payable decreased slightly in 2019G compared to 2018G, due to a decrease in dues related to employee salaries as a result of the time difference related to salary payment. This was offset by an increase in the due costs related to incentives and sales commission.

Accrued employee-related costs increased by SAR 13.8 million during 2020G (mainly related to employee incentives, sales commission bonuses and receivables and employee leave receivables).

Utilities Payable

Utilities payable consists of receivables from ADC for services related to electricity, water and other expenses.

The balance of utilities payable increased by SAR 0.7 million in 2019G to SAR 2.5 million on 31 December 2019G due to an increase in the balance of outstanding electricity and water charges as a result of higher production.

The balance of utilities payable increased from SAR 2.5 million as of 31 December 2019G to SAR 3.3 million as of 31 December 2020G, primarily due to the increase in the number of locations in which ADC operates, which led to an increase in these expenses during 2020G.

Current Lease Liabilities

The following table sets out ADC's current lease liabilities as of 31 December 2018G, 2019G and 2020G:

Table 6.132: ADC's Current Lease Liabilities as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Current lease liabilities	-	48,131	48,586

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Non-current lease liabilities increased from SAR 48.1 million as of 31 December 2019G to SAR 48.6 million as of 31 December 2020G. In 2020G, the Group recognised interest of SAR 8.9 million on lease liabilities (current and non-current). This was offset by payments of SAR 73.2 million with respect to these liabilities, additions of SAR 64.9 million, and adjustments that led to an increase in the total liabilities by SAR 4.2 million during this year, thus taking total lease liabilities to SAR 149.2 million, divided into current lease liabilities of SAR 48.6 million and non-current lease liabilities of SAR 100.6 million as of 31 December 2020G.

Provision for Zakat

The following table sets out ADC's provision for Zakat payable as of 31 December 2018G, 2019G and 2020G:

Table 6.133: ADC's Provision for Zakat Payable as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Opening balance	2,570	3,334	3,903
Provisions	1,464	2,038	4,439
Payments	(700)	(1,469)	(2,079)
Closing balance	**3,334**	**3,903**	**6,263**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Provision for Zakat increased from SAR 3.3 million as of 31 December 2018G to SAR 3.9 million as of 31 December 2019G due to provisions of SAR 2.0 million were added in 2019G. This was offset by payment of SAR 1.5 million in 2019G.

Provision for Zakat payable increased from SAR 3.9 million as of 31 December 2019G to SAR 6.3 million as of 31 December 2020G, due to provisions of SAR 4.4 million made during 2020G, which were offset by payments of SAR 2.1 million during 2020G.

ADC has finalised its Zakat assessments with the ZATCA up to 2002G. ADC has filed Zakat returns from 2003G to 2010G. ADC did not accrue Zakat for the years 2011G to 2013G as the Company had obtained an approval from ZATCA to file a consolidated Zakat return. The Company submitted a consolidated Zakat return based on its consolidated financial statements that included the Group's results for the said years. Since 2014G, ADC is no longer a wholly owned subsidiary of the Company due to a change in its ownership. Therefore, the Company submitted an independent Zakat return for 2014G to 2018G.

Since 2019G, having obtained approval ZATCA's approval, the Company accounted for Zakat on a consolidated basis, given that the Company is now wholly owned by the Company. Provision for Zakat payable during the period is ADC's share in the consolidated annual return based on the share of ADC's Zakat base in the unified Zakat base of the Company.

The Group's Subsidiary in Bahrain is not subject to Zakat or tax pursuant to local laws and regulations.

(ii) Non-Current Liabilities

The following table sets out ADC's Non-current liabilities as of 31 December 2018G, 2019G and 2020G:

Table 6.134: ADC's Non-Current Liabilities as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2019G Audited	2019G Audited	2020G Audited
Employee Related Obligations	28,657	33,823	47,301
Lease Liabilities	-	104,581	100,565
Non-Current Liabilities	**28,657**	**138,404**	**147,866**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Employee Benefit Obligations

The following table sets out ADC's employee benefits obligations as of 31 December 2018G, 2019G and 2020G:

Table 6.135: ADC's Employee Benefits Obligations as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Opening Balance	26,119	28,657	33,823
Current Service Cost	2,956	3,585	5,283
Interest Cost	849	941	1,099
Employee Benefits Obligations Transferred by Related Parties	-	-	2,260
Actuarial Adjustments to Liabilities	545	1,994	6,320
Benefits Paid	(1,812)	(1,354)	(1,484)
Closing Balance	**28,657**	**33,823**	**47,301**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Employee benefits obligations represent the ADC's obligation in respect of the defined obligation plan, which is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods.

Employee benefits obligations increased from SAR 28.7 million as of 31 December 2018G to SAR 33.8 million as of 31 December 2019G, due to recognition of current service cost of SAR 3.6 million, and interest cost of SAR 0.9 million, in addition to losses of SAR 2.0 million resulting from actuarial adjustments to liabilities in 2019G. These expenses were offset by payments of SAR 1.4 million to employees during 2019G.

Employee benefits obligations increased from SAR 33.8 million as of 31 December 2019G to SAR 47.3 million as of 31 December 2020G, due to recognition of current service cost of SAR 5.2 million, and an interest cost of SAR 1.1 million, in addition to losses of SAR 6.3 million resulting from actuarial adjustments to liabilities in 2020G. ADC also recorded employee benefits obligations of SAR 2.3 million in relation to employees transferred from the Associates and Subsidiaries. During 2020G, some employees were transferred from Dukan (one employee), SAED International (ten employees), DHV (21 employees), SFPC (one employee) and the Company (four employees). These expenses were offset by payments of SAR 1.4 million to employees during 2019G.

Non-Current Lease Liabilities

The following table sets out ADC's non-current lease liabilities as of 31 December 2018G, 2019G and 2020G:

Table 6.136: ADC's Non-Current Lease Liabilities as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Non-current lease liabilities	-	104,581	100,565

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

During 2019G-2020G, non-current lease liabilities decreased, with non-current lease liabilities rising by SAR 4.0 million. In 2020G, the Group recognised interest of SAR 8.9 million on lease liabilities (current and non-current). This was offset by payments of SAR 73.2 million in respect of these liabilities, additions of SAR 64.9 million, and adjustments that led to an increase in the total liabilities by SAR 4.2 million during this year, thus taking total lease liabilities to SAR 149.2 million, divided into current lease liabilities of SAR 48.6 million and non-current lease liabilities of SAR 100.6 million as of 31 December 2020G.

(C) Equity

The following table sets out ADC's equity as of 31 December 2018G, 2019G and 2020G:

Table 6.137: ADC's Equity as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Capital	Statutory reserve	Retained earnings	Total
31 December 2018G	20,000	6,256	109,099	135,355
Total comprehensive income for 2019G	-	-	56,025	56,025
31 December 2019G	20,000	6,256	165,125	191,381
Total comprehensive income for 2020G	-	-	70,312	70,312
31 December 2020G	20,000	6,256	235,437	261,693

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The capital of ADC was SAR 20.0 million divided into 20.0 thousand shares with a per share value of SAR 1,000 as of 31 December 2018G, 2019G and 2020G.

In accordance with the Saudi Companies Law, ADC is required to transfer 10% of its net income for the year to a statutory reserve until it equals 30% of its capital. As of 31 December 2018G, the statutory reserve amounted to 30.0% of the capital, and no amounts were transferred during 2018G, 2019G and 2020G.

Retained earnings increased from SAR 109.1 million as of 31 December 2018G to SAR 235.4 million as of 31 December 2020G. This increase was attributed to net profits of 56.0 million and SAR 70.3 million in 2019G and 2020G, respectively.

No dividends were declared by ADC during 2018G – 2020G.

(D) Commitments

The following table sets out ADC's bank guarantee and documentary credit as of 31 December 2018G, 2019G and 2020G:

Table 6.138: ADC's Bank Guarantee and Documentary Credit as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
Guarantees	3.5	3.3	2.2
Letters of Credit	33.3	16.2	20.2
Total Bank Guarantee and Documentary Credit	36.8	19.5	22.4

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

On 31 December 2018G, the Group provided guarantees of SAR 327 million to a local bank against various credit facilities obtained by ADGHC and Associates. On 24 December 2019G, the bank retroactively revoked all these financial guarantees as of its effective date, and accordingly, these guarantees had no effect on the financial statements given their retroactive revocation.

(E) Cash Pledge against Loan to ADGHC

In 2019G, ADGHC (the Parent Company) obtained a loan of SAR 275 million from a local commercial bank (the "Lender"). The purpose of the loan was to settle the balance existing between the group companies (ADC and SFPC (both wholly owned by the Group) and Dukan company. This financing represents a short-term loan obtained by ADGHC as temporary financing until the Offering Proceeds are collected and used to settle the balance due from Dukan. The proceeds of the loan were transferred to Group (namely: ADC and SFPC). This amount has been deposited into an intermediate account in the name of the Group (namely: ADC and SFPC) to ensure a loan from Al-Dabbagh Group Holding Company. The Group (namely: ADC and SFPC) have made an irrevocable undertaking that enables the lender to offset the proceeds against the loan obtained by ADGHC in the event that the Offering is not completed by 30 April 2020G. This means that the loan proceeds have been kept as a pledge to ensure the loan obtained by Al-Dabbagh Group Holding Company. This amount has been deposited with a trust account so that ADC and SFPC cannot use the amounts deposited in this account until the loan is paid by ADGHC. Consequently, these companies are not entitled to benefit economically from this amount. Therefore, ADC and SFPC did not recognise the amount received or the obligation under this pledge. The two companies continued to recognise the receivable from Dukan in their financial statements.

While the loan agreement between ADGHC and the lender stipulates that an amount of SAR 275 million was supposed to be applied to pay the amount due from Dukan, this amount has been deposited in an intermediary account so that the Group (particularly, ADC and SFPC) cannot access to this intermediary account and the amount therein cannot be used to finance its operations. Consequently, the Group (particularly, ADC and SFPC) is not entitled to use these proceeds for any economic benefit. Therefore, the Group has not recognised the amount received or the related liability resulting from the pledge in its financial statements. The Group (particularly, ADC and SFPC) continued to recognise accounts receivable from Dukan in its financial statements.

It should be noted that the management of ADGHC settled the loan balance on 30 April 2020G. ADC and SFPC continued to recognise the receivables by Dukan in their financial statements.

6.6.2.3 Statement of Cash Flows

The following table sets out the ADC's statement of cash flow for the financial years ended 31 December 2018G, 2019G and 2020G:

Table 6.139: Summary of ADC's Statement of Cash Flows for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Net Cash Generated from Operating Activities	39,003	42,258	103,259
Net Cash Utilised in Investing Activities	(9,722)	(19,952)	(28,125)
Net Cash Utilised in Financing Activities	(41,384)	(16,415)	(69,582)
Net Change in Cash and Cash Equivalents	**(12,103)**	**5,892**	**5,552**
Cash and Cash Equivalents at Beginning of Year	18,796	6,692	12,584
Cash and Cash Equivalents at the End of the Year	**6,692**	**12,584**	**18,136**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The following table sets out the ADC's cash and cash equivalents settlements as of 31 December 2018G, 2019G and 2020G.

Table 6.140: ADC's Cash and Cash Equivalents Settlements as of 31 December 2018G, 2019G and 2020G

Currency: SAR'000	As of 31 December		
	2018G Audited	2019G Audited	2020G Audited
As per the Statement of Cash Flows	6,692	12,584	18,136
Overdraft	2,389	-	-
As per the Balance Sheet	**9,081**	**12,584**	**18,136**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

(A) Cash Flows from Operating Activities

The table below presents ADC's cash flows from operating activities for the financial years ended 31 December 2018G, 2019G and 2020G.

Table 6.141: ADC's Cash Flows from Operating Activities for the Financial Years Ended 2018G, 2019G and 2020G

Currency: SAR'000	Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Net Income/Loss) before Zakat	52,643	60,057	81,072
Adjustment for Non-Cash Items			
(Reversal of) Provision for Slow Moving Inventory	(374)	980	789
Depreciation on Right-of-Use Assets	-	41,157	47,793
Depreciation of property, plant and equipment	10,569	11,657	14,082
Amortisation of Intangible Assets	189	190	174
Impairment Loss on Financial Assets	2,048	154	1,652
Provision for Post-Employment Benefits	3,805	4,526	6,382
Gain on Sale of Property, Plant and Equipment Exclusion	(0)	121	(99)
Write-Off of Property and Equipment	31	-	1
Government Subsidy Receivable	(39,004)	(52,587)	(59,887)
Profit from Lease Termination	-	-	(995)
Finance Charges	6,497	11,024	10,992
Interest Costs on Lease Liabilities	-	9,670	8,864
Changes in Working Capital			
Receivables	(75,531)	(87,538)	(32,845)
Inventories	(12,981)	(1,382)	(1,756)
Prepayments and Other Assets	42,295	62,619	44,833
Biological Assets	(7,802)	1,694	(29,203)
Payables	54,624	(4,543)	(5,699)
Accrued Expenses and Other Liabilities	11,285	(1,801)	32,199
Zakat Payable	(700)	(1,469)	(2,079)
Post-Employment Benefits	(1,812)	(1,354)	(1,484)
Finance Charges Paid	(6,777)	(10,917)	(11,527)
Net Cash Generated from/(Utilised in) Operating Activities	**39,003**	**42,258**	**103,259**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Net cash generated from operating activities increased from SAR 39.0 million 2018G to SAR 42.3 million in 2019G, mainly due to the following:

- net profit increased from SAR 52.6 million in 2018G to SAR 60.1 million in 2019G;
- recognition of depreciation expenses in relation to the right-of-use assets amounting to SAR 41.2 million in 2019G;
- this was offset by a decrease in government support due during the year from SAR 39.0 million in 2018G to SAR 52.6 million in 2019G, due to the reliance on suppliers from outside the Kingdom in 2019G;
- this was offset by an increase in accounts receivable to SAR 87.5 million in 2019G, due to the increase in trade receivables by SAR 4.6 million and an increase by SAR 80.1 million in receivables from the Related Parties, particularly Dukan and SFPC;
- inventories increased by SAR 1.4 million in 2019G compared to the increase in 2018G, which amounted to SAR 13.0 million;
- a decrease in prepayments and other receivables in 2019G by SAR 62.6 million compared to the decrease in 2018G, which amounted to SAR 42.3 million, due to the increase in collections related to Government support by SAR 8.1 million; and
- this was offset by a decrease in accounts payable was SAR 4.5 million in 2019G compared to the increase recognised in 2018G. This decrease in 2019G is due to a decrease in liabilities from the Related Parties by SAR 12.3 million. Such decrease was offset by an increase in trade payables by SAR 7.8 million.

Net cash generated from operating activities increased to SAR 103.3 million in 2020G, due to:

- net profit before Zakat increased from SAR 60.1 million in 2019G to SAR 81.1 million in 2020G;
- depreciation of SAR 47.8 million on the right-of-use assets was recognised in 2020G, compared to SAR 41.2 million in 2019G;
- the net cash utilised in receivables decreased from SAR 87.5 million in 2019G to SAR 32.8 million during 2020G;
- accrued expenses and other liabilities increased during 2020G by SAR 32.2 million; and
- this was offset by an increase in prepayments and other assets (including Government subsidy receivable) by SAR 15.1 million in 2020G and an increase in the value of biological assets by SAR 29.2 million in 2020G.

(B) Cash Flows from Investing Activities

The table below sets out ADC's cash flows from investing activities for the financial years ended 31 December 2018G, 2019G and 2020G.

Table 6.142: ADC's Cash Flows from Investing Activities for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Purchase of Property, Plant and Equipment	(9,722)	(20,019)	(28,224)
Proceeds from Sale of Property, Plant and Equipment	0	67	99
Net Cash Generated from/(Utilised in) Investing Activities	**(9,722)**	**(19,952)**	**(28,125)**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Capital expenditures amounted to SAR 58.0 million over the period of 2018G – 2020G, divided as follows:

Additions of property, plant and equipment amounted to SAR 9.7 million in 2018G, mainly related to machinery and equipment related to ADC's processing lines in Shaqraa and Salboukh.

Additions to property, plant and equipment amounted to SAR 20.0 million in 2019G, mainly related to capital expenditures for machinery and equipment and additions to capital work-in-progress.

Additions to property, plant, and equipment amounted to SAR 28.2 million in 2020G. ADC's capital expenditures in 2020G constituted additions to machinery and equipment relating to refrigeration equipment, egg printing machines, steam boilers, generators, and motors with a total value of SAR 9.2 million during 2020G, besides additions to capital work-in-progress related to the expansion of cold rooms, afforestation projects, a water treatment plant, and feed manufacturing machinery, with a total value of SAR 18.5 million during 2020G.

(C) Cash Flows from Financing Activities

The table below presents ADC's cash flows from financing activities for the financial years ended 31 December 2018G, 2018G and 2019G.

Table 6.143: ADC's Cash Flows from Financing Activities for the Financial Years Ended 31 December 2018G, 2019G and 2020G

Currency: SAR'000	Year Ended 31 December		
	2018G Audited	2019G Audited	2020G Audited
Net Change in Short-Term Loans	(41,384)	39,935	3,604
Main Items of Rental Payments	-	(56,350)	(73,186)
Net Cash Generated from/(Utilised in) Financing Activities	**(41,384)**	**(16,415)**	**(69,582)**

Source: The ADC's Audited Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

Net cash utilised in financing activities amounted to SAR 41.4 million in 2018G, driven by servicing ADC's debt facilities for the import of feed and raw materials as of 31 December 2018G.

Net cash utilised in financing activities amounted to SAR 16.4 million in 2019G. This was mainly driven by the main items of lease payments during the year as a result of IFRS 16 application, which amounted to SAR 40.9 million for building rental and SAR 15.4 million rental of motor vehicles leased by Company. This was offset by net cash resulting from the change in short-term loans, mainly driven by obtaining a borrowing from Bank ABC.

Net cash utilised in financing activities amounted to SAR 69.6 million in 2020G, mainly driven by the main items of rental payments of SAR 73.2 million during 2020G. This was offset by net cash generated from a change in short-term loans primarily as a result of additional loans of SAR 3.6 million to finance the Group's operations.

7. DIVIDEND DISTRIBUTION POLICY

Pursuant to Article 110 of the Companies Law, each Shareholder is entitled to the rights attached to the Shares, including in particular the right to receive a portion of the dividends declared. The declaration and distribution of any dividends will be recommended by the Board of Directors before being approved by the Shareholders at a General Assembly meeting. The Company is under no obligation to declare dividends and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flows, financing and capital requirements and market and general economic conditions, the Company's Zakat position and legal and regulatory considerations. Dividend distribution is subject to restrictions set out in the financing agreement entered into with financiers (for further details, see Section 12.6 (**Financing Agreements**)) as well as the limitations contained in the Bylaws. Dividends will be distributed in Saudi Arabian Riyals.

The distribution of dividends is subject to certain limitations contained in the Company's Bylaws, as Article 45 states that after deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

a. 10% of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30% of the Company's paid-up capital;

b. the Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to create social institutions for the Company's employees, or to support existing institutions of such kind;

c. the remainder of the net profits shall be distributed to the Shareholders as dividends, unless the General Assembly decides otherwise.

Subject to Article 19 of the Company's Bylaws and Article 76 from the Companies Law after the foregoing distribution to the Shareholders, the Company will allocate 5% of the remainder of profits to the Board of Directors, provided that the full remuneration of each Director of the board of directors does not exceed the amount of five hundred thousand SAR (500,000), and that the remuneration is commensurate with the number of meetings attended by each Director.

The Company may, quarterly or semi-annually, distribute interim dividends in accordance with the rules established by the competent authority.

The Company did not declare or distribute any dividends during the last three financial years ended 31 December 2018G, 2019G and 2020G, and in the interim period in 2020G until the date of the Prospectus.

Offer Shares are not entitled to any dividends announced prior to the date of this Prospectus, as the first entitlement of Offer Shares shall be in dividends announced by the Company from the date of this Prospectus and the subsequent financial years. As of the date of this Prospectus, the Directors undertake that there are no declared or outstanding dividends for the said periods.

8. USE OF PROCEEDS

The total Offering Proceeds are estimated at SAR 402,000,000, of which approximately SAR 25,000,000 will be applied towards the Offering expenses, which include the fees of the Financial Advisor, the Lead Manager, the Bookrunner, the Underwriter, the Legal Advisor, the Financial Due Diligence Adviser, the Receiving Agent and the Market Consultant, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering.

The Net Offering Proceeds of approximately SAR 377,000,000 will be distributed to the Selling Shareholders pro-rata to the number of Offer Shares that will be sold by each of them in the Offering. The Company will not receive any part of the proceeds from the Offering. The Selling Shareholders will bear all fees, costs and expenses in relation to the Offering.

9. CAPITALIZATION AND INDEBTEDNESS

Prior to the Offering, the Current Shareholders owned the entire issued share capital of the Company. Upon completion of the Offering, they will jointly hold seventy percent (70%) of the Company's shares.

The following table shows the Company's capitalisation as reflected in the Company's audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G and 2020G. The following table should be read in conjunction with the relevant Financial Statements, including the notes thereto set out in Section 19 (**Financial Statements and Auditors' Report**).

Table 9.1: Capitalisation and Indebtedness of the Company

(SAR '000)	2018G (Audited)	2019G (Audited)	2020G (Audited)
Long term lease liabilities	0	128,884	124,023
Short term lease liabilities	0	55,829	55,129
Short-Term Loan	281,959	318,323	313,440
Current Portion of Long-Term Loans	0	0	0
Non-Current Portion of Long-Term Loans	0	0	0
Total Loans Shareholders' Equity	**281,959**	**503,036**	**492,593**
Equity			
Capital	100,000	200,000	200,000
Contributed Capital	0	0	
Statutory Reserve	21,217	7,083	14,524
Financial Asset at FVOCI Reserve	26,763	0	0
Retained Earnings	30,285	79,809	133,012
Total Shareholders' Equity Before Non-Controlling Interest	**178,265**	**286,891**	**347,536**
Non-Controlling Interest	**(0.6)**	**(0)**	**(0)**
Total Shareholders' Equity	**178,264**	**286,891**	**347,536**
Total Capitalisation (Total Loans + SH Equity)	**460,224**	**789,927**	**840,128**
Total Loans/Total Capitalisation	**61%**	**64%**	**59%**

Source: The Financial Statements for the financial years ended 31 December 2018G, 2019G and 2020G.

The Directors declare that:

a. none of the shares of the Company or its Subsidiaries is under option;

b. neither the Company nor its Subsidiaries have any debt instruments as of the date of this Prospectus; and

c. subject to any material adverse change in the Company's business, they believe that its existing cash balances and its cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least twelve (12) months following the date of this Prospectus.

10. STATEMENTS BY EXPERTS

All the Advisors and Auditors, whose names are listed starting on page (vi), have given and, as of the date of this Prospectus, have not withdrawn, their written consent to the publication of their names, addresses, logos and statements attributed to each of them in this Prospectus, and do not, themselves, nor do their employees forming part of the team serving the Company, or any of their relatives, have any shareholding or interest of any kind in the Company or its Subsidiaries as of the date of this Prospectus which would impair their independence.

11. DECLARATIONS

The Directors declare the following:

a. they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;

b. none of the companies in which any of the Directors, Senior Executives or the Secretary was employed, in a managerial or supervisory capacity, was declared bankrupt or insolvent during the past five years;

c. except as specified in Section 12.9 (**Related Party Contracts and Transactions**), they do not, themselves, nor do any of Senior Executives, Secretary, or their relatives or affiliates, have any material interest in any written or verbal contract or arrangement under consideration or expected to be conducted with the Company and its Subsidiaries as of the date of this Prospectus;

d. except as otherwise described in Section 5.2.1 (**Composition of the Board of Directors**), and Section 12.9 (**Related Party Contracts and Transactions**), neither they nor any of Senior Executives, Secretary, or their relatives, have any shareholding or interest of any kind in the Company or its Subsidiaries nor in any debt instruments of the Company or its Subsidiaries, and the Company is prohibited from granting a loan to a Director or guaranteeing a loan entered into by a Director;

e. all transactions with Related Parties described in Section 12.9 (**Related Party Contracts and Transactions**), including determination of the financial consideration for contracts, have been carried out in a systematic and legal manner and on appropriate and fair commercial principles used in transactions with third parties;

f. no commissions, discounts, brokerages or other non-cash compensation were granted by the Company or its Subsidiaries within the three years immediately preceding the application for the registration and offer of securities in connection with the issue or sale of any securities;

g. there has been no interruption in the Company's business or that of its Subsidiaries that may significantly affect or have affected their financial position during the last 12 months;

h. there is no intention to introduce any material changes to the nature of the Company's business or that of its Subsidiaries;

i. the Directors or Chief Executive Officer will not vote on General Assembly resolutions that relate to any transaction or contract in which they have a direct or indirect interest;

j. there has been no material adverse change in the financial or trading position of the Company or its Subsidiaries in the three years ended 31 December 2018G, 2019G and 2020G immediately preceding the date of filing the application for registration and offering of securities that are subject of this Prospectus and during the period covered in the Auditors' Report to the date of approval of this Prospectus;

k. as of the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other existing similar arrangement involving the employees in the capital of the Company;

l. the Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect the financial position;

m. except as disclosed in Section 2 (**Risk Factors**) and Section 6.4 (**Principal Factors Affecting the Group's Performance and Operations**), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations;

n. except as disclosed in Section 2 (**Risk Factors**) and Section 6.4 (**Principal Factors Affecting the Group's Performance and Operations**), the Company is not aware of any seasonal information or business cycles related to its business that would affect the Company's operations or financial position;

o. the statistical information used in Section 3 (**Market Overview**) obtained from third-party sources represents the latest information available from each respective source;

p. except as stated in Section 2 (**Risk Factors**) Section 2.1.36 (**Risks Related to Failure to Secure Adequate Insurance Coverage**), the Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly to ensure continued insurance coverage;

q. all contracts and agreements which the Company considers to be material or important or which have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed;

r. all terms and conditions that may affect the decisions of the Investors to invest in Offer Shares have been disclosed;

s. as of the date of this Prospectus, there are no material Related Party contracts or transactions that have any material impact on the Company's activities or that of its Subsidiaries, and the Company has no intention to enter into any new agreements with Related Parties, except as specified in Section 12.9 (**Related Party Contracts and Transactions**);

t. the Selling Shareholders will incur all the expenses and costs related to the Offering, and such costs will be deducted from the Offering Proceeds, including the fees of the Financial Advisor, the Underwriter, the Legal Advisors, Auditors, Market Consultant and Receiving Agent, as well as marketing, printing and distribution costs and other expenses related to the Offering;

u. as of the date of this Prospectus, there is no dispute with ZATCA, or objection thereof, except for the objection request submitted by DHV regarding the revised Zakat assessment for the years 2017G and 2018G, and the objection request submitted by SFPC for the financial years between 2015G and 2018G, which are being reviewed and determined by ZATCA. The Selling Shareholders, each according to its share, shall incur any additional claims that may be filed by ZATCA against the Company and its Subsidiaries for the preceding years until the date of listing. Relevant Selling Shareholders' undertakings have been given;

v. they have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including Companies Law, CML and its implementing regulations (including the Rules on the Offer of Securities and Continuing Obligations), and Listing Rules;

w. except as disclosed in Section 2.1.33 (**Risk Related to Sponsoring Non-Saudi Employees**) and Section 5.8 (**Employees**) all of the Company's employees are under its sponsorship, except for the employees hired through "Ajeer" program, in accordance with the relevant instructions and regulatory restrictions;

x. as of the date of this Prospectus, the Shareholders whose names appear in Section 4.4 (**Current Ownership Structure**) are the legal and beneficial owners, whether direct or indirect owners, of the Shares in the Company;

y. all increases in the capital of the Company are in compliance with the applicable laws and regulations of the Kingdom;

z. except as disclosed in Section 2 (**Risk Factors**), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares;

aa. except as disclosed in Section 2.1.34 (**Risk Related to Licenses and Approvals**), and Section 12.4 (**Government Consents, Licenses, and Certificates**), as of the date of this Prospectus, the Company has obtained all necessary licenses and permits to carry out its business activities;

bb. except as disclosed in Section 12.12 (**Litigation**), the Comapny and its Subsidiaries are not subject to any claims or legal procedures that may have, alone or as a whole, materially affect the business of the Company or its Subsidiaries or their financial position.;

cc. except as disclosed in Section 12.6 (**Financing Agreements**), the Company has not issued any debt instruments, nor does it have any term loans or any other outstanding loans or indebtedness (including bank overdrafts, financial liabilities under acceptance, acceptance credits or purchase commitments);

dd. the Board of Directors acknowledges that none of the Company or its Subsidiaries' assets are under mortgage, right or charge as of the date of this Prospectus;

ee. the Company, individually or in association with its Subsidiaries, has working capital sufficient for at least 12 months immediately following the date of this Prospectus;

ff. no Shares of the Company or shares in its Subsidiaries are under option;

gg. as of the date of this Prospectus, neither the Company nor its Subsidiaries have a policy in connection with research and development for new products and production methods over the last three years;

hh. the financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, and the accompanying notes have been prepared in compliance with IFRS endorsed in the Kingdom and other standards and pronouncements issued by SOCPA;

ii. the financial information appearing in this Prospectus has been extracted from the Company's audited consolidated financial statements, and no material amendments have been made thereto except for rounding; the financial information appearing in Section 6 (**Management's Discussion and Analysis of Financial Position and Results of Operations**) has been extracted from the Company's audited financial statements for the financial years ended 31 December 2018G, 2019G and 2020G. Furthermore, the financial information is presented in a manner consistent with the audited annual financial statements of the Company;

jj. the Company is capable of preparing the required reports in a timely manner in accordance with the implementing regulations issued by the CMA;

kk. all necessary approvals have been obtained from lenders to offer 30% of the Company shares in order for the Company to be a public joint stock company;

ll. the Company is committed to all the terms and conditions under the agreements with lenders granting all loans, facilities and financing;

mm. all material facts regarding the Company and its financial performance have been disclosed in this Prospectus, and that there are no other facts the omission of which would make any statement herein misleading;

nn. except as described in Table (4.30) (**The Group's total assets outside the Kingdom and their percentage of the Group's total assets as of 31 December 2018G, 2019G 2020G**), the Directors acknowledge that the Company does not own any other assets outside the Kingdom;

oo. the Offering does not violate the relevant laws and regulations of the Kingdom;

pp. the Offering does not violate any of the contracts or agreements to which the Company is a party;

qq. all material legal information relating to the Company has been disclosed in the Prospectus; and rr. the Company's Directors are not to be subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's business, Subsidiaries or their financial position.

In addition to the above, the Directors confirm that:

a. this Prospectus contains all the information required to be included under the Rules on the Offer of Securities and Continuing Obligations, and no facts that may affect the application for registration and offer of securities were omitted from this Prospectus;
b. they have submitted, and will submit, to CMA all the documents required under CML and the Rules on the Offer of Securities and Continuing Obligations;
c. the Company has prepared its internal control policies on sound principles where the Company has implemented a written policy regulating and resolving possible conflicts of interest issues, which include the misuse of the Company's assets and misfeasance due to Related Party transactions. The Company has ensured that its operational and financial policies are sound and that control procedures appropriate for risk management are implemented in accordance with Part 5 of the Corporate Governance Regulations. The Directors review the Company's internal controls on an annual basis;
d. the internal control, accounting, and information technology systems of the Company are sufficient and adequate;
e. except as disclosed in Section 12.9 (**Related Party Contracts and Transactions**), there is no conflict of interest related to the Directors with respect to contracts or transactions entered into with the Company;
f. as of the date of this Prospectus, none of the Directors engaged in any activities similar or competitive with the activities of the Company or its Subsidiaries. The Directors undertake to fulfil this regulatory requirement in the future as per Article 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;
g. unless otherwise approved by the General Assembly, a Director may not have a direct or indirect interest in the transactions and contracts entered into by the Company;
h. the Directors shall notify the Board of Directors of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting;
i. all transactions with Related Parties shall be entered into on an arm's-length basis and all works and contracts with Related Parties shall be subject to a vote in meetings of the Board of Directors and, if required by the Companies Law, the General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;
j. the Directors and the Chief Executive Officer shall not have the right to vote on decisions relating to their fees and remuneration; and
k. neither the Directors nor any Senior Executive shall obtain a loan from the Company or its Subsidiaries, and the Company shall not guarantee any loan entered into by a Director.

The Directors undertake to:

a. record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors;
b. disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations; and
c. comply with the provisions of Articles 71, 72 and 73 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;
d. amend the Company's Bylaws in the first extraordinary general assembly after listing in accordance with the Corporate Governance Regulations issued by CMA and other applicable laws and regulations.

12. LEGAL INFORMATION

12.1 The Company

Tanmiah Food Company (previously known as Supreme Foods Company) is a closed Saudi joint stock company registered under commercial registration No. 1010087483 dated 06/04/1412H (corresponding to 15 October 1991G) pursuant to Ministerial Resolution No. Q/148 dated 26/06/1440H (corresponding to 3 March 2019G), approving the Company's conversion to a joint stock company. The current capital of the Company is SAR 200,000,000, divided into 20,000,000 ordinary Shares with a fully paid nominal value of SAR 10 per Share. The Company's Head Office is located at Al-Rabwa District, Omar bin Abdulaziz Road, P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia. Pursuant to its Bylaws, the Company's principal activities include agriculture, fishing, transport, storage and refrigeration (for further details, see Section 4.7 (**Overview of the Group's Business**)).

12.2 Ownership Structure

The following table summarises the shareholding structure of the Company pre-and post-Offering:

Table 12.1: Shareholding Structure of the Company Pre-and Post-Offering

Shareholder	Shareholding (Pre-Offering)			Shareholding (Post-Offering)		
	Number of Shares	Nominal Value (SAR)	Shareholding (%)	Number of Shares	Nominal Value (SAR)	Shareholding (%)
Al-Dabbagh Group Holding Company	19,200,000	192,000,000	96%	14,000,000	140,000,000	70%
Tanmiah Commercial Group Company	800,000	8,000,000	4%	-	-	-
Public	-	-	-	6,000,000	60,000,000	30.0%
Total	20,000,000	200,000,000	100.0%	20,000,000	200,000,000	100.0%

Source: The Company.

For further details regarding the Shareholders and the shareholding structure of the Company, see Section 4.4 (**Current Ownership Structure**).

12.3 Subsidiaries

The Company holds direct and indirect ownership interests in the following six Subsidiaries:

Table 12.2: Subsidiaries[1]

No.	Name of Subsidiary	Country of Incorporation	Direct Interest (%)	Indirect Interest (%)	Remaining Ownership
1.	Agricultural Development Company (ADC)	Kingdom	100%	-	-
2.	Desert Hills Veterinary Services Company (DHV)	Kingdom	100%	-	-
3.	Supreme Foods Processing Company (SFPC)	Kingdom	100%	-	-
4.	Perfect Foods Factory LLC (PFF)	UAE	4%	96%[2]	-
5.	Dabbagh International UAE LLC	UAE	4%	96%[3]	-
6	Supreme Foods Company (Bahrain) (SFC)	Bahrain	-	100%[4]	-

Source: The Company.

1 Tanmiah Development Company LLC, was liquidated and its commercial registry was crossed out.

2 The Company holds a direct interest of 100% in Supreme Foods Processing Company, which holds a direct interest of 96% in Perfect Foods Factory.

3 The Company holds a direct interest of 100% in Supreme Foods Processing Company, which holds a direct interest of 96% in Tanmiah International.

4 The Company holds a direct interest of 100% in ADC, which holds a direct interest of 100% in Supreme Foods Company – (Bahrain).

For further details regarding the Subsidiaries, see Section 4.3 (**Group Structure**).

12.4 Government Consents, Licenses and Certificates

The Company and its Subsidiaries (including their branches) hold several operational and regulatory licenses and certificates from relevant competent authorities which are periodically renewed. The Directors declare that the Company and its Subsidiaries obtained all licenses and certificates necessary to execute their operations in order to maintain such activities, except for certain operational licenses expired or not obtained, as disclosed in Table 12.5 (**Summary of Operational Licenses Obtained by the Company and its Subsidiaries**). The following tables list licenses and certificates currently held by the Company and its Subsidiaries:

Table 12.3: Details of Commercial Registration Certificates Obtained by the Company and its Subsidiaries

Company	Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
The Company	Riyadh, Kingdom of Saudi Arabia	Joint Stock Company	1010087483	4/7/1440H (corresponding to 11 March 2019G)	5/4/1444H (corresponding to 30 October 2022G)
	Riyadh, Kingdom of Saudi Arabia	Branch	1010087630	9/4/1412H (corresponding to 17 October 1991G)	8/4/1444H (corresponding to 2 November 2022G)
ADC	Riyadh, Kingdom of Saudi Arabia	Limited Liability Company	1010395711	21/1/1435H (corresponding to 24 November 2013G)	21/1/1444H (corresponding to 19 August 2022G)
	Riyadh, Kingdom of Saudi Arabia	Branch	1010112444	16/1/1414H (corresponding to 5 July 1993G)	15/1/1444H (corresponding to 13 August 2022G)
	Riyadh, Kingdom of Saudi Arabia	Branch	1010432406	20/6/1426H (corresponding to 26 July 2005G)	20/6/1443H (corresponding to 29 January 2022G)
	Riyadh, Kingdom of Saudi Arabia	Branch	1010183601	11/11/1423H (corresponding to 14 January 2003G)	10/11/1443H (corresponding to 9 June 2022G)
	Al-Kharj, Kingdom of Saudi Arabia	Branch	1011007728	3/9/1414H (corresponding to 13 February 1994G)	4/12/1443H (corresponding to 3 July 2022G)
	Al-Kharj, Kingdom of Saudi Arabia	Branch	1011022379	8/11/1435H (corresponding to 11 November 2013G)	10/2/1441H (corresponding to 6 September 2022G)
	Huraymla, Kingdom of Saudi Arabia	Branch	1018000510	5/5/1436H (corresponding to 23 February 2015G)	5/5/1443H (corresponding to 9 December 2021G)
	Shaqraa, Kingdom of Saudi Arabia	Branch	13003266	30/10/1435H (corresponding to 25 August 2014G)	2/2/1444H (corresponding to 29 August 2022G)
	Shaqraa, Kingdom of Saudi Arabia	Branch	1113003226	4/9/1435H (corresponding to 1 July 2014G)	4/9/1442H (corresponding to 16 April 2021G)[1]
	Dammam, Kingdom of Saudi Arabia	Branch	2050025953	7/2/1414H (corresponding to 26 July 1993G)	7/2/1442H (corresponding to 24 September 2022G)
	Al-Hafuf, Kingdom of Saudi Arabia	Branch	2251041226	17/3/1432H (corresponding to 20 February 2011G)	16/3/1444H (corresponding to 12 January 2022G)
	Jeddah, Kingdom of Saudi Arabia	Branch	4030099574	26/5/1414H (corresponding to 10 November 1993G)	20/5/1443H (corresponding to 24 December 2021G)
	Jeddah, Kingdom of Saudi Arabia	Branch	4030085940	20/1/1434H (corresponding to 3 December 2012G)	29/8/1443H (corresponding to 1 April 2022G)
	Madinah, Kingdom of Saudi Arabia	Branch	4650205201	3/4/1440H (corresponding to 11 December 2018G)	3/4/1444H (corresponding to 28 October 2022G)
	Tabuk, Kingdom of Saudi Arabia	Branch	3550014177	9/2/1418H (corresponding to 15 June 1997G)	8/2/1444H (corresponding to 4 September 2022G)

Company	Location	Type of Entity	Commercial Registration No.	Registration Date	Expiration Date
	Tabuk, Kingdom of Saudi Arabia	Branch	3550135910	13/5/1442H (corresponding to 28 December 2020G)	13/5/1444H (corresponding to 7 December 2022G)
	Najran Kingdom of Saudi Arabia	Branch	5950119008	16/11/1441H (corresponding to 7 July 2020G)	16/11/1442H (corresponding to 26 June 2021G)
	Khamis Mushayt, Kingdom of Saudi Arabia	Branch	5855350409	9/5/1442H (corresponding to 24 December 2020G)	9/5/1444H (corresponding to 12 March 2022G)
	Jizan, Kingdom of Saudi Arabia	Branch	5900127302	2/8/1442H (corresponding to 15 March 2021G)	2/8/1444H (corresponding to 22 February 2023G)
	Dubai, United Arab Emirates	Branch	1335527	2/7/1439H (corresponding to 20 March 2018G)	16/8/1443H (corresponding to 19 March 2022G)
Desert Hills Veterinary Services Company (DHV)	Riyadh, Kingdom of Saudi Arabia	Limited Liability Company	1010202286	22/8/1425H (corresponding to 6 October 2004G)	22/8/1443H (corresponding to 25 March 2022G)
	Riyadh, Kingdom of Saudi Arabia	Branch	1010299118	14/1/1432H (corresponding to 20 December 2010G)	26/1/1444H (corresponding to 24 August 2022G)
Supreme Foods Processing Company	Riyadh, Kingdom of Saudi Arabia	Limited Liability Company	1010155952	16/7/1420H (corresponding to 25 October 1999G)	16/7/1443H (corresponding to 17 February 2022G)
	Riyadh, Kingdom of Saudi Arabia	Branch	1010209220	8/4/1426H (corresponding to 16 May 2005G)	8/4/1443H (corresponding to 13 November 2021G)
	Riyadh, Kingdom of Saudi Arabia	Branch	1010654308	28/1/1442H (corresponding to 16 September 2020G)	28/1/1444H (corresponding to 26 August 2022G)
	Jeddah, Kingdom of Saudi Arabia	Branch	4030130288	16/2/1421H (corresponding to 20 May 2000G)	15/2/1444H (corresponding to 11 September 2022G)
Perfect Foods Factory LLC (PFF)	Dubai, United Arab Emirates	Limited Liability Company	1091230	12/4/1433H (corresponding to 5 March 2012G)	10/10/1442H (corresponding to 22 May 2021G)[2]
Dabbagh International LLC	Dubai, United Arab Emirates	Limited Liability Company	52612	25/12/1419H (corresponding to 12 April 1999G)	29/8/1442H (corresponding to 11 April 2021G)[3]
Supreme Foods Company – Bahrain	Manamah, Bahrain	One-Person Limited Liability Company	1-133727	1/2/1441H (corresponding to 30 September 2019G)	23/2/1443H (corresponding to 30 September 2021G)

Source: The Company.

1 The licence has expired and is under renewal by the Company.

2 The licence has expired and is under renewal by the Company.

3 The licence has expired and is under renewal by the Company.

Table 12.4: Details of Regulatory Licenses and Certificates Obtained by the Company and its Subsidiaries

The Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
The Company	GOSI	37942480	Certificate of compliance with the social insurance obligations	23/8/1442H (corresponding to 5 April 2021G).	23/9/1442H (corresponding to 5 May 2021G)[1]
	Riyadh Chamber of Commerce and Industry, Kingdom of Saudi Arabia	42322	Chamber of Commerce and Industry membership certificate	21/1/1413H (corresponding to 22 July 1992G).	5/4/1444H (corresponding to 30 October 2022G)
	ZATCA	1110845069	Registered Zakat and Tax certificate	18/8/1442H (corresponding to 31 March 2021G).	29/9/1443H (corresponding to 30 April 2022G)
	ZATCA	NA	Group VAT certificate	11/1/1441H (corresponding to 10 September 2020G).	NA
	Ministry of Human Resources and Social Development	20002102003633	Certificate of compliance with Saudisation requirements	21/6/1442H (corresponding to 3 February 2021G).	21/9/1442H (corresponding to 3 May 2021G) [2]
	ZATCA	65001514383	VAT return certificate	18/10/1441H (corresponding to 10 June 2020G)	NA
ADC	GOSI	38024250	Certificate of compliance with the social insurance obligations	26/8/1442H (corresponding to 8 April 2021G).	26/9/1442H (corresponding to 8 May 2021G)[3]
	Riyadh Chamber of Commerce and Industry, Kingdom of Saudi Arabia	53649	Chamber of Commerce and Industry membership certificate	8/2/1435H (corresponding to 11 December 2013G).	22/1/1444H (corresponding to 19 August 2022G)
	ZATCA	1110547922	Zakat and tax registration certificate	22/8/1441H (corresponding to 15 April 2020G).	18/9/1442H (corresponding to 30 April 2021G)[4]
	Ministry of Human Resources and Social Development	20002102003540	Certificate of compliance with Saudisation requirements	21/6/1442H (corresponding to 3 February 2021G).	21/9/1442H (corresponding to 3 May 2021G)[5]
	Dubai Chamber of Commerce and Industry	301741	Certificate of membership in the Chamber of Commerce	2/7/1439H (corresponding to 20 March 2018G)	16/8/1443H (corresponding to 19 March 2022G)
	GOSI	37942363	Certificate of compliance with the social insurance obligations	23/8/1442H (corresponding to 5 April 2021G).	23/9/1442H (corresponding to 5 May 2021G)[6]
	Riyadh Chamber of Commerce and Industry, Kingdom of Saudi Arabia	148900	Chamber of Commerce and Industry membership certificate	22/8/1425H (corresponding to 6 October 2004G).	22/8/1443H (corresponding to 25 March 2022G).
	ZATCA	1110864809	Zakat and tax registration certificate	4/8/1441H (corresponding to 28 March 2020G).	18/9/1442H (corresponding to 30 April 2021G)[7]
	Ministry of Human Resources and Social Development	20002102003617	Certificate of compliance with Saudisation requirements	21/6/1442H (corresponding to 3 February 2021G).	21/9/1442H (corresponding to 3 May 2021G)[8]

The Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
SFPC	GOSI	37942049	Certificate of compliance with the social insurance obligations	23/8/1442H (corresponding to 5 April 2021G).	23/9/1442H (corresponding to 5 May 2021G)[9]
	Riyadh Chamber of Commerce and Industry, Kingdom of Saudi Arabia	97760	Chamber of Commerce and Industry membership certificate	16/5/1420H (corresponding to 25 October 1999G).	16/7/1443H (corresponding to 17 February 2022G)
	ZATCA	1111159327	Zakat and tax registration certificate	12/10/1441H (corresponding to 4 June 2020G).	18/9/1442H (corresponding to 30 April 2021G)[10]
	Ministry of Human Resources and Social Development	20002102003524	Certificate of compliance with Saudisation requirements	21/6/1442H (corresponding to 3 February 2021G).	21/9/1442H (corresponding to 3 May 2021G)[11]
PFF	Dubai Chamber of Commerce & Industry, United Arab Emirates	193486	Dubai Chamber of Commerce & Industry membership certificate	20/6/1432H (corresponding to 23 May 2011G).	10/10/1442H (corresponding to 22 May 2022G)[12]
Tanmiah International Company	Department of Economic Development, Government of Dubai, United Arab Emirates	511268	Commercial license	25/12/1419H (corresponding to 12 April 1999G).	29/8/1443H (corresponding to 11 May 2021G)[13]
	Dubai Chamber of Commerce & Industry, United Arab Emirates	54073	Dubai Chamber of Commerce & Industry membership certificate	25/12/1419H (corresponding to 12 April 1999G).	29/8/1442H (corresponding to 11 May 2021G)[14]

Source: The Company.

1 The licence has expired and is under renewal by the Company

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Table 12.5: Summary of Operational Licenses Obtained by the Company and its Subsidiaries

The Company	Region/ Location	Issuing Authority	Total Number of Valid Licenses	Total Number of Expired Licenses	Total Number of Out-standing Licenses
The Company	Central Region	Central Municipality, Kingdom of Saudi Arabia	One license	N/A	N/A
		SFDA	Two licenses	One licence [1]	N/A
		General Directorate of Civil Defence, Kingdom of Saudi Arabia	N/A	One licence [2]	N/A
ADC	Central Region	Central Municipality, Kingdom of Saudi Arabia	Six licenses	N/A	N/A
		SFDA	One License	Two licences[3]	N/A
		General Directorate of Civil Defence, Kingdom of Saudi Arabia	One License	Five licences[4]	N/A
		Ministry of Environment, Water and Agriculture, Kingdom of Saudi Arabia	78 licenses	Eight licences [5]	N/A
		Ministry of Industry and Minerals Resources, Kingdom of Saudi Arabia	One license	N/A	N/A
		Meteorology and Environment Protection Authority, Kingdom of Saudi Arabia	N/A	One licence[6]	N/A
	Eastern region	Eastern Municipality, Kingdom of Saudi Arabia	Two licenses	N/A	N/A
		SFDA	One license	N/A	N/A
		General Directorate of Civil Defence, Kingdom of Saudi Arabia	One license	One licence [7]	N/A
		Ministry of Environment, Water and Agriculture, Kingdom of Saudi Arabia	One license	Two licences[8]	N/A
	Western Region	Western Municipality, Kingdom of Saudi Arabia	Three licenses	One licence[9]	N/A
		SFDA	Two licenses	N/A	N/A
		General Directorate of Civil Defence, Kingdom of Saudi Arabia	Three licenses	N/A	N/A
		Ministry of Environment, Water and Agriculture, Kingdom of Saudi Arabia	N/A	One licence [10]	N/A
		Ministry of Industry and Minerals Resources, Kingdom of Saudi Arabia	One license	N/A	N/A
		Meteorology and Environment Protection Authority, Kingdom of Saudi Arabia	One license	N/A	N/A
		Saudi Authority for Industrial Cities and Technology Zones (MODON), Kingdom of Saudi Arabia	N/A	One licence [11]	N/A
	United Arab Emirates	Dubai DED, Dubai, United Arab Emirates.	One licence	N/A	N/A
DHV	Central Region	Central Municipality, Kingdom of Saudi Arabia	One licence	N/A	N/A
		SFDA	One licence	N/A	N/A
		General Directorate of Civil Defence, Kingdom of Saudi Arabia	One licence	N/A	N/A
		Ministry of Environment, Water and Agriculture, Kingdom of Saudi Arabia	One licence	N/A	N/A

The Company	Region/ Location	Issuing Authority	Total Number of Valid Licenses	Total Number of Expired Licenses	Total Number of Outstanding Licenses
SFPC	Central Region	Central Municipality, Kingdom of Saudi Arabia	One licence	N/A	N/A
		SFDA	Three licences	One licence[12]	N/A
		General Directorate of Civil Defence, Kingdom of Saudi Arabia	One licence	N/A	N/A
		Ministry of Industry and Minerals Resources, Kingdom of Saudi Arabia	Two licenses	N/A	N/A
		Meteorology and Environment Protection Authority, Kingdom of Saudi Arabia	One licence	One licence[13]	N/A
		Saudi Authority for Industrial Cities and Technology Zones (MODON), Kingdom of Saudi Arabia	One licence	One licence[14]	N/A
	Western Region	SFDA	One licence	N/A	N/A
		Ministry Industry and Minerals Resources, Kingdom of Saudi Arabia	One licence	N/A	N/A
		Meteorology and Environment Protection Authority, Kingdom of Saudi Arabia	One licence	N/A	N/A
		Saudi Authority for Industrial Cities and Technology Zones (MODON), Kingdom of Saudi Arabia	One licence	N/A	N/A
PFF	United Arab Emirates/Dubai	Department of Economic Development, Government of Dubai, United Arab Emirates	N/A	One licence[15]	N/A
SFC (Bahrain)	Kingdom of Bahrain	Ministry of Health	One licence	N/A	N/A

Source: The Company.

1 The licence has expired and is under renewal by the Company.

2 The licence has expired and is under renewal by the Company.

3 The licences have expired and are under renewal by the Company.

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12.5 Material Agreements

The Company and its Subsidiaries have entered into a number of agreements for the purposes of its business. The following is a summary of those agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision to invest in the Offer Shares. The Company believes that all such agreements and lease contracts, in addition to the key terms and conditions thereunder, have been included in this Section and that there are no other agreements or lease contracts, which are material in the context of the Company's business, have not been disclosed. The Company has not breached the terms and conditions included in such agreements. These summaries do not purport to describe all the applicable terms and conditions of such agreements. For further details on the Company's financing agreements, lease agreements, and insurance policies, see Section 12.6 (**Financing Agreements**), Section 12.8.2 (**Leases**), and Sections 12.7 (**Insurance Policies**). The following table sets out the material agreements (except for financing agreements, lease agreements and insurance policies) entered into by the Company and its Subsidiaries for the purposes of their business:

Table 12.6: Details of Material Agreements

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value
Agreements with Key Retailers				
Business Development Agreement	The Company (as supplier) and LuLu Saudi Hypermarkets LLC. (as retailer)	The Company has agreed to provide the retailer with retail products in the Fresh Food Segment in its stores in the Kingdom. In return, the retailer charges the Company fixed fees for each product it sells, and registration fees for each stock keeping unit, and one-off opening fees for each new store in which the Company products are sold, among other fees.	The agreement is valid for one year commencing from 25/4/1440H (corresponding to 1 January 2019G) until 5/5/1441H (Corresponding to 31 December 2019G). The agreement has been extended by virtue of an annex for another year starting from 6/5/1441H (corresponding to 1 January 2020) until 16/5/1442H (corresponding to 31 December 2020G).	The retailer charges the Company fixed fees for each product it sells, and outstanding fees for each stock keeping unit, and one-off opening fees for each new store in which the Company products are sold. In addition to that, the retailer charges a visibility fee, and growth fee, and marketing support fee. The total revenues from this agreement amounted to SAR 45,400,000 for the financial year ended 31 December 2020G.
Supply Agreement	ADC (as Supplier) and Panda Retail Company (as retailer)	ADC agreed to provide the retailer with retail products in its stores in the Kingdom. In return, the retailer charges ADC non-fixed fees for each product it sells and 3% of the net monthly sales, in addition to the agreed-upon rent for the dedicated display areas.	The agreement is valid from 25/2/1441H. (corresponding to 24 October 2019G) and ends on 16/5/1442H (corresponding to 31 December 2020G).	The retailer charges fees on ADC for each product it sells, and 3% of the net monthly sales, in addition to the agreed-upon rent for the dedicated display areas. The total revenues from this agreement amounted to SAR 42,400,000 for the financial year ended 31 December 2020G.
Business Development Agreement	ADC (as supplier), and Danube and Bindawood Markets (as retailers)	ADC agreed to provide the retailer with products, including poultry and meat, for retail in its stores in the Kingdom in exchange for retail service. The retailer charges ADC progressive discount fees for each product it sells, in addition to fees for each stock keeping unit, and a one-off opening fee for each new store selling ADC products.	The agreement is valid for one year from 17/5/1442H (corresponding to 1 January 2021G) and ends on 27/5/1443H (corresponding to 31 December 2021G).	The retailer charges ADC fixed fees for each product it sells, and registration fees for each stock keeping unit, and one-off opening fees for each new store in which the Agricultural Development Company products are sold. The total revenues from this agreement amounted to SAR 27,000,000 for the financial year ended 31 December 2020G.

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value
Business Agreement	ADC (as supplier) and Abdullah Al-Othaim Markets Company (as retailer)	ADC agreed to provide the retailer with fresh poultry for retail in its stores in the Kingdom. In return for retail service, the retailer charges fixed fees on Agricultural Development Company for each product it sells, and one-off opening fees for each new store in which ADC products are sold, among other fees.	The agreement is valid for one year from 3/4/1438H (corresponding to 1 January 2017G) until 13/4/1439H (Corresponding to 31 December 2017G). The agreement is subject to automatic renewal, unless either party notifies the other in writing of its intent not to renew 60 days prior to the expiry of the agreement.	The retailer charges ADC fixed fees for each product it sells, registration fees, and one-off opening fees for each store in which the ADC products are sold (fees vary depending on store type). The total revenues from this agreement amounted to SAR 45,500,000 for the financial year ended 31 December 2020G.
Supply Agreement	ADC (as supplier) and the Saudi Hypermarkets Company (Carrefour) (as supplier)	ADC agreed to provide the retailer with products, including frozen poultry and products, for retail in its stores in the Kingdom. In return for retail service, the retailer charges fixed fees for each product it sells (purchase service fees), and one-off opening fees for each store in which the ADC products are sold, among other fees.	The agreement is valid for one year from 25/4/1440H (corresponding to 1 January 2019G) until 5/5/1441H (corresponding to 31 December 2019G), and the agreement has been extended for a further one-year commencing from 6/5/1441H (corresponding to 1 January 2020G) to until 16/5/1442H (corresponding to 31 December 2020G)[3].	The retailer charges the Company fixed fees on ADC for each product it sells (purchase service fee), and one-off opening fees for each new store in which the ADC products are sold. In addition to that, the retailer charges fees as well for achieving the target sales, along with advertisement and seasonal display fees. The total revenues resulting from this agreement amounted to SAR 28,500,000 for the financial year ended 31 December 2020G.
Long-term Agreement	ADC (as supplier) and Abdullah Al Sadhan Group (as retailer)	ADC agreed to provide the retailer with products at the agreed-upon price. In return, the retailer charges ADC fees based on the total of procurements, promotion campaigns and support, among other fees.	The agreement is valid for one year from 6/5/1441H (corresponding to 1 January 2020G) until 17/5/1442H (Corresponding to 31 December 2020G)[4].	The retailer charges ADC fees based on the total of procurements, promotion campaigns and support. The total revenues from this agreement amounted to SAR 2,700,000 for the financial year ended 31 December 2020G.
Agreements with Key Distributors				
Exclusive Distribution Agreement	ADC (as supplier) and Sirr Annaqaa Commercial Establishment (as distributer).	The distributor agreed to purchase poultry and food products from ADC for exclusive re-sale, distribution, and promotion in Al Madinah region and its surroundings. In return, ADC offers the distributer facilities and discounts according to ADC's regularly updated discounts table. Under this exclusive arrangement, the distributor may not deal with any competing suppliers, nor any current ADC distributors without ADC's written approval.	The agreement is valid from 11/8/1437H (corresponding to 18 May 2016G) and expires on the last day of the Gregorian year. The agreement is subject to automatic renewal, for one Gregorian year, unless either party gives written notice to the other at least one month prior to the end of any term (noting that the agreement is still effective). Either party may terminate the agreement upon notice to the other party at least two months prior to the end of any term.	In return for its re-sale, distribution, and promotion, ADC offers the distributer facilities and discounts according to its regularly updated discounts table. The total revenues from this agreement amounted to SAR 37,400,000 for the financial year ended 31 December 2020G.

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value
Exclusive Distribution Agreement	ADC (as supplier) and Attawzee Athahabi Office for Commercial Services (as distributer).	The distributor agreed to purchase poultry and food products from ADC for exclusive re-sale, distribution, and promotion in the city of Al-Ahsa and its surroundings and Yanbu and its surroundings. In return, ADC offers the distributer facilities and discounts according to ADC's regularly updated discounts table. Under this exclusive arrangement, the distributor may not deal with any competing suppliers, nor any current ADC distributors without ADC's written approval.	The agreement is valid from 26/10/1438H (corresponding to 22 May 2017G), and ends on the last day of the calendar year. The agreement is subject to automatic renewal, for one Gregorian year, unless either party gives written notice to the other at least one month prior to the end of any term (noting that the agreement is still effective). Either party may terminate the agreement upon notice to the other party at least two months prior to the end of any term.	In return for its re-sale, distribution, and promotion, ADC offers the distributer facilities and discounts according to its regularly updated discounts table. The total revenues from this agreement amounted to SAR 8,820,641 for the three-month period ended 31 December 2020G.
Exclusive Distribution Agreement	ADC (as the supplier) and Mutlaq Dakhil Allah Saleh AlMatrafi Establishment (as the distributer).	The distributor agreed to purchase poultry and food products from ADC exclusively for resale, distribution and promotion of them in Makkah, Taif and their surroundings. In return, ADC provides facility services and discounts to the distributor according to the discount schedule that is regularly updated for ADC. Under this exclusive arrangement, the distributor may not deal with any competing suppliers, or any existing distributors of ADC without a written approval of ADC.	The agreement is valid from 20/1/1435H (corresponding to 23 November 2013G), and ends on the last day of the calendar year. The agreement is automatically renewable for a period of one calendar year, unless otherwise is notified by one party to the other in writing at least one month before the end of any period. Either party may terminate the agreement upon notice to the other party at least two months before the end of any period.	In return for resale, distribution and promotion, ADC provides the distributor with facilities and discounts according to the discount schedule that is updated regularly. The total revenues from this agreement amounted to SAR zero for the financial year ended 31 December 2020G.
Exclusive Distribution Agreement	ADC (as the supplier) and Afaq Aljawharah Commercial Establishment (as the distributer).	The distributor agreed to purchase poultry and food products from ADC for exclusive resale, distribution and promotion thereof in the cities of Abha and Khamis Mushait, the whole Asir region, AlAflaj, As Sulayyil, Wadi Al-Dawasir, Al-Kharj and Al-Houta. In return, ADC provides facilities and discounts to the distributor according to the discount schedule that is regularly updated for ADC. Under this exclusive arrangement, the distributor may not deal with any competing suppliers, or any existing distributors of ADC without a written approval of ADC.	The agreement is valid from 25/2/1435H (corresponding to 28 December 2013G), and ends on the last day of the calendar year. The agreement is automatically renewable for a period of one calendar year, unless otherwise is notified by one party to the other in writing at least one month before the end of any period. Either party may terminate the agreement upon notice to the other party at least two months before the end of any period.	In return for resale, distribution and promotion, ADC provides the distributor with facilities and discounts according to the discount schedule that is updated regularly. The total revenues from this agreement amounted to SAR 30,400,000 for the financial year ended 31 December 2020G.
Agreements with Key Customers				
Supply Agreement	SFPC (as supplier) and Burger King Europe GmbH (as customer).	SFPC agreed to sell and supply poultry products to the customer's various franchisees in Saudi Arabia, Bahrain, Lebanon, Oman, UAE and Kuwait.	The agreement is valid for three years, from 28/8/1440H (corresponding to 1 July 2019G), and expires on 1/12/1443H (corresponding to 30 June 2022G).	SFPC charges the customer's franchisees based on the volume of purchases. The total revenues from this agreement amounted to SAR 29,700,000 for the financial year ended 31 December 2020G.

Name of Agreement	Parties	Brief Description	Term and Renewal Mechanism	Value
Services Agreement	SFPC (as supplier) and Pizza Hut MENAPAK S.A.R.L (as customer).	SFPC agreed to sell and supply poultry products to the customer's franchisees in Africa and the Middle East. In addition, the purchaser provides services that include bid examination and procurement checks and compliance for an agreed service fee.	The agreement is valid for one year, from 2/9/1437H (corresponding to 7 June 2016G), automatically renewable for 12 consecutive months.	SFPC charges the customer's franchisees based on the volume of purchases. The customer shall also charge the SFPC a service fee equal to a specified percentage of the products sold by the customer or a fixed fee or an agreed fee under the agreement. The total revenues from this agreement amounted to SAR 14,900,000 for the financial year ended 31 December 2020G.
Commercial Sale Agreement (on credit)	PFF (as the supplier) and Al-Homaizi Food Stuff Co. (as the purchaser)	PFF agreed to sell and supply poultry products, cooked meat and processed food products branded "Al Mumtazah" and "Supreme" to the purchaser, at the prices determined by the PFF as per its price list.	The agreement is valid for three years, from 28/10/1440H (corresponding to 1 July 2019G). The agreement shall not subject to automatic renewal.	PFF sets product prices as per its price list. The total revenues from this agreement amounts to SAR 15,500,000 for the financial year ended 31 December 2020G.
Commercial Sale Agreement (on credit)	PFF (as the Supplier) and First Food Services LLC (as the purchaser)	PFF agreed to sell and supply poultry products, cooked meat and processed food products branded "Al Mumtazah" and "Supreme" to the purchaser, at the prices determined by the PFF as per its price list. The contract excludes the purchaser from selling products outside the Sultanate of Oman, and prevents the purchaser from competing with other purchasers of the PFF.	The agreement is valid for one year, from 16/6/1438H (corresponding to 13 February 2017G), automatically renewable, unless otherwise is notified by one party to the other in writing at least one month before the end of any period. Either party may terminate the agreement upon notice to the other party at least one month before the end of any period.	PFF sets product prices as per its price list. The total revenues from this agreement amounts to SAR 14,300,000 for the financial year ended 31 December 2020G.
(Forward) Commercial Sale Agreement	ADC (as seller) and Zadi International Restaurants Company (as purchaser)	ADC agreed to sell poultry and food products to the purchaser, as per the agreed price schedule, with ADC entitled to amend this schedule. The buyer may not resell ADC's products outside its restaurants.	The agreement is valid from 7/12/1441H (corresponding to 28 July 2020G) and ends on the last day of the calendar year. The agreement is automatically renewable for a period of one calendar year, unless otherwise is notified by one party to the other in writing at least one month before the end of any period. Either party may terminate the agreement upon notice to the other party at least one month before the end of any period.	The total revenues from this agreement amounted to SAR 700,000 for the financial year ended 31 December 2020G.
Service Agreements				
Chicken Slaughter Agreement	ADC (as client) and Alwashim Poultry Company (as service provider)	The service provider agreed to provide slaughter services in its slaughterhouse to the client upon the client's requests and in accordance with the agreed prices and conditions.	The agreement is valid for one year, from 16/4/1442H (corresponding to 1 December 2020G).	The total costs from this agreement amounted to SAR 55,683 for the financial year ended 31 December 2020G.

Source: The Company.

1 The agreement has expired and is under renewal by the Company.

2 The agreement has expired and is under renewal by the Company.

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12.5.1 Agreements with Key Retailers

12.5.1.1 Business Development Agreement between the Company and LuLu Saudi Hypermarkets LLC.

The Company (as supplier) has entered into a business development agreement with Lulu Saudi Hypermarkets LLC (as retailer) for retail sale of the Company's products of the fresh food segment within the retailer's stores in the Kingdom, in consideration for a fixed fee that is collected in the form of a discount for each product the retailer sells, a listing fee for each unit dedicated to preserving the inventory, and a one-time opening fee for each new branch in which the retailer sells the Company's products. Moreover, a fee is charged in the form of a discount for displaying products and another for their growth, in addition to advertising support fees. Revenues from this agreement amounted to SAR 45,400,000 for the financial year ended 31 December 2020G. The agreement is valid for one year, from 25/4/1440H (corresponding to 1 January 2019G) until 5/5/1441H (corresponding to 31 December 2019G). The agreement has been extended under an appendix for another year, starting from 6/5/1441H (corresponding to 1 January 2020G) to 16/5/1442H (corresponding to 31 December 2020G). The agreement shall be governed by the laws of the Kingdom and any dispute arising from the agreement shall be referred to the competent court in the Kingdom.

12.5.1.2 A Supply Agreement between ADC and Panda Retail Company

ADC (as supplier) has entered into a supply agreement with Panda Retail Company (as retailer) to sell ADC products in its stores in the Kingdom. In return for the retail service, the retailer charges ADC an adjustable discount fee for each product it sells, and 3% of the net monthly sales, in addition to the agreed rent for the designated display areas. Revenues from this agreement amounted to SAR 42,400,000 for the financial year ended 31 December 2020G. The agreement is valid from of 25/2/1441H (corresponding to 24 October 2019G) until 16/5/1442H (corresponding to 31 December 2020G). The agreement shall be governed by the laws of the Kingdom and any dispute arising from the agreement shall be referred to the competent court in the Kingdom.

12.5.1.3 Business Development Agreement between ADC and Danube and Bindawood Markets

ADC (as supplier) has entered into a business development agreement with BinDawood and Danube (as retailer) for retail sale of ADC products, including poultry and meat, within an agreed number of retailer stores in the Kingdom, in consideration for a progressive fee that is collected in the form of a discount for each product that the retailer sells according to the specified sales targets. The retailer also charges a listing fee for each unit dedicated to preserving the inventory, and a one-time opening fee for each new branch in which the retailer sells ADC products. Revenues from this agreement amounts to SAR 27,000,000 for the financial year ended 31 December 2020G. The agreement is valid from 17/5/1442H (corresponding to 1 January 2021G) and ending on 27/5/1443H (corresponding to 31 December 2021G). The agreements shall be governed by the laws of the Kingdom and any dispute arising therefrom shall be referred to the competent court in the Kingdom.

12.5.1.4 Business Agreement between ADC and Abdullah Al-Othaim Markets Company

ADC (as supplier) has entered into a commercial agreement with Abdullah Al-Othaim Markets Company (as retailer) for retail sale of ADC products, particularly poultry, within its stores in the Kingdom, in consideration for, among other fees, a fixed fee that is collected in the form of a discount for each product the retailer sells, and a one-time opening fee for each new branch in which the retailer sells ADC products (the opening fee varies by the type of branch). Revenues from this agreement amounts to SAR 45,500,000 for the financial year ended 31 December 2020G. The agreement is valid for one year, from 3/4/1438H (corresponding to 1 January 2017G) until 13/4/1439H (corresponding to 31 December 2017G), automatically renewable unless otherwise is notified by one party to the other in writing 60 days before the end of the agreement. The agreement shall be governed by the laws of the Kingdom and any dispute arising from the agreement shall be referred to the competent court in the Kingdom.

12.5.1.5 Supply Agreement between ADC and the Saudi Hypermarkets Company (Carrefour)

ADC (as supplier) has entered into a supply agreement with Saudi Hypermarkets Company (Carrefour) (as retailer) for retail sale of ADC products, including poultry and frozen products, within the retailer's stores in the Kingdom, in consideration for fixed procurement service fees that are collected in the form of a discount for each product that the retailer sells, in addition a one-time opening fee for each new branch in which the retailer sells ADC products Further fees are charged for realizing sales targets, in addition to advertising fees and fees for displaying substantive events. Revenues from this agreement amounted to SAR 28,500,000 for the financial year ended 31 December 2020G. The agreement is valid for one year, from 25/4/1440H (corresponding to 1 January 2019G) until 5/5/1441H (corresponding to 31 December 2019). The agreement has been extended for another calendar year commencing from 6/5/1441H (corresponding to 1 January 2020G) until 16/5/1442H (corresponding to 31 December 2020G) by mutual agreement of the parties. The agreements shall be governed by the laws of the Kingdom and any dispute arising therefrom shall be referred to the competent court in the Kingdom.

12.5.1.6 A Long-Term Agreement between ADC and Abdullah Al-Sadhan Group

ADC (as supplier) has entered into a supply agreement with Abdullah Al-Sadhan Group (as retailer) to sell ADC products at the agreed price. The retailer charges ADC a discount fee for the retail service, plus an additional discount based on total purchases, promotions, and support. Revenues from this agreement amounted to SAR 2,700,000 for the financial year ended 31 December 2020G. The agreement is valid for one year, from 6/5/1441H (corresponding to 1 January 2020G) until 17/5/1442H (corresponding to 31 December 2020G). The agreement shall be governed by the laws of the Kingdom and any dispute arising from the agreement shall be referred to the competent court in the Kingdom.

12.5.2 Agreements with Key Distributors

12.5.2.1 Exclusive Distribution Agreement between ADC and Sirr Annaqaa Commercial Establishment.

ADC (as supplier) has entered into an exclusive distribution agreement with Sirr Annaqaa Commercial Establishment (as distributor) for the exclusive re-sale, distribution, and promotion of ADC's poultry and food products in Al Madinah region and its surrounding villages. In return, ADC offers the distributor facilities and discounts according to its regularly updated discounts table, which includes details regarding the products to be distributed, sales target and sale and re-sale prices of the products. Revenues from this agreement amounted to SAR 37,400,000 for the financial year ended 31 December 2020G. The agreement is valid from 11/8/1437H (corresponding to 18 May 2016G), and expires on the last day of the Gregorian year. The agreement is subject to automatic renewal, for one Gregorian year, unless either party gives a written notice to the other party at least one month prior to the end of any term. Either party may terminate the agreement upon notice to the other party at least two months prior to the end of any term. The agreement shall be governed by the laws of the Kingdom and any dispute arising therefrom shall be referred to the competent court in the Kingdom.

12.5.2.2 Exclusive Distribution Agreement between ADC and Attawzee Athahabi Office for Commercial Services

ADC (as supplier) has entered into an exclusive distribution agreement with Attawzee Athahabi Office for Commercial Services (as distributor) for the exclusive re-sale, distribution, and promotion of ADC's poultry and food products in the city of Al-Ahsa and its surrounding villages. In return, ADC offers the distributor facilities and discounts according to its regularly updated discounts table, which includes details regarding the products to be distributed, sales target and sale and re-sale prices of the products. Revenues from this agreement amounted to SAR 35,500,000 for the financial year ended 31 December 2020G . The agreement is valid from 26/10/1438H (corresponding to 22 May 2017G), and expires on the last day of the Gregorian year. The agreement is subject to automatic renewal, for one Gregorian year, unless either party gives a written notice to the other party at least one month prior to the end of any term. Either party may terminate the agreement upon notice to the other party at least two months prior to the end of any term. The agreement shall be governed by the laws of the Kingdom and any dispute arising therefrom shall be referred to the competent court in the Kingdom.

12.5.2.3 Exclusive Distribution Agreement between ADC and Mutlaq Dakhil Allah Saleh Al Matrafi Est

ADC (as supplier) has entered into an exclusive distribution agreement with Mutlaq Dakhil Allah Saleh Al Matrafi Est. (as distributor) to exclusively resell, distribute and promote ADC poultry and food products within Makkah Al-Mukarramah, and Taif and its affiliated areas. In return, ADC offers the distributor facilities and discounts according to its regularly updated discounts table, which includes details regarding the products to be distributed, sales target and sale and re-sale prices of the products. Subject to this exclusive arrangement, the distributor may not deal with any competing suppliers, or any existing distributors of ADC without the written consent of ADC. Revenues from this agreement amounted to zero for the financial year ended 31 December 2020G. The agreement is valid from 20/1/1435H (corresponding to 23 November 2013G), and ends on the last day of the calendar year. The agreement is automatically renewable for a period of one calendar year, unless otherwise is notified by one party to the other in writing at least one month before the end of any period. Either party may terminate the agreement upon notice to the other party at least two months before the end of any period. The agreements shall be governed by the laws of the Kingdom and any dispute arising therefrom shall be referred to the competent court in the Kingdom.

12.5.2.4 Exclusive Distribution Agreement between ADC and Afaq Aljawharah Commercial Establishment.

ADC (as supplier) has entered into an exclusive distribution agreement with Afaq Al Jawhara Trading Est. (as distributor) to exclusively resell, distribute and promote ADC poultry and food products within the cities of Abha and Khamis Mushait, the entire Asir Province, Aflaj, As Sulayyil, Wadi Al Dawasir, Al Kharj and Al-Hotah, in consideration of ADC offers to the distributor, including facilities and discounts, according to the schedule of discounts which ADC regularly updates, and which includes details on the products to be distributed, the targeted sales, and product sale and resale prices. Subject to this exclusive arrangement, the distributor may not deal with any competing suppliers, or any existing distributors of ADC without the written consent of ADC. Revenues from this agreement amounted to SAR 30,400,000 for the financial year ended 31 December 2020G. The agreement is valid from 25/2/1435H (corresponding to 28 December 2013G), and ends on the last day of the calendar year. The agreement is automatically renewable for a period of one calendar year, unless otherwise is notified by one party to the other in writing at least one month before the end of any period. Either party may terminate the agreement upon notice to the other party at least two months before the end of any period. The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be referred to the competent court in Saudi Arabia.

12.5.3 Agreements with Key Customers

12.5.3.1 Supply Agreement between SFPC and Burger King Europe GmbH

SFPC (as supplier) has entered into a supply agreement with Burger King Europe GmbH (as customer) for selling and supplying SFPC's poultry products to its various franchisees in Saudi Arabia, Bahrain, Lebanon, Oman, UAE and Kuwait. SFPC charges the customer's franchisees based on the volume of purchases. Revenues from this agreement amounted to SAR 29,700,000 for the financial year ended 31 December 2019G. The agreement is valid for three years, from 28/8/1440H (corresponding to 1 July 2019G), and expires on 1/12/1443H (corresponding to 30 June 2022G).

12.5.3.2 Service Agreement between SFPC and PIZZA HUT MENAPAK S.A. R.L.

SFPC (as supplier) has entered into a service agreement with PIZZA HUT MENAPAK S.A. R.L (as buyer) to supply and sell poultry products to the buyer's franchisees in Africa and the Middle East. The buyer shall provide services to SFPC, including inspection, collection and commitment, in consideration of either service fees equivalent to a specified percentage of the value of the products sold by the buyer, fixed fees, or fees agreed upon in the agreement. Revenues from this agreement amounted to SAR 14,900,000 for the financial year ended 31 December 2020G. The agreement is valid for one year, from 2/9/1437H (corresponding to 7 June 2016G), automatically renewable for 12 consecutive months. The agreement is governed by the laws of England, and any disputes arising therefrom are referred to the non-exclusive jurisdiction of DIFC, Dubai, UAE.

12.5.3.3 Commercial Selling Contract between PFF and Al-Homaizi Food Stuff Co.

PFF (as supplier) has entered into a (forward) commercial sale contract with Al Humaidhi Foodstuff Company (as buyer) to sell products, including poultry, cooked meat and food products branded "AlMumtazah" and "Supreme", at prices determined by PFF at its absolute discretion as per its price list. Revenues from this agreement amounted to SAR 15,500,000 for the financial year ended 31 December 2020G. The agreement is valid for three years, from 28/10/1440H (corresponding to 1 July 2019G). The agreement shall not subject to automatic renewal. The parties shall seek to amicably resolve any dispute arising out of the agreement. If this is not possible, the dispute is referred to an arbitration committee in accordance with the UAE Arbitration Law.

12.5.3.4 Commercial Selling Contract (On Credit) Between PFF and First Food Services LLC.

PFF (as supplier) has entered into a (forward) commercial sale contract with First Food Services LLC (as a buyer) to sell products, including poultry, cooked meat and food products manufactured in the Sultanate of Oman and branded "AlMumtazah" and "Supreme", at prices determined by PFF at its absolute discretion as per its price list. Revenues from this agreement amounted to SAR 14,300,000 for the financial year ended 31 December 2020G. The agreement is valid for one year, from 16/6/1438H (corresponding to 13 February 2017G), automatically renewable, unless otherwise is notified by one party to the other in writing at least one month before the end of any period. Either party may terminate the agreement upon notice to the other party at least one month before the end of any period. The parties shall seek to amicably resolve any dispute arising out of the agreement. If this is not possible, the dispute is referred to an arbitration committee in accordance with the Saudi Arbitration Law.

12.5.3.5 (Forward) Commercial Sale Agreement between ADC and Zadi International Restaurants Company

ADC (as seller) entered into a (forward) commercial sale agreement with Zadi International Restaurants Company (as buyer) for sale of poultry and food products as per the agreed price schedule, with ADC entitled to amend this schedule. The buyer may not resell ADC's products outside its restaurants. Revenues from this agreement amounted to SAR 700,000 for the financial year ended 31 December 2020G. The agreement is valid from 7/12/1441H (corresponding to 28 July 2020G) and ends on the last day of the calendar year. The agreement is automatically renewable for a period of one calendar year, unless otherwise is notified by one party to the other in writing at least one month before the end of any period. Either party may terminate the agreement upon notice to the other party at least one month before the end of any period. The parties shall seek to amicably resolve any dispute arising out of the agreement. Failing that, the dispute is referred to the competent court in Riyadh, Kingdom of Saudi Arabia.

12.5.4 Service Agreements

12.5.4.1 Chicken Slaughter Agreement between ADC and Alwashim Poultry Company

ADC (as client) has entered into a chicken slaughter agreement with Alwashim Poultry Company (as service provider) for the purpose of providing live chicken slaughter services in the service provider's slaughterhouse to the client upon the client's requests and in accordance with the agreed prices and conditions. Costs related to this agreement amounted to SAR 55,683 for the financial year ended 31 December 2020G. The agreement is valid for one year, from as of 16/4/1442H (corresponding to 1 December 2020G) until 25/4/1443H (corresponding to 30 November 2021G). The parties shall seek to amicably resolve any dispute arising out of the agreement. Failing that, the dispute is referred to an arbitral panel of three arbitrators.

12.6 Financing Agreements

The Company and its Subsidiaries have entered into eight financing agreements relating to its business. The following is a summary of such agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. The Company has not breached any of the terms and conditions included in such agreements. These summaries include only the material terms and conditions, not all applicable terms and conditions of such agreements, and cannot be considered as an alternative to the terms and conditions of those agreements.

Certain financing agreements to which the Company or any of its Subsidiaries is a party include conditions that either require the submission of a prior notification of any change of control or change in the ownership structure of the Company, or when offering the Company's shares for public subscription or introducing new provisions that require prior approval of the financers. The Company and its Subsidiaries, in this regard, obtained all the consents required from the financers.

The following table sets out the financing agreements entered into by the Group for the purposes of its business:

Table 12.7: Details of Financing Agreements

Lender and Borrower	Type of Financing	Availability Period	Financing Amount
Banque Saudi Fransi (as a Lender) and the Company (as a Borrower)	Multipurpose Facility	The loan availability period starts from 23/5/1442H (corresponding to 7 January 2021G) until 28/6/1443H (corresponding to 31 January 2022G)	Multipurpose facilities up to SAR 85,000,000
Saudi British Bank (as a Lender) and ADC (as a Borrower)	Banking Facilities	The agreement takes effect from 19/9/1441H (corresponding to 12 May 2020G) and remains effective until 19/9/1442H (corresponding to 31 April 2021G)[1]	Facilities up to SAR 130,000,000
Riyad Bank (as a Lender) and ADC (as a Borrower)	Credit Facilities	The agreement takes effect from 25/1/1441H (corresponding to 24 September 2019G) and remains effective until 28/2/1444H (corresponding to 24 September 2022G)	Facilities up to SAR 75,000,000
Saudi Investment Bank (SAIB) (as a Lender) and DHV (as a Borrower)	Sharia-compliant Banking Facilities	The agreement takes effect from 24/12/1440H (corresponding to 25 August 2019G) to 19/10/1442H (corresponding to 31 May 2021G)	Facilities up to SAR 33,000,000
Saudi Investment Bank (SAIB) (as a Lender) and SFPC (as a Borrower)	Sharia-compliant Banking Facilities	The agreement takes effect from 10/1/1441H (corresponding to 9 September 2019G) to 19/10/1442H (corresponding to 31 May 2021G)	Facilities up to SAR 15,000,000
Saudi British Bank (as a Lender) and SFPC (as a Borrower)	Banking Facilities	The agreement takes effect from 20/9/1441H (corresponding to 13 May 2020G) and remains effective until 21/12/1442H (corresponding to 30 April 2021G)	Facilities up to SAR 16,000,000
Alinma Bank (as a lender) and SFPC (as a borrower)	Credit facilities	The agreement is effective as of 22/11/1441H (corresponding to 13 July 2020G) until 18/9/1442H (corresponding to 30 April 2021G) [2]	Facilities of up to SAR 30,000,000
Dubai Islamic Bank (as a Lender) and PFF (as a Borrower)	Banking Facilities	The loan availability period starts from 2/1/1441H (corresponding to 1 September 2019G) and shall be subject to review by the lender 21/12/1442H (corresponding to 31 July 2021G)	Facilities up to AED 44,163,000 (equivalent to SAR 46,003,125)
Emirates Islamic Bank (as a lender) and PFF (as a borrower)	Banking facilities	The agreement is effective as of 3/1/1441H (corresponding to 2 September 2019G) and shall be subject to review by the lender 25/4/1443H (corresponding to 30 November 2021G)	Facilities up to AED 14,000,000 (SAR 14,583,333.3).
Bank ABC (as a Lender) and ADC and Supreme Food Company (as a Borrower)	Banking Facilities	The agreement takes effect from 11/2/1441H (corresponding to 10 October 2019G) until 18/9/1442H (corresponding to 30 April 2021G)[3]	Facilities up to USD 30,000,000 (equivalent to SAR 112,500,000).

Source: The Company.

1 The agreement has expired and is under renewal by the Company.

2 The agreement has expired and is under renewal by the Company.

3 The agreement has expired and is under renewal by the Company.

12.6.1 Banking Facilities Agreement with Banque Saudi Fransi

The Company concluded a banking facilities agreement with Banque Saudi Fransi on 23/5/1442H (corresponding to 7 January 2019G), whereby Banque Saudi Fransi agreed to provide the Company with banking facilities with a total value of SAR 100,000,000. The financing consists of a SAR 100,000,000 multi purpose facility available for: (i) multi import; (ii) shipping guarantees; (iii) accreditation and warranty; (iv) issuing of standby letters of credit; (v) post financing; (vi) multi bonding; and (vii) payment guarantees at an annual profit rate 1.75% over SAIBOR.

At the Company's request and at the Banque Saudi Fransi's sole discretion, the above financing facilities may be available for use by, and sub-allocated to, the following independent accounts: (i) Agricultural Development Company; (ii) Desert Hills Veterinary Services Company; and (iii) Supreme Food Processing Company.

The agreement was concluded on 23/5/1442H (corresponding to 7 January 2019G) and the facilities shall remain available until 28/6/1443H (corresponding to 31 January 2022G).

The guarantees provided under the agreement are as follows:

- an "on-demand" promissory note provided by the Company covering 100% of the amount available under the facilities;
- a corporate guarantee from Al-Dabbagh Group Holding Company for SAR 100,000,000 (covering 100% of the amount available under the facilities);
- a corporate guarantee from Agricultural Development Company for SAR 100,000,000 (covering 100% of the amount available under the facilities);
- a corporate guarantee from Desert Hills Veterinary Services Company for SAR 100,000,000 (covering 100% of the amount available under the facilities); and
- a corporate guarantee from Supreme Food Processing Company for SAR 100,000,000 (covering 100% of the amount available under the facilities)

The Company's main covenants under the agreement include the following:

- an undertaking to maintain a minimum current ratio of 1:1, and a maximum financial leverage ratio of 2:1;
- an undertaking not to distribute, or withdraw from, dividends in excess of 20% of net income;
- an undertaking to designate the Banque Saudi Fransi to be "pari passu" with the Group's financers; and
- an undertaking to keep at least 15% of normal business transactions of the Company to be routed through the Company's account with Banque Saudi Fransi.

The agreement is governed by the laws of the Kingdom and any disputes arising therefrom shall be referred to the Banking Committee.

12.6.2 Banking Facilities Agreement with Saudi British Bank (SABB)

ADC concluded a banking facilities agreement with Saudi British Bank on 19/9/1441H (corresponding to 12 May 2020G), whereby Saudi British Bank agreed to provide ADC with banking facilities amounting to SAR 130,000,000. The financing consists of: (i) a SAR 10,000,000 short term loans for working capital needs with a maximum tenor of 12 months at a certain annual profit rate over SAIBOR; and (ii) a SAR 120,000,000 financing for documentary letters of credit, bills drawn under such letters and shipping guarantees for import and procurement needs with a maximum tenor of 12 months (with lower maximums for certain facilities) at a certain annual profit rate agreed between the parties.

The agreement was concluded on 19/9/1441H (corresponding to 12 May 2020G) and the facilities shall remain available until 19/9/1442H (corresponding to 31 April 2021G), with Saudi British Bank having the option to terminate the facilities and claim payment of any accrued amounts at any time. ADC considers such terms to be in line with prevailing market practices.

The guarantees provided under the agreement are as follows:

- a joint and several personal guarantee provided by Jamal Al-Dabbagh for SAR 130,000,000 (covering 100% of the amount available under the facilities);
- cross-corporate guarantees provided by the Company, ADC, Al-Dabbagh Group Holding Company, SFPC and National Scientific Company for SAR 130,000,000 (covering 100% of the amount available under the facilities);
- an assignment of all contract proceeds prior to issuing a performance bond amounting to SAR 1,000,000 or more or issuing any advance payment guarantee; and
- a promissory note provided by ADC for SAR 130,000,000 (covering 100% of the amount available under the facilities).

ADC's main covenants under the agreement include the following:

- an undertaking to maintain minimum net tangible assets of SAR 75,000,000, a minimum current ratio of 1:1, a maximum gearing ratio of 2.5x and a maximum financial leverage ratio of 2.5x;

- an undertaking to direct 65% of ADC's sales returns to ADC's account maintained at Saudi British Bank; and
- an undertaking not to distribute dividends or withdraw from the annual net income, without Saudi British Bank's consent.

Pursuant to the letter dated 19/9/1441H (corresponding to 12 May 2020G), Saudi British Bank agreed to waive the corporate and personal guarantees.

The agreement is governed by the laws of the Kingdom and any disputes arising therefrom shall be referred to the Banking Committee, with Saudi British Bank reserving the right to initiate proceedings in other countries.

12.6.3 Credit Facilities Agreement with Riyad Bank

ADC concluded a credit facility agreement with Riyad Bank on 25/1/1441H (corresponding to 24 September 2019G), according to which Riyad Bank agreed to provide ADC with credit facilities with a total value of SAR 65,000,000. The financing consists of: (i) credit facilities of SAR 60,000,000, consisting of (a) a partial limit on (Tawarruq) financing of SAR 60,000,000 with a maximum tenor of 180 days at an annual profit rate of 2.5% over SAIBOR; (to be paid in one payment), and (b) a partial limit of refinancing credits of SAR 60,000,000 for a maximum tenor of 180 days at an annual profit rate of 2.5% over SAIBOR; and (ii) a limit of obligations related to operations of SAR 5,000,000 at a certain annual profit rate agreed upon by the two parties.

The agreement was concluded on 25/1/1441H (corresponding to 24 September 2019G) and shall remain available until 28/2/1444H (corresponding to 24 September 2022G).

The guarantees provided under the agreement are as follows:

- joint and several personal guarantees provided by Jamal Al-Dabbagh and Al-Dabbagh Group Holding Company for SAR 75,000,000; and
- a promissory note provided jointly and severally by Jamal Al-Dabbagh and Al-Dabbagh Group Holding Company for SAR 75,000,000.

Pursuant to the letter dated 5/5/1441H (corresponding to 31 December 2019G), Riyad Bank agreed to waive the sponsors and personal guarantors from liability for merely succeeding and completing the Offering.

The agreement is governed by the laws of the Kingdom and any disputes arising therefrom shall be referred to the judicial authorities or competent judicial committees in the Kingdom.

12.6.4 Banking Facilities Agreement with the Saudi Investment Bank (SAIB)

DHV concluded a banking facilities agreement with SAIB on 24/12/1440H (corresponding to 25 August 2019G), whereby SAIB provides Sharia-compliant banking facilities with a total value of SAR 33,000,000. The financing cosists of a maximum financing of SAR 33,000,000 for documentary letters of credit and letters of guarantee with a maximum tenor of six months (with lower maximums for certain facilities) at a certain annual profit rate above the SAMA tarrif or SAIBOR.

The agreement was concluded on 24/12/1440H (corresponding to 25 August 2019G) and the facilities shall remain available until 19/10/1442H (corresponding to 31 May 2021G), with SAIB having the option to further extend or terminate the facilities and claim payment of any accrued amounts at any time. DHV considers the same to be in line with prevailing market practices.

The guarantees provided under the agreement are as follows:

- corporate guarantees provided by the Company, ADC, SFPC for SAR 33,000,000 (covering 100% of the amount available under the facilities); and
- a promissory note provided by DHV in favour of SAIB, and guaranteed by the Company, ADC and SFPC for SAR 33,000,000 (covering 100% of the amount available under the facilities).

DHV's main covenants under the agreement include the following:

- an undertaking to treat the facilities provided by SAIB parri passu all the facilities provided to DHV.
- an undertaking to maintain minimum net tangible assets of SAR 45,000,000, a minimum liquidity ratio of 1:1.5 and a maximum financial leverage ratio of 1:2;
- an undertaking not to change its shareholders or structure without prior consent of SAIB;
- an undertaking to direct 75% of DHV's sales returns to DHV's account maintained at SAIB; and
- an undertaking not to distribute, or withdraw from, dividends in excess of 50% of the annual net profits.

The agreement is governed by the laws of the Kingdom and any disputes arising therefrom shall be referred to the Banking Committee, with SAIB reserving the right to initiate proceedings in other countries.

12.6.5 Banking Facilities Agreement with Saudi British Bank (SABB)

SFPC concluded a banking facilities agreement with Saudi British Bank on 20/9/1441H (corresponding to 13 May 2020G), whereby Saudi British Bank provides banking facilities with a total value of SAR 16,000,000 in total to SFPC. The financing consists of: (i) a SAR 4,000,000 overdraft on current account for working capital needs and cash flow timing gaps with different tenor requirement for each sub-facility at a certain annual profit rate over SAIBOR or Saudi British Bank base rate (depending on the type of sub-facility); and (ii) a SAR 12,000,000 financing for documentary letters of credit, bills drawn under such letters for import and procurement needs with a maximum tenor of 12 months (with lower maximums for certain facilities) at a certain annual profit rate agreed between the parties.

The agreement was concluded on 20/9/1441H (corresponding to 13 May 2020G) and the facilities shall remain available until 21/11/1442H (corresponding to 31 June 2021G) an indefinite term, with Saudi British Bank having the option to terminate the facilities and claim payment of any accrued amounts at any time. SFPC considers the same to be in line with prevailing market practices. The guarantees provided under the agreement are as follows:

- joint and several personal guarantees provided by Jamal Al-Dabbagh for SAR 16,000,000 (covering 100% of the amount available under the facilities);
- a cross-corporate guarantee provided by the Company, ADC, Al-Dabbagh Group Holding Company, SFPC and National Scientific Company for SAR 16,000,000 (covering 100% of the amount available under the facilities);
- an assignment of all contract proceeds prior to issuing a performance bond amounting to SAR 1,000,000 or more or issuing any advance payment guarantee; and
- a promissory note provided by SFPC (covering 100% of the amount available under the facilities).

SFPC's main covenants under the agreement under the agreement include the following:

- an undertaking to maintain minimum net tangible assets of SAR 35,000,000, a minimum trading ratio of 1:1, a maximum total debt/EBITDA ratio of 2.5x and a maximum financial leverage ratio of 2.5x; and
- an undertaking to maintain a maximum dividend distribution of 50% of the net income.

Pursuant to the letter dated 20/9/1441H (corresponding to 13 May 2020G), Saudi British Bank agreed to waive the corporate and personal guarantees.

The agreement is governed by the laws of the Kingdom and any disputes arising therefrom shall be referred to the Banking Committee, with Saudi British Bank reserving the right to initiate proceedings in other countries.

12.6.6 Banking Facilities Agreement with the Saudi Investment Bank (SAIB)

SFPC concluded a banking facilities agreement with SAIB on 10/1/1441H (corresponding to 9 September 2019G), whereby SAIB provides Sharia-compliant banking facilities amounting to SAR 15,000,000 in total to SFPC. The financing is comprised of a Murabaha financing with a maximum amount of SAR 15,000,000 for a maximum tenor of six months at an annual profit rate of 1.25% over the SAMA tarrif, which includes: (i) a SAR 12,000,000 sub-limit for the purpose of financing bills from suppliers with the approval of the bank for a maximum tenor of six months at an annual profit rate of 3.5% over SAIBOR; and (ii) a SAR 12,000,000 sub-limit with a maximum tenor of six months (with lower maximums for certain facilities) at an annual profit rate of 3.5% over the SAMA tarrif or SAIBOR (depending on the type of sub-facility).

The agreement was concluded on 10/1/1441H (corresponding to 9 September 2019G) and the facilities expire on 19/10/1442H (corresponding to 31 May 2021G), with SAIB having the option to further extend or terminate the facilities and claim payment of any accrued amounts at any time. SFPC considers the same to be in line with prevailing market practices. The guarantees provided under the agreement are as follows:

- corporate guarantees provided by the Company, ADC, SFPC, and DHV in favour of SAIB (covering 100% of the amount available under the facilities); and
- a promissory note provided by SFPC in favour of SAIB, and guaranteed by the Company, ADC and DHV (covering 100% of the amount available under the facilities).

The main financial and operational undertakings given by SFPC in favour of SAIB under the agreement include the following:

- an undertaking to maintain the facilities offered by SAIB on a pari passu with all facilities offered to SFPC;
- an undertaking to maintain a minimum liquidity ratio of 1:1.25 and a maximum financial leverage ratio of 1:1;
- an undertaking not to change its shareholders or structure without prior consent of SAIB; and
- an undertaking to direct 25% of SFPC's sales returns to SFPC's account maintained at SAIB.

The agreement is governed by the laws of the Kingdom and any disputes arising therefrom shall be referred to the Banking Committee, with SAIB reserving the right to initiate proceedings in other countries.

12.6.7 Banking Facilities Agreement with Alinma Bank

SFPC entered into a banking facility agreement with Alinma Bank on 22/11/1441H (corresponding to 13 July 2020G), pursuant to which Alinma Bank agreed to provide SFPC with banking facilities of a total value of SAR 30,000,000. The finance consists of Murabaha finance with a total value of SAR 30,000,000, including (i) finance of credits of Musharaka and Murabaha in the Bank's share up to SAR 15,000,000 for the purpose of financing working capital requirements for a maximum tenor of six months at an annual profit rate of 3% over SAIBOR; and (ii) a forward sale finance of SAR 15,000,000 for the purpose of financing the bills of local and external suppliers approved by the Bank at an annual proft rate of 4%.

The agreement was concluded on 22/11/1441H (corresponding to 13 July 2020G), and shall remain available until 18/9/1442H (corresponding to 30 April 2021G). Alinma Bank has the option to extend the term of the agreement or terminate it and claim the amounts due. The guarantees provided under the agreement are as follows:

- corporate guarantees provided by the Company, Tanmiah Commercial Group, and SFPC for SAR 30,000,000 (covering 100% of the amount available under the facilities); and
- Alinma Bank has the right to demand further guarantees.

SFPC's main covenants under the agreement include the following:

- an undertaking to refrain from making dividend distributions in excess of 50% of the net income;
- an undertaking to maintain a minimum liquidity ratio of 1:1 and a maximum financial leverage ratio of 2:1;
- an undertaking not to change its shareholders or management without prior consent of Alinma Bank; and
- an undertaking to direct 50% of SFPC's sales returns to SFPC's account with Alinma Bank.

The agreement is governed by the laws of the Kingdom and any disputes arising from the agreement shall be referred to the judicial authorities or committees assigned judicial competencies in the Kingdom.

12.6.8 Banking Facilities Agreement with Dubai Islamic Bank

Further to the bank facilities agreement that was concluded on 17/1/1440H (corresponding to 27 September 2018G), PFF concluded a banking facilities renewal agreement with Dubai Islamic Bank on 2/1/1441H (corresponding to 1 September 2019G), whereby PFF agreed to provide PFF with banking facilities with a total value of AED 44,163,000 (equivalent to SAR 45,841,194) for the purpose of financing working capital requirements. The financing consists of: (i) a sight/usance letter of credit Wakala with a main limit of AED 40,000,000 (equivalent to SAR 41,520,000) and a tenor of 180 days, that includes a Murabaha facility with a sub-limit of AED 40,000,000 (equivalent to SAR 41,520,000) at a certain annual profit rate over EIBOR, an open account Murabaha facility with a sub-limit of AED 40,000,000 (equivalent to SAR 41,520,000) at a certain annual profit over EIBOR, and a Mudaraba facility with a sub-limit of AED 15,000,000 (equivalent to SAR 15,570,000) with a profit arrangement under which the Mudaraba profits are shared between PFF and the lender in the ratio of 20% and 80% respectively; (ii) a foreign exchange forward with a main limit of AED 4,000,000 (equivalent to SAR 4,152,000) and a tenor of six months as per the Dubai Islamic Bank's standard tariffs; and (iii) Murabaha facilities with a principal amount of UAE 163,000 (equivalent to SAR 169,194), up to 30/12/1444H (corresponding to 18 July 2023G), provided that the facilities shall continue until they exhausted in accordance with the Bank's Retail Policy.

The agreement was concluded on 2/1/1441H (corresponding to 1 September 2019G) and is subject to the Dubai Islamic Bank's review on 21/12/1442H (corresponding to 31 July 2021G).

The guarantees provided under the agreement are as follows:

- a corporate guarantee of AED 44,000,000 (equivalent to SAR 45,672,000) from SFPC;
- pledge of goods on pari passu basis with other financing banks in favour of Dubai Islamic Bank;
- an assignment of insurance policy covering stock(s) on pari passu basis with other financing banks in favour of the Dubai Islamic Bank;
- a promissory note of AED 44,000,000 (equivalent to SAR 45,672,000);
- a subordinated loan account balance of AED 25,000,000 (equivalent to SAR 25,950,000) from the Group in favour of the Dubai Islamic Bank on pari passu basis; and
- an assignment of receivables related to Burger King sales in UAE in favour of the Dubai Islamic Bank.

PFF's main covenants under the agreement include the following:

- an undertaking to utilise approved facility for business activities, consistent with Sharia principles;
- an undertaking to a maximum financial leverage ratio of 2.5x;
- an undertaking to a maximum gearing leverage ratio of 1.25x; and
- an undertaking not to change its Shareholders without prior consent of Dubai Islamic Bank.

The agreement is governed by the laws of the United Arab Emirates in a manner not contravening the provisions of Islamic Sharia and transaction documentation, and PFF irrevocably accepts the non-exclusive jurisdiction of the Civil Courts of Dubai, United Arab Emirates.

12.6.9 The Credit Facility Agreement with Emirates Islamic Bank

Further to the bank facility agreement concluded on 7/11/1440H (corresponding to 10 July 2019G), PFF entered into a renewal bank facility agreement with Emirates Islamic Bank on 3/1/1441H (corresponding to 2 September 2019G), and renewed on 2/5/1442H (corresponding to 17 December 2020G), pursuant to which Emirates Islamic Bank agreed to provide PFF with credit facilities with a maximum of AED 14,000,000 (equivalent to SAR 14,532,000) for the purpose of financing working capital requirements. SFPC finance consists of a revolving Murabaha finance for letters of credit up to AED 14,000,000, (equivalent to SAR 14,532,000) including a merchandise Murabaha facility with a sub-limit of AED 14,000,000 (equivalent to SAR 14,532,000) and liquidity Murabaha facilities with a sub-limit of AED 14,000,000 with a six month tenor at an annual profit rate of 4% over EIBOR (paid in monthly payments).

The agreement was concluded on 3/1/1441H (corresponding to 2 September 2019G). It shall be reviewed by Emirates Islamic Bank on 25/4/1443H (corresponding to 30 November 2021G).

The guarantees provided under the agreement are as follows:

- unlimited corporate guarantees provided by SFPC (Kingdom) to Emirates Islamic Bank;
- pledge of shares on an equal basis;
- general waiver of SFPC receivables;
- waiver of fire and burglary insurance on a share-based equal basis with other;
- acknowledgment regarding waiver of receivables from Pizza Hut and Subway;
- an official waiver of receivables from Burger King on equal basis with SFPC creditors; and
- a promissory note of AED 15,000,000 (equivalent to SAR 15,570,000).

PFF's main covenants under the agreement include the following:

- an undertaking that the financed debt / EBITDA will not exceed four times;
- an undertaking to maintain the minimum net real value of AED 30,000,000 (equivalent to SAR 31,140,000) (according to the 2018G audited financial statements);
- an undertaking to transfer 20% of sales volume to PFF account with Emirates Islamic Bank;
- an undertaking to notify Emirates Islamic Bank in the event of any change in PFF shareholders or management; and
- an undertaking not to declare dividends in cases of late payment with banks or in the event of any financial loss.

The agreement is governed by the laws of the United Arab Emirates, without prejudice to the provisions of Islamic Sharia or the fatwas of the Emirates Islamic Bank's Sharia Supervisory Board. PFF irrevocably agrees to the non-exclusive jurisdiction of the courts of the United Arab Emirates, together with the right of Emirates Islamic Bank to initiate legal proceedings in other countries.

12.6.10 Credit Facility Agreement with ABC Islamic Bank

ADC, SFPC and PFF concluded a credit facility agreement with ABC Islamic Bank on 11/2/1441H (corresponding to 10 October 2019G), whereby ABC Islamic Bank agreed to provide credit facilities up to USD 30,000,000 (equivalent to SAR 112,500,000). The financing extended to ADC consists of: (i) a financing up to USD 30,000,000 (equivalent to SAR 112,500,000) for documentary letters of credit and renewable bonds; (ii) a renewable Murabaha financing for refinancing documentary letters of credit with a maximum amount of USD 30,000,000 (equivalent to SAR 112,500,000); and (iii) a renewable Murabaha financing for the current working capital with a maximum of USD 10,000,000 (equivalent to SAR 37,500,000). Financing to SFPC and PFF consists of: (i) a financing up to USD 10,000,000 (equivalent to SAR 37,500,000) for documentary letters of credit and renewable bonds; (ii) a renewable Murabaha financing for refinancing documentary letters of credit with a maximum amount of USD 10,000,000 (equivalent to SAR 37,500,000); and (iii) a renewable Murabaha financing for the current working capital with a maximum limit of USD 3,000,000 (equivalent to SAR 11,250,000).

The agreement was concluded on 11/2/1441H (corresponding to 10 October 2019G) and the facilities shall be available from 11/2/1442H (corresponding to 10 October 2019G) to 18/9/1442H (corresponding to 30 April 2021G).

The guarantees provided under the agreement are as follows:

- an undertaking provided by ADC, SFPC and PFF in favour of the ABC Islamic Bank (covering 100% of the amount available under the facilities);
- an order note of USD 30,000,000 (equivalent to SAR 112,500,000) provided by ADC;
- an order note of USD 3,000,000 (equivalent to SAR 11,250,000) provided by ADC;
- an order note of USD 30,000,000 (equivalent to SAR 112,500,000) provided by SFPC; and
- an order note of USD 3,000,000 (equivalent to SAR 11,250,000) provided by SFPC.

SFPC's main undertakings under the agreement include the following:

- an undertaking that the ratio of ADC's assets to liabilities will not exceed 1:1; and
- an undertaking to maintain minimum net tangible assets of SAR 100,000,000.

SFPC's main covenants under the agreement include the following:

- an undertaking that the ratio of SFPC's assets to liabilities will not exceed 1:1; and
- an undertaking to maintain minimum net tangible assets of SAR 35,000,000.

The agreement is governed by the English law.

12.7 Insurance Policies

The Company and its Subsidiaries maintain insurance policies covering different types of risks they may be exposed thereto. These insurance policies have been concluded with several insurers. The following table sets out the key particulars of the insurance policies held by the Company and its Subsidiaries:

Table 12.8: Details of Insurance Policies

Policy No.	Types of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
611188	Money Insurance (Cash in Vault) Money Insurance (Cash in Transit)	Tawuniya for Insurance (as the Insurer) and the Company (as the Insured)	17/5/1442H (corresponding to 1 January 2021G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 38,695,000
608450	Fidelity Insurance	Tawuniya for Insurance (as the Insurer) and the Company (as the Insured)	6/6/1441H (corresponding to 1 January 2020G) to 16/5/1442H (corresponding to 31 December 2020G)1	SAR 2,000,000
609538	Property all Risk Insurance	Tawuniya for Insurance (as the Insurer) and the Company (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 20/10/1442H (corresponding to 31 May 2021G)	SAR 3,200,000
19063086	Medical insurance	Tawuniya for Insurance (as the Insurer) and the Company (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 19/10/1442H (corresponding to 31 May 2021G	SAR 5,000,000 per person
TAK/GS/SFC-TANMIAH-785-042020	Employee Life Insurance	Tawuniya for Insurance (as the Insurer) and the Company (as the Insured)	13/8/1441H (corresponding to 6 April 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 1,000,000 per person (or senior management personnel) SAR 900,000 per person (for senior employees) SAR 400,000 per person (for supervisors and members of other departments) Up to a maximum of 24 times the basic salary of each person (for other employees)
P-02-2020-4-411-053062	Vehicle Insurance	Wataniya Insurance (as the Insurer) and the Company (as the Insured)	5/5/1442H (corresponding to 20 December 2020G) to 14/5/1442H (corresponding to 19 December 2021G)	SAR 10,000,0000
608448	Comprehensive General Insurance	Tawuniya for Insurance (as the Insurer) and the Company as well as Subsidiaries in the Kingdom (as the Insured)	17/5/1442H (corresponding to 1 January 2021G) to 19/10/1442H (corresponding to 31 May 2020G)	SAR 5,000,000 per incident in total (general liability) SAR 5,000,000 per incident in total (product liability)
609254	Property all Risk Insurance	Tawuniya for Insurance (as the Insurer) and ADC (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 726,650,375
611194	Money Insurance (Cash in Vault) Money Insurance (Cash in Transit)	Tawuniya for Insurance (as the Insurer) and ADC (as the Insured)	17/5/1442H (corresponding to 1 January 2021G) to 19 October 1442H (corresponding to 31 May 2021G)	SAR 349,615,000,000
611195	Fidelity Insurance	Tawuniya for Insurance (as the Insurer) and ADC (as the Insured)	17/5/1442H (corresponding to 1 January 2021G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 1,500,000

Policy No.	Types of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
609777	Marine Cargo Open Cover Insurance	Tawuniya for Insurance (as the Insurer) and ADC (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 219/10/1442H (corresponding to 31 May 2021G)	SAR 15,000,000 per imported shipment, SAR 3,000,000 per supplied shipment, SAR 2,000,000 per imported by plane, and SAR 250,000 per local shipment supplied by road transport
19112626	Medical insurance	Tawuniya for Insurance (as the Insurer) and ADC (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 219/10/1442H (corresponding to 31 May 2021G)	SAR 500,000 per person
TAK/GS/ADC-TANMIAH-784-042020	Life insurance for employees	Tawuniya for Insurance (as the Insurer) and ADC (as the Insured)	13/8/1441H (corresponding to 6 April 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 1,000,000 per person (for senior management employees) SAR 900,000 per person (for senior employees) SAR 400,000 per person (for supervisors and members of other departments) Up to a maximum of 24 times the basic salary of each person (for other employees)
P-02-2019-4-411-008924/R1	Vehicle Insurance	Wataniya Insurance (as the Insurer) and ADC (as the Insured)	5/5/1442H (corresponding to 20 December 2020G) to 15/5/1443H (corresponding to 19 December 2021G)	SAR 10,000,000
602448	Comprehensive General Insurance	Tawuniya for Insurance (as the Insurer) and ADC (as the Insured)	6/5/1441H (corresponding to 1 January 2020G) to 16/5/1442H (corresponding to 31 December 2020G)	SAR 5,000,000 per incident (general liability) SAR 5,000,000 per incident (product liability)
609255	Property all Risk Insurance	Tawuniya for Insurance (as the Insurer) and DHV (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 38,300,000
611192	Money Insurance (Cash in Transit) Money Insurance (Cash in Vault)	Tawuniya for Insurance (as the Insurer) and DHV (as the Insured)	17/5/1442H (corresponding to 1 January 2021G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 9,155,000
611193	Fidelity Insurance	Tawuniya for Insurance (as the Insurer) and DHV (as the Insured)	17/5/1442H (corresponding to 1 January 2021G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 2,000,000
609778	Marine Cargo Open Cover Insurance	Tawuniya for Insurance (as the Insurer) and DHV (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 15,000,000 for each shipment by air, sea, or land or any damage at any of the transit sites. SAR 400,000 for shipments of one-day-old chicks and wild broiler chicks by air, sea or land, or any damage at any of the transit sites
19122099	Medical Insurance	Tawuniya for Insurance (as the Insurer) and DHV (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 500,000
P-02-2019-4-411-008928	Vehicle Insurance	Wataniya Insurance (as the Insurer) and DHV (as the Insured)	5/5/1442H (corresponding to 20 December 2020G) to 14/5/1443H (corresponding to 19 December 2021G)	SAR 10,000,000

Policy No.	Types of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
611190	Money Insurance (Cash in Transit) Money Insurance (Cash in Vault)	Tawuniya for Insurance (as the Insurer) and SFPC (as the Insured)	17/5/1442H (corresponding to 1 January 2021G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 7,375,000
611191	Fidelity Insurance	Tawuniya for Insurance (as the Insurer) and SFPC (as the Insured)	17/5/1442H (corresponding to 1 January 2021G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 2,000,000
609257	Property all Risk Insurance	Tawuniya for Insurance (as the Insurer) and SFPC (as the Insured)	09/10/1441H (corresponding to 1 June 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 66,200,000
609778	Marine Cargo Open Cover Insurance	Tawuniya for Insurance (as the Insurer) and SFPC (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 15,000,000 for each shipment by air, sea, or land or any damage at any of the transit sites. SAR 400,000 for shipments of one-day-old chicks and wild broiler chicks by air, sea or land, or any damage at any of the transit sites.
19121657	Medical Insurance	Tawuniya for Insurance (as the Insurer) and SFPC (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 500,000 per person
TAK/GS/SFPC-TANMIAH-783-042020	Employees life insurance	Tawuniya for Insurance (as the Insurer) and SFPC (as the Insured)	13/8/1441H (corresponding to 6 April 2020G) to 19/10/1442AH (corresponding to 31 May 2021G)	SAR 1,000,000 per person (for senior management employees) SAR 900,000 per person (for senior employees) SAR 400,000 per person (for supervisors and members of other departments) Up to a maximum of 24 times the basic salary of each person (for other employees)
P-02-2019-4-411-008917/R1	Vehicle Comprehensive Insurance	Wataniya Insurance (as the Insurer) and SFPC (as the Insured)	5/5/1442H (corresponding to 20 December 2020G) to 14/5/1443H (corresponding to 19 December 2021G)	SAR 10,000,000
609779	Marine Insurance on Goods with Open Coverage	Wataniya Insurance (as the Insurer) and SFPC (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 19/10/1442H (corresponding to 31 May 2021G)	SAR 15,000,000 for each shipment by air, sea, land, or any damage at any transit sites. SAR 4000,000 for shipments of one-day-old chicks and broiler chicks by air, sea or land, or any damage at any of the transit sites.
13/FA/32667/0/6	Property all Risk Insurance	AXA Insurance (Gulf) BBC (c) (as the Insurer) and SFPC (as the Insured)	25/3/1442H (corresponding to 11 November 2020G) to 5/4/1443H (corresponding to 10 November 2021G)	AED 500,000 (as applicable)
13/MZ/30810/0/0	Money Insurance	AXA Insurance (Gulf) BBC (c) (as the Insurer) and PFF (as the Insured)	23/12/1441H (corresponding to 13 August 2020G) to SAR 4 January 1443H (corresponding to 12 August 2021G)	Up to AED 500,000 (as applicable)

Policy No.	Types of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
D-2019-1281	Medical Insurance	National Health Insurance Company - Daman (as the Insurer) and PFF (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 20/10/1442H (corresponding to 31 May 2021G)	Coverage ranges from AED 300,000 to AED 500,000 per employee depending on the membership category
5507304	Global Protection Insurance	AXA Green Crescent Insurance Company (as the Insurer) and PFF (as the Insured)	1/3/1442H (corresponding to 18 October 2020G) to 11/3/1443H (corresponding to 17 October 2021G)	Amount of two annual basic salaries (with a minimum of AED 50,000 per month) in the event of death for any cause A maximum of USD 100,000 in case of chronic illness Annual basic salary (with a minimum of AED 50,000 per month) in the event of permanent disability
13/ZF/30424/0/0	Fidelity Insurance	AXA Insurance (Gulf) BBC (closed) (as the Insurer) and PFF (as the Insured)	23/12/1441H (corresponding to 13 August 2020G) to 4/1/1443H (corresponding to 12 August 2021G)1	AED 300,000 per employee and AED 2,000,000 in total
1/1/020/0524933	Vehicle Insurance	Royal & Sun Alliance Insurance (Middle East) BSC (c) (as the Insurer) and PFF (as the Insured)	16/8/1441H (corresponding to 9 April 2020G) to 26/8/1442H (corresponding to 8 April 20201G)[3]	AED 2,000,000 (maximum liability in respect of third-party property damage/ claims per accident)
4/1/020/00001057	Sea Cargo Insurance	Royal & Sun Alliance Insurance (Middle East) BSC (c) (as the Insurer) and PFF (as the Insured)	26/1/1442H (corresponding to 14 September 2020G) to 6/2/1443H (corresponding to 13 September 2021G)	AED 1,000,000 per shipment
4/1/020/00043032	Land Cargo Insurance	Royal & Sun Alliance Insurance (Middle East) BSC (c) (as the Insurer) and PFF (as the Insured)	26/1/1442H (corresponding to 14 September 2020G) to 6/2/1443H (corresponding to 13 September 2021G)	AED 2,000,000 per shipment
4/1/020/000050836	Land Cargo Insurance	Royal & Sun Alliance Insurance (Middle East) BSC (c) (as the Insurer) and PFF (as the Insured)	26/1/1442H (corresponding to 14 September 2020G) to 6/2/1443H (corresponding to 13 September 2021G)	AED 2,000,000 (per shipment)
D12510007780 -R02	General Liability, as well as Pollution and Product Liability Insurance	Abu Dhabi National Insurance Company (as the Insurer) and PFF (as the Insured)	8/3/1442H (corresponding to 25 October 2020G) to 19/3/1443H (corresponding to 24 October 2021G)	AED 20,000,000 per occurrence/in total
01020602016465120000000	Employee Compensation and Employer Liability Insurance	Oman Insurance Company (as the Insurer) and PFF (as the Insured)	16/8/1442H (corresponding to 29 March 2021G) to 25/8/1443H (corresponding to 28 March 2022G)	AED 1,000,000 per case/ in total
D-2019-1281	Medical Insurance	National Health Insurance Company - Daman (as the Insurer) and Dabbagh International (as the Insured)	9/10/1441H (corresponding to 1 June 2020G) to 20/10/1442H (corresponding to 31 May 2021G)	Coverage ranges from AED 300,000 to AED 500,000 per employee depending on the membership category
1/1/020/30475674	Vehicle insurance	Royal & Sun Alliance Insurance (Middle East) B.S.C (c) (as an insurer) and Tanmiah International Company (as an insured)	16/8/1441H (corresponding to 9 April 2020G) to 26/8/1442H (corresponding to 8 April 2021G)4	AED 2,000,000 (maximum liability for third party claims/damage to third party property (per accident))

Source: The Company.

1 The insurance policy has expired and the company is working to renew it.

2 The insurance policy has expired and the company is working to renew it.

3 The insurance policy has expired and the company is working to renew it.

4 The insurance policy has expired and the company is working to renew it.

12.8 Real Estate

12.8.1 Title Deeds

The Company and its Subsidiaries own the following plots of land:

Table 12.9: Details of Title Deeds

Owner	Title Deed Particulars	Location	Description and Purpose
The Company	Title deed number 3/4/24 dated 4/5/1415H (corresponding to 9 October 1994G).	South of Al-Qahasah, Riyadh, Kingdom ("Al-Qahasah 1800" land).	Plot of land with a total size of 1,000,000 sqm, for purposes of future expansion.
The Company	Title deed number 3/4/25 dated 4/5/1415H (corresponding to 9 October 1994G).	South of Al-Qahasah, Riyadh, Kingdom ("Al-Qahasah 1801" land).	Plot of land with a total size of 1,000,000 sqm, for purposes of future expansion.
The Company	Title Deed No. 2/175/191 dated 25/10/1422H (corresponding to 9 January 2002G)	Al-Sahba, Al-Kharj, Kingdom	A plot of land with a total size of 436,550 square meters for future expansion operations.
ADC	Title deed number 3/9/7 dated 25/6/1421H (corresponding to 21 June 2000G)	Al-Kharj, Kingdom ("Atique" land)	To establish a breeder farm, for purposes of facility increase of breeder capacity, plot of land with a total size of 1,053,675 sqm.
ADC	Title deed number 4/23082 dated 25/1/1425H (corresponding to 16 March 2004G)	Al-Hayir, Riyadh, Kingdom ("Al-Hayir" land)	To establish a facility broiler and slaughterhouse, plot of land with a total size of 17,500 sqm.
ADC	Title deed number 1/74 dated 9/3/1402H (corresponding to 4 January 1982G)	Al-Kharj, Kingdom ("Harad" land)	To establish and operate a feed mill and hatchery, for purposes of production, plot of land with a total size of 500,000 sqm.
ADC	Title deed number 2/167 dated 13/06/1402H (corresponding to 7 April 1982G)	Al-Sobha, Al-Kharj, Kingdom ("Harad back" land)	Plot of land with a total size of 750,000 sqm, for purposes of future expansion.
ADC	Title deed number 30 dated 09/02/1431H (corresponding to 24 January 2010G)	Shaqraa, Kingdom	To establish a slaughterhouse for purposes of poultry production, plot of land with a total size of 4,780,000 sqm.

Source: The Company.

12.8.2 Leases

The Company and its Subsidiaries have entered into various lease agreements in order to build or establish and operate their activities. The Company or any of its Subsidiaries, being the lessee in these agreements, ensure to pay the annual rent amount as specified in each agreement and shall generally have the right to assign and sublease the agreements in whole or in part to any third party. The leasing term varies for every lease agreement, often falling between the ranges of one to 45 years; some agreements provide for automatic renewal. Most of the lease agreements do not allow either party to terminate the agreement at its own choice. However, other agreements allow one party to terminate the agreement under a notice of not less than four months to one year before the expiry of the agreement. As a general rule, the Company or its Subsidiaries may retain ownership of any building constructed thereby on the leased plot at the expiry of the agreement. Four leases out of 107 contracts have expired, and the Company and its Subsidiaries are seeking to renew them. The Board of Directors of the Company declares that there are no material leases on which the Company relies in its operations. The following table shows the number of lease agreements by lease term:

Table 12.10: Number of Lease Agreements by Lease Term

The Company	Lease Term of 05 (Years)	Lease Term of 615 (Years)	Lease Term of More than 16 (Years)	Total
The Company	3	-	-	3
ADC	79	14	1	94
DHV	1	1	-	2
SFPC	3	1	1	5
PFF	-	-	1	1
Tanmiah International Company	-	-	-	-
SFC - Bahrain	2	-	-	2
Total	**88**	**16**	**3**	**107**

Source: The Company.

For more details on the Lease Agreements, refer to Appendix B of this Prospectus.

12.9 Related Party Contracts and Transactions

12.9.1 Management Services Agreements between the Company and Various Subsidiaries

The Company (as services provider) has entered into management services agreements with a number of its Subsidiaries, namely, ADC, DHV, SFPC, and PFF pursuant to which the Company provides management services, including finance, treasury, human resources, information technology and administrative services, to each of the aforementioned Subsidiaries. In consideration for such services, the Company charges fees that are determined and invoiced on a quarterly basis. The Company's total revenue from these service agreements concluded between the Company and its various Subsidiaries, an amount of SAR 54,661,304 for the financial year ended 31 December 2020G. This agreement is for an indefinite term commencing from 3/4/1438H (corresponding to 1 January 2017G). The agreements may be terminated by any of the parties thereto by serving a one-month advance notice to the other party. The agreements shall be governed by the laws of the Kingdom and any dispute arising therefrom shall be referred to the competent court in the Kingdom.

These contracts are agreements with Related Parties, given that ADC, DHV, SFPC and PFF are Subsidiaries of the Company. These transactions do not require the approval of the Company's General Assembly as there is no direct or indirect interest of any of the Directors along with the aforementioned Subsidiaries being wholly owned by the Company.

12.9.2 Service Agreement between the Company and the National Scientific Company Limited

The Company (as services provider) has entered into management services agreements with National Scientific Company Limited, an Associate, pursuant to which the Company provides management services, including finance, treasury, human resources, information technology and administrative services, to the aforementioned company. In consideration for such services, the Company charges fees that are determined and invoiced on a quarterly basis. The total value of the agreement 2020G was SAR 19,154 for the financial year ended 31 December. The agreements are for an indefinite term commencing from 25/4/1440H (corresponding to 1 January 2019G. The agreements may be terminated by any of the parties thereto by serving a one-month advance notice to the other party. The agreement shall be governed by the laws of the Kingdom and any dispute arising therefrom shall be referred to the competent court in the Kingdom.

This contract is a Related Party agreement due to the existence of an interest for Directors, namely Amr Abdullah Al-Dabbagh and Jamal Abdullah Al-Dabbagh. This contract was presented and approved by the General Assembly on 28/11/1440H (corresponding to 31 July 2019G).

12.9.3 Supply Transactions

ADC entered into an arrangement with Qeemah and Dukan for Groceries Company (a previous Subsidiary of the Company) to conduct a number of transactions to sell ADC products to Qeemah and Dukan for Groceries on a purchase-order basis. The total value of transactions amounted to SAR 17,477,948 for the fiscal year ending on 31 December 2020G. There are still dealings between these companies and Dukan as of the date of this Prospectus.

These are Related Party transactions due to the existence of an interest for Directors, namely Amr Abdullah Al-Dabbagh and Jamal Abdullah Al-Dabbagh. The transactions were presented and approved by the General Assembly on 28/11/1440H (corresponding to 31 July 2019G).

12.9.4 Third Party Labour Services Contract between ADC and SAED International

ADC has entered into a third-party labour services contract with SAED International pursuant to which SAED shall provide ADC with labour services at its request. In consideration for such services, SAED charges fees as detailed in the contract. The total value of the contract if SAR 3,211,761 for the financial year ended 31 December 2020G. The contract is for a one-year term commencing from 16/4/1436H (corresponding to 5 February 2015G). The parties shall renew the contract, and this contract still remains valid as of the date of this Prospectus. The contract shall be governed by the laws of the Kingdom and any dispute arising therefrom shall be referred to the competent court in Jeddah in the Kingdom.

This agreement is a Related Party agreement due to the existence of an interest for Directors, namely Amr Abdullah Al-Dabbagh and Jamal Abdullah Al-Dabbagh. The agreement was presented and approved by the General Assembly on 28/11/1440H (corresponding to 31 July 2019G).

12.9.5 Fuel Supply Transactions between ADC and Petromin

ADC purchases fuel and its derivatives from Petromin, upon request. The total value of purchase orders for the financial year ended 31 December 2020G is SAR 296,320. Dealing between ADC and Petromin is still existing as of the date of this Prospectus.

These are Related Party transactions due to the existence of an interest for Directors, namely Amr Abdullah Al-Dabbagh, Jamal Abdullah Al-Dabbagh, Mohamed Husnee Jazeel, and Muhammad Sajid Saeed. The transactions were presented and approved by the General Assembly on 28/11/1440H (corresponding to 31 July 2019G).

12.10 Conflicts of Interests

Except as disclosed in Section 12.9 (**Related Party Contracts and Transactions**), the Directors confirm they do not have a conflict of interest in relation to contracts and/or transactions entered into with the Company, and none of them was engaged in any activities similar to, or competing with, the Company's activities as of the date of this Prospectus.

12.11 Intellectual Property

12.11.1 Trademarks

The Company and its Subsidiaries have registered a number of trademarks on which they rely as a brand for their respective businesses. The Company and its Subsidiaries rely on these trademarks to ensure the success of their businesses and support their competitive position in the market. Therefore, if the Company or its Subsidiaries fail to protect their trademarks or either of them is forced to take legal action necessary to protect the same, this can have an adverse effect on their ability to use them, which would affect their businesses and results of their operations (for further details on risks related to the trademarks, see Section 2.1.38 (**Risks Related to Protection of Intellectual Property Rights**)).

All Group-owned trademarks are registered under the Company's name. The following table sets out certain key particulars of all the Company's registered trademarks:

Table 12.11: Details of Registered Trademarks

Country of Registration	Trademark	Validity/ Expiration Date	Category	Logo
Kingdom of Saudi Arabia	Drawing of Poultry in white, a green background, the word Tanmiah written in Arabic and Latin letters in gold.	Registered on 23/6/1440H (corresponding to 28 February 2019G)/ valid until 22/6/1450H (corresponding to 9 November 2028G).	29	
Kingdom of Saudi Arabia	Oval shape inside of which are the two Latin letters I and C, and a drawing of snowmobile on top of which is a cartoon character, behind it small snowballs. The logo is in blue, white, grey, black, red and yellow.	Registered on 15/12/1434H (corresponding to 20 October 2013G)/ valid until 14/8/1442H (corresponding to 28 March 2021G).1	32	
Kingdom of Saudi Arabia	Green background in the middle of which is a heart shape in gold, below it is a drawing of two opposite and intertwined spoon and fork, on its left side appears the word Tanmiah in Arabic and Latin letters in white.	Registered on 25/4/1435H (corresponding to 25 February 2014G)/ valid until 24/4/1445H (corresponding to 8 November 2023G).	29	
Kingdom of Saudi Arabia	Green background in the middle of which is a heart shape in gold, below it is a drawing of two opposite and intertwined spoon and fork, on its left side appears the word Tanmiah in Arabic and Latin letters in white.	Registered on 26/4/1435H (corresponding to 26 February 2014G)/ valid until 25/4/1445H (corresponding to 9 November 2023G).	29	
The United Arab Emirates	Green background in the middle of which is a heart shape in gold, below it is a drawing of two opposite and intertwined spoon and fork, on its left side appears the word Tanmiah in Arabic and Latin letters in white.	Registered on 5/7/1435H (corresponding to 4 May 2014G), valid until 25/10/1445H (corresponding to 4 May 2024G).	29	
Republic of Yemen	Green background in the middle of which is a heart shape in gold, below it is a drawing of two opposite and intertwined spoon and fork, on its left side appears the word Tanmiah in Arabic and Latin letters in white.	Registered on 27/4/1438H (corresponding to 25 January 2017G), valid until 17/8/1448H (corresponding to 25 January 2027G).	29	
The United Arab Emirates	Green background in the middle of which is a heart shape in gold, below it is a drawing of two opposite and intertwined spoon and fork, on its left side appears the word Tanmiah in Arabic and Latin letters in white.	Registered on 5/7/1435H (corresponding to 4 May 2014G), valid until 25/10/1445H (corresponding to 4 May 2024G).	30	

Country of Registration	Trademark	Validity/ Expiration Date	Category	Logo
The Republic of Tunisia	Green background in the middle of which is a heart shape in gold, below it is a drawing of two opposite and intertwined spoon and fork, on its left side appears the word Tanmiah in Arabic and Latin letters in white.	Registered on 10/5/1438H (corresponding to 7 February 2017G) Valid until 30/8/1448H (corresponding to 7 February 2027G)	29	
The Kingdom of Morocco	Green background in the middle of which is a heart shape in gold, below it is a drawing of two opposite and intertwined spoon and fork, on its left side appears the word Tanmiah in Arabic and Latin letters in white.	Registered on 16/5/1438H (corresponding to 13 February 2017G) Valid until 6/9/1448H (corresponding to 13 February 2027G)	29	
The Republic of Algeria	Green background in the middle of which is a heart shape in gold, below it is a drawing of two opposite and intertwined spoon and fork, on its left side appears the word Tanmiah in Arabic and Latin letters in white.	Registered on 5/5/1439H (corresponding to 22 January 2018G) Valid until 28/8/1449H (corresponding to 22 January 2028G)	29	
Kingdom of Saudi Arabia	Oval shape in white outlined in blue, inside of which reads the logo Perfect Foods in Arabic letters in blue colour.	Registered on 27/4/1435H (corresponding to 27 February 2014G)/ valid until 26/4/1445H (corresponding to 10 November 2023G).	29	
Kingdom of Saudi Arabia	The term Al-Nasheé Al-Saleem in Arabic letters and the term fit kids in Latin letters. The Arabic letter Alif and the Latin letter I are carrot shaped, and a milk cup on top of it a heart shape in different colours, on top of it a figure of three kids exercising, below it appears the term healthy minds, healthy bodies in Arabic and Latin letters in different colours.	Registered on 30/4/1437H (corresponding to 9 February 2016G)/ valid until 29/4/1447H (corresponding to 21 October 2025G).	45	
UAE	Drawing of Poultry in white, a green background, the word Tanmiah written in Arabic and Latin letters in gold.	Registered on 20/1/1433H (corresponding to 15 December 2011G)/ valid until 30/2/1442H (corresponding to 17 October 2020G).2	29	
Republic of Yemen	Drawing of Poultry in white, a green background, the word Tanmiah written in Arabic and Latin letters in gold.	Registered on 25/11/1432H (corresponding to 23 October 2011G)/ valid until 29/2/1442H (corresponding to 16 October 2020G).3	29	
Sultanate of Oman	Drawing of Poultry in white, a green background, the word Tanmiah written in Arabic and Latin letters in gold.	Registered on 24/9/1432H (corresponding to 24 August 2011G)/ valid until 29/2/1442H (corresponding to 16 October 2020G).4	29	
State of Kuwait	Drawing of Poultry in white, a green background, the word Tanmiah written in Arabic and Latin letters in gold.	Registered on 5/6/1432H (corresponding to 8 May 2011G)/ valid until 29/2/1442H (corresponding to 16 October 2020G).5	29	
Egypt	Drawing of Poultry in white, a green background, the word Tanmiah written in Arabic and Latin letters in gold.	Registered on 20/10/1434H (corresponding to 27 August 2013G)/ valid until 29/2/1442H (corresponding to 16 August 2020G).6	29	
The Hashemite Kingdom of Jordan	Drawing of Poultry in white, a green background, the word Tanmiah written in Arabic and Latin letters in gold.	Registered on 16/18/1432H (corresponding to 18 July 2011G)/ valid until 6/3/1442H (corresponding to 23 October 2020G).7	29	

Country of Registration	Trademark	Validity/ Expiration Date	Category	Logo
The Hashemite Kingdom of Jordan	The word Almumtazah written in Arabic and Latin letters in gold.	Registered on 27/1/1434H (corresponding to 11 December 2012G)/ valid until 6/4/1443H (corresponding to 11 November 2021G).	29	الممتازة AlMumtazah
The Hashemite Kingdom of Jordan	Badge shape, on its right and left sides is the word Tanmiah in Arabic and Latin letters inside of it appears a drawing of poultry, and below the mark appears a small circle with a drawing of a palm inside of it. The mark is in white, green and red.	Registered on 28/7/1424H (corresponding to 25 September 2003G)/ valid until 1/11/1442H (corresponding to 11 June 2021G).	29	
Kingdom of Bahrain	Badge shape, on its right and left sides is the word Tanmiah in Arabic and Latin letters inside of it appears a drawing of poultry, and below the mark appears a small circle with a drawing of a palm. The mark is in white, green and red.	Registered on 5/4/1422H (corresponding to 26 June 2001G)/ valid until 16/11/1442H (corresponding to 26 June 2021G).	29	
Kingdom of Bahrain	Drawing of Poultry in white, a green background, the word Tanmiah written in Arabic and Latin letters in gold.	Registered on 10/11/1431H (corresponding to 18 October 2010G)/ valid until 1/3/1442H (corresponding to 18 October 2020G).8	29	التنمية Tanmiah
Lebanon	The word AlMumtazah written in Arabic and Latin letters in gold.	Registered on 20/5/1433H (corresponding to 12 April 2012G)/ valid until 5/11/1448H (corresponding to 12 April 2027G).	29	الممتازة AlMumtazah
State of Qatar	Drawing of Poultry in white, a green background, the word Tanmiah written in Arabic and Latin letters in gold.	Registered on 20/5/1433H (corresponding to 18 September 2012G)/ valid until 22/2/1444H (corresponding to 18 September 2022G).	29	التنمية Tanmiah
Kingdom of Saudi Arabia	A golden desert hill drawing with a dark hillside reflection in darker orange shades from the left corner on a white background with an orange border, with the word "Desert Hills" written in black Latin letters.	Registered on 2/3/1441H (corresponding to 30 October 2019G), valid until 3/12/1450H (corresponding to 17 April 2029G).	44	Desert Hills
Kingdom of Saudi Arabia	A golden circled oval with green Latin letters of "ADC" inscribed inside on a white background.	Registered on 28/2/1441H (corresponding to 27 October 2019G), valid until 3/12/1450H (corresponding to 17 April 2029G).	31	adc

Source: The Company.

1 The trademark registration period has expired and the company is working on renewing it.

2 The trademark registration period has expired and the company is working on renewing it.

3 The trademark registration period has expired and the company is working on renewing it.

4 The trademark registration period has expired and the company is working on renewing it.

5 The trademark registration period has expired and the company is working on renewing it.

6 The trademark registration period has expired and the company is working on renewing it.

7 The trademark registration period has expired and the company is working on renewing it.

8 The trademark registration period has expired and the company is working on renewing it.

12.11.2 The Company's Other Intellectual Properties

The Company owns an internet domain registered under its name. The following table sets out the details of the internet domain registered under the Company's name:

Table 12.12: Details of Internet Domain Name

Internet Domain Name	Expiration Date
fitkids.me	13/7/1443H (corresponding to 14 February 2022G)
sfgarabia.com	27/4/1443H (corresponding to 2 December 2021G)
sfgarabia.net	27/4/1443H (corresponding to 2 December 2021G)
tanmiah.com	28/7/1450H (corresponding to 15 December 2028G)
tanmiahchicken.com	2/12/1444H (corresponding to 20 June 2023G)

Source: The Company.

12.12 Litigation

As of the date of this Prospectus, there is a case filed against the Group (specifically ADC), the total claims for the lawsuit filed against the Group represents (SAR 24,310), However, as of the date of this Prospectus, there are three cases filed by the Group against third parties, and the total amounts claimed by the Group in those cases amount to SAR 8,600,122. In addition, the Group has filed 25 claims in the Enforcement Court against a number of defendants with respect to the execution of judgments and unpaid commercial papers. The estimated amount of the judgments and commercial papers that the Group aimed to collect is SAR 14,409,848. Accordingly, the total number of cases filed by the Group becomes 28, and the Group's total claims amount to (SAR 23,009,970). The claims are still pending and under process. Below are the details of outstanding claims and cases filed by/against the Company and its Subsidiaries:

12.12.1 SFPC v. an Owner of a Sole Proprietary Establishment

SFPC (as plaintiff) has filed a claim in the Commercial Court in Jeddah under number 14232 in 1437H against an owner of a sole proprietary establishment (as defendant). The plaintiff requested the defendant to repay the amount of SAR 312,254 as the plaintiff prepaid such amount to the defendant for performance of administrative works at Saudi Customs. However, a preliminary judgment was issued in favour of the SFPC in the amount of (SAR 4,665). The plaintiff has submitted an appeal, and the request is being reviewed and a date for hearing will be set.

12.12.2 ADC v. an Owner of a Private Plant

ADC (as plaintiff) filed an arbitration claim, based on the arbitration clause stipulated in the contract between the parties, against the defendant. The arbitration claim was filed to annul the sale contract on the basis that the plant was not ready according to the requirements agreed upon in the contract. The value of the contract is SAR 30,000,000, and a down payment of SAR 6,000,000 has been made. Since the plant status contradicts with the agreement, the plaintiff sought to annul the sale contract and recover the down payment. An arbitration award was issued in favour of the plaintiff to the effect that the sale contract is terminated and the down payment is recovered. The award was referred to the Court of Appeal for enforcement.

12.12.3 SFPC v. a Private Company

SFPC (as plaintiff) has filed a claim with the Commercial Court in Jeddah under number (6889) in 1441H against a private company (as defendant), requiring the defendant to pay an amount of SAR 2,287,868, which is the value of food products that SFPC supplied to the defendant. The claim is still pending and under e-litigation process with the Commercial Court in Jeddah. Upon issuance of a final judgment, a first instance judgement was issued in favour of the plaintiff, under which the latter receives SAR 1,857,974.

12.12.4 Private Plant v. ADC

A private plant (plaintiff) has filed a claim with the Commercial Court in Jeddah under number (5927) in 1441H against ADC (defendant), claiming dues from ADC in the amount of SAR 24,310, which is the value of goods the plaintiff supplied to ADC and did not receive their value, as set out in the Statement of Claim. A first instance judgment was issued in favour of the plaintiff, awarding the full amount claimed. ADC has submitted an appeal, which is pending consideration, and another hearing date is being set.

12.12.5 Claims for Execution of Commercial Papers in the Enforcement Courts

The Group has filed 25 claims before the Enforcement Court against a number of defendants with respect to unpaid commercial papers. The estimated amount of the commercial papers that the Group aims to collect is SAR 14,409,848. The claims are still pending and under process.

12.13 Summary of Bylaws

12.13.1 Name of the Company

The name of the Company is "Tanmiah Food Company", a closed joint stock company.

12.13.2 Objects of the Company

The Company's objects are:

a. agriculture and hunting fields;
b. mines, oil, and related activities;
c. transformative industries and related activities, subject to any industrial licenses;
d. electricity, gas, water and related activities;
e. construction and building;
f. transportation, storage and cooling;
g. financial and business services, and other services;
h. social, collective and personal services;
i. trade;
j. information technology; and
k. safety and security.

The Company shall conduct its activities according to the relevant laws and after obtaining the required licenses, when required, from the competent authorities.

12.13.3 Participation

The Company may establish companies on its own (limited liability or closed joint stock companies) provided that the capital thereof is no less than five million Saudi Arabian Riyals (SAR 5,000,000). It may own interests and shares in other existing companies or merge therewith. It also has the right to participate with others in the establishment of joint stock or limited liability companies after satisfying the requirements of applicable laws and regulations in this regard. The Company may also dispose of such interests or shares, provided that does not include any brokerage.

12.13.4 Head Office of the Company

The head office of the Company is in the city of Riyadh. The Company may establish branches, offices or agencies for the Company within or outside the Kingdom by a resolution of the Board of Directors.

12.13.5 Duration of the Company

The term of the Company shall be ninety-nine (99) years commencing from the date of its registration at the commercial registration as a joint-stock company. The term of the Company may always be extended by a resolution issued by the Extraordinary General Assembly at least one year prior to the expiration of its term.

12.13.6 Company's Share Capital

The Company's share capital shall be two hundred million Saudi Arabian Riyals (SAR 200,000,000) divided into twenty million (20,000,000) Shares, with an equal nominal value of ten Saudi Arabian Riyals (SAR 10) each, all of which are ordinary Shares.

12.13.7 Share Subscription

The Shareholders have subscribed to all of the Company's Shares, amounting to twenty million (20,000,000) shares representing 100% of the fully paid-up capital.

12.13.8 Issue of Shares

The Shares shall be nominal shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added as a separate item in the Shareholders' equity. They may not be distributed as dividends to the Shareholders. A Share shall be indivisible vis à vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.13.9 Trading of the Shares

Shares that are subscribed for by the founding Shareholders shall not be tradable before the publication of the financial statements for two complete financial years, each of not less than 12 months, from the date of the incorporation of the Company. A notation shall be made on the respective share certificates, indicating their class, the date of incorporation of the Company, and the period during which their trading shall be suspended. During the lock-up period, Shares may, in accordance with the applicable provisions for the disposal of Shares, be transferred from one founding Shareholder to another, or from the heirs of a deceased founding Shareholder to a third party, or in case of seizing funds of an insolvent or bankrupt founding Shareholder provided that the other founding Shareholder are given the priority to own such Shares. Such provisions shall apply to any Shares subscribed for by the Shareholders in case the capital is increased before the lapse of such lock-up period.

12.13.10 Shareholders' Register

The Shares shall be transferred by registration in the Shareholders' register maintained or outsourced by the Company, which shall contain the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the Shares and the paid-up amount of such Shares. The transfer of title to a Share shall not be effective vis-à-vis the Company or any third party, except from the date of such recording in the said register.

12.13.11 Sale of Unpaid Shares

If a Shareholder fails to pay the value of Shares when they fall due, the Board of Directors may, after giving such Shareholder notice by e-mail or registered mail, sell such Shares in a public auction or a stock market, according to the circumstances and in accordance with the regulations set by the competent authority. The Company shall recover from the proceeds of the sale such amounts as are due to it and return the balance to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on the assets of the Shareholder for the unpaid balance. Nevertheless, a defaulting Shareholder may, up to the date of sale of such Shares, pay the outstanding value of such Shares plus all the expenses incurred by the Company, in this regard. The Company shall cancel the Shares so sold and issue the purchaser a new Shares certificate bearing the serial numbers of the cancelled Shares, and make a notation to that effect in the Shareholders' register.

12.13.12 Increase of Share Capital

The Extraordinary General Assembly may resolve to increase the Company's capital, provided that the capital shall have been paid up in full, unless the unpaid part of the capital is allocated for Shares issued in exchange for converting debt instruments or financing instruments into Shares and the period specified for such conversion has not yet expired.

The Extraordinary General Assembly may allocate in all cases the issued Shares when increasing the capital or any part thereof for the employees of the Company or of any other subsidiary company thereof. It is not permissible for the Shareholders to exercise their preemptive rights when the Company issues Shares to its employees.

The Shareholders have, at the time of issuance of the Extraordinary General Assembly's resolution approving to increase the capital, the priority to subscribe the new Shares issued in exchange for cash contribution. They shall be notified of their preemptive rights to subscribe the new Shares by publication in a daily newspaper or by registered mail stating also the decision to increase the capital, the terms of the offering, its duration, and start and end dates of the subscription.

The Extraordinary General Assembly may suspend the preemptive rights of the Shareholders to subscribe in a capital increase in exchange for cash contribution or give priority to non-shareholders when it deems that doing so is in the interest of the Company.

The Shareholders retain the right to sell or assign their preemptive rights during the period following the resolution of the General Assembly to increase the capital and until the last day of subscription for the new Shares, relative to their preemptive rights, in accordance with the regulations set out by the relevant authority.

Notwithstanding the above point, new Shares shall be allotted to the holders of preemptive rights who have expressed interest to subscribe thereto, in proportion to their preemptive rights resulting from the capital increase; provided that their allotment does not exceed the number of new Shares they have applied for. Remaining new Shares shall be allotted to the preemptive right holders who have asked for more than their proportionate stake, in proportion to their preemptive rights resulting from the capital increase, provided that their total allotment does not exceed the number of new Shares they have asked for. Any remaining new Shares shall be offered to third parties, unless otherwise decided by the Extraordinary General Assembly decides, or provided under the CML.

12.13.13 Decrease of Share Capital

The Extraordinary General Assembly may decide to decrease the Company's capital if it exceeds its needs of the Company or if the Company suffered losses. And in the latter case only, the capital may be decreased to below the limit set in Article 54 of the Companies Law. That resolution shall not be issued until after reading the external auditors' report about the reasons causing the decrease and the obligations on the Company and the effect of the reduction on such obligations.

If the capital decrease is due to it being in excess of the Company's needs, then the Company's creditors must be invited to express their objection thereto within 60 days from the date of publication of the reduction resolution in a daily newspaper published in the city where the Company's head office is located. Should any creditor object and present to the Company evidentiary documents of such debt within the time limit set above, then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.13.14 Board of Directors

The Company shall be managed by a Board of Directors consisting of six members to be elected by the Ordinary General Assembly for a term not exceeding three years.

12.13.15 Membership Termination

A Director's membership in the Board shall expire upon the expiry of the Board's term or should the Director no longer be fit for membership of the Board, pursuant to any applicable laws or instructions in the Kingdom. However, the Ordinary General Assembly may at any time dismiss all Directors or some of them, without prejudice to the right of the dismissed Directors to claim compensation from the Company if dismissed unreasonably or in inappropriate time. A Director may also tender his/her resignation, provided that such resignation occurs at an appropriate time, otherwise, said Director shall be held liable for any damages affecting the Company as a result of such resignation.

12.13.16 Board Vacancy

If a position on the Board of Directors becomes vacant, the Board of Directors may appoint a temporary Director to fill the vacancy, regardless of the number of votes obtained at the General Assembly that elected the Board of Directors, provided that such Director shall be experienced and eligible. The Ministry of Commerce, or the CMA if the Company is listed, shall be notified within five Business Days from the date of the appointment, and such appointment shall be submitted to the first meeting of the Ordinary General Assembly. The new Director shall complete the unexpired term of his/her predecessor. If the number of Directors falls below the minimum number prescribed in the Companies Law or the Company's Bylaws, remaining Directors shall call the Ordinary General Assembly to convene within 60 days to elect the required number of Directors.

12.13.17 Powers and Duties of the Board

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with full powers to manage the business and affairs of the Company. This includes, but is not limited to:

- developing the Company's internal regulations and policies;
- selling, granting and terminating mortgages over the mortgaged properties of the Company, including the Company's stores, subject to the following conditions:
    - the Board shall specify in its resolution the reasoning for such action;
    - the sale shall be for a price roughly comparable to its fair value;
    - the payment of the price for such transaction shall not deferred, except in certain cases and with sufficient guarantees; and
    - such action shall not cause the Company to discontinue some of its activities, or incur other liabilities;
- approving internal, financial, administrative and technical regulations of the Company and the policies and regulations relating to employee affairs;
- appointing experienced and competent persons in the Company's management positions, as the Board deems fit, and determining their duties and remuneration;
- authorising the Company's management personnel to sign on behalf of the Company, to the extent permitted under the rules set by the Board;
- constituting committees and delegating powers to them, as the Board deems fit, and coordinating between such committees, to ensure prompt resolution of the issues referred thereto;
- approving the Company's business plan and operational plans and annual capital expenditures and budgets;
- issuing or repurchasing bonds or sukuk inside or outside the Kingdom in accordance with the applicable laws and regulations; and
- the Board may, within the limits of its authorities, deputise one or more of the directors or others to carry out a certain task(s).

12.13.18 Remuneration of the Directors

Remuneration of the Directors shall be determined by the General Assembly within the limits of the Companies Law and its implementing regulations. Notwithstanding the applicable laws and regulations in the Kingdom issued by the relevant authorities, Directors may be provided remuneration in the form of an attendance allowance, in-kind benefits, a percentage of net profits, or any combination of two or more thereof.

The Board of Directors' report to the Ordinary General Assembly must include a comprehensive statement of all the amounts received by Directors during the financial year as remuneration, expense allowance, and other benefits, as well as of all the amounts received by the Directors during the financial year in their capacity as officers or executives of the Company, or in consideration of technical, administrative or advisory services. It must also include the number of sessions of the Board and the number of meetings each Director attended as of the date of the last General Assembly.

12.13.19 Authorities of the Chairman, Deputy, Managing Director, and Secretary

The Board of Directors shall appoint from among its members a Chairman and a Deputy Chairman. The Board of Directors may also appoint a Managing Director. No member can concurrently assume the Chairman's position and be appointed to any other executive position in the Company.

The Chairman shall be responsible for inviting the Board to meetings, and chairing the meetings of the Board and Shareholders' General Assemblies. The Chairman shall have the following authorities:

a. Representing the Company before third parties, Government authorities, private entities, all courts of all degrees and types, the Administrative Courts, official authorities and departments, judicial and administrative committees of all types and degrees, labour offices, high and primary committees, banking dispute settlement committees and all other judicial committees, arbitration panels, Directorate of Civil Rights, police departments, Chambers of Commerce and Industry, private companies and establishments, commercial banks, treasuries, all Government funds and financing institutions of all designations and competence as well as other lenders, and the Zakat, Tax and Customs Authority (ZATCA), the Ministry of Commerce (MoC), the Ministry of Investment (MOI), all competent authorities, courts, judicial or quasi-judicial bodies, committees and circuits, or newly-established bodies of the same competence that have not been named at the time this resolution is documented, of all types and levels, the Control and Investigation Board, and Bureau of Investigation and Public Prosecution.

b. Claiming and litigating; pleading and defending; hearing and responding to claims; making acknowledgements; objecting; reconciliating; assigning; discharging; refraining from and requesting the performance of oath and rejection thereof; requesting witnesses to appear and give evidence, objecting to their statements or such evidence; answering, challenging and disputing; challenging for forgery; challenging the authenticity of handwriting, seals and signatures; applying for a travel ban order or waiver; requesting seizure and execution; requesting arbitration; appointing, replacing and removing experts and arbitrators; objecting to the reports of experts and arbitrators; requesting to give effect to Article 230 of Law of Procedure before competent Courts; requesting the execution of judgments and appeal thereto; requesting execution of, accepting, denying and objecting to, judgments; lodging of appeals; filing of petitions for reconsideration; applying for rehabilitation; requesting pre-emption; completing of procedures for attendance of all proceedings in all courts; receiving of consideratoin; receiving of verdicts; requesting withdrawal of judges; requesting impleader and intervention; and having recourse to the Emirate, Civil Judgment Enforcement Division, police stations, its departments and sections.

c. Having recourse to SAMA, central banks, all financial institutions, private and public banks; opening Shariah-compliant accounts; approving signature; authorising others to deal with the Company's accounts and canceling such authorisation; withdrawing from accounts without limit; deposit; transfering from accounts without limits; applying for, receiving and utiliziung ATM cards; applying for, receiving and utilizing Shariah-compliant credit cards; issuing and objecting to an account statement; issuing, receiving and executing cheque books, requesting cancellation of cheques; issuing and receiving certified cheques; receiving and disbursing remittances; subscribing in offered securities and renewing subscriptions in the same, as well as redeeming units of trust funds; requesting Shariah-compliant bank loans, accepting their terms, conditions and prices, and signing their forms, pledges and repayment schedules; receiving and disposing of loans; conducting all banking transactions inside and outside the Kingdom, including but not limited to, opening accounts of all kinds, withdrawing, depositing, cashing cheques, issuing remittances, requesting the opening of documentary and non-documentary credits, requesting the issuance of bank guarantees, exchanging, transferring, purchasing, and selling all currencies, concluding foreign exchange transaction agreements and signing all necessary documents related to such transactions, requesting and approving loans and bank facilities, and signing on behalf of the Company all required documents and guarantees; requesting discharge from loans; activate, close, and settle accounts; executing, endorsing, and objecting to cheques; receiving returned cheques; updating data and subscriptions in joint stock companies; receiving shares certificates; selling and receiving consideration for shares; receiving dividends and surplus; opening Shariah-compliant investment portfolios; editing, amending and cancelling orders; redeeming investment fund units; applying for loans from Real Estate Development Fund, Agricultural Development Fund, the Industrial Development Fund, Saudi Credit and Savings Bank, and all Government funds and institutions of various names and competencies; concluding agreements with such funds; providing and acting jointly with guarantors; receiving, assigning and requesting discharge from a loan; accepting donations; receiving funds and donations of the company; providing all guarantees on behalf of the Company to third parties and signing the same in addition to necessary guarantees including legal guarantees for facilities that may be granted from time to time to individuals, individual institutions or companies and consequent transactions associated with such loans and facilities such as mortgages, pledge of shares; providing cash and in kind collaterals; signing all contracts relating to conclusion and implementation of electronic transactions through the internet or other means, as well as all banking transactions and other electronic systems provided by banks; signing Islamic Murabaha agreements and Tawarruq agreements and other Islamic products provided by the bank, as well as all required documents and agencies related to Islamic products; requesting receipt of all amounts, including capital and special commission of all kinds, outstanding or to be outstanding; requesting and receiving cheque books, banknotes; issuing, signing, accepting, endorsing, and setting-off cheques, bills of exchange promissory notes; issuing remittances, fixed instructions, payment orders; sign securities, bonds, negotiable instruments under a discount or collection fee; paying the value of bonds, remittances, cheques, documents and obligations of all kinds; submiting and receiving all collaterals and assets and related amounts; submitting and receiving all documents; approving statements of accounts; signing a treasury client agreement and dealing with its products; requesting issuance of ATM cards and all other cards for the Company's accounts, accepting their terms, signing receipt thereof, operating and using the same; and conducting all transactions provided for in the agreements.

d. Entering into and executing all types of contracts, deeds and documents, including but not limited to hiring, dismissing, contracting with, and determining salaries for, employees, requesting visas, recruiting labour from abroad, applying for residence permits, transferring and waiving sponsorships, and having recourse to GOSI, MHRSD, and labour and recruitment offices.

e. Approving the establishment of subsidiaries, branches, offices and agencies of the Company, subscriptions and shareholding in any of the companies, and sign their articles of incorporation and amendments thereto; signing partners' resolutions; appointing and removing Directors; registering and changing a trade name; amending management term and corporate purposes, facilitating entry and exit of partners, entering into existing companies, increasing, decreasing and determining the capital for the same; purchasing shares and stocks; paying consideration; selling shares and stocks; receiving value and profits; assigning capital shares and stocks; accepting assignment of shares, stocks and capital; transfering shares, stocks and bonds; registering companies; registering agencies and trademarks; attending general assemblies; opening files for companies and opening branches thereof, liquidating and converting them from a limited liability company into a joint stock company, and cancelling memorandums of incorporations and amendment supplements; apply for and renew commercial registrations; applying for and renewing membership of the Chamber of Commerce; applying for and renewing licenses; converting a company's branch to a company, and publishing the articles of association, amending supplements and their summaries and bylaws in the official gazette.

f. Having recourse to the record management; applying for and canceling a sub-commercial register for the Company; registering and changing the trade name; having recourse to the Contractor Classification Agency; opening shops; applying for and cancel licenses; having recourse to the Royal Court; managing trademarks; managing commercial agencies; managing quality and precious metals; managing self-employment; applying for a certificate of origin; applying customs exemption; registering, amending and objecting to trademarks; registering books and intellectual rights; applying for permits for license; having recourse to all public associations, bodies, foundations and establishments and all private associations, bodies, foundations and establishments, King Abdulaziz City for Science and Technology; representing the Company in its relations with all economic cities and industrial cities, and all ministries, authorities and departments; signing public and private agreements and contracts; purchasing and conveying land and real estate as well as receiving consideration for the same; purchasing, leasing and renting the Company's assets and property as well as receiving consideration for the same; signing public and private purchase lease and rent contracts; representing the Company with the communication companies and establishing landline telephones or mobile phones in the name of the Company; entering public and private tenders and competitions and receiving the relevant forms; signing the Company's contracts with third parties; having recourse to the Ministry of Agriculture regarding the application for an agricultural grant and receive the decision; having recourse to the notary public or court to accept conveyance and receiptof deeds; waiving and transfering the agricultural decision; issuing clearances; planing land; following-up with and having recourse to municipalities; requesting cadastral declarations; and signing and issuing all relevant papers, documents and contracts.

The Chairman may, within its auhtority, issue or cancel in whole or in part, an authorization or delegation issued to a third party to take an action, perform an act, or conduct a specific task(s).

The Managing Director shall have the authorities determined by the Board of Directors and shall act according to such authorities, as may be directed by the Board of Directors.

The Board of Directors shall appoint a Secretary, whether from amongst its Directors or otherwise. The Secretary shall organize the meetings of the Board of Directors and its works, prepare related meeting minutes in writing and keep its records, write correspondence with governmental and non-governmental entities, and submit special invitations to attend the Board of Directors meetings at the request of the Board, in addition to exercising other functions entrusted to him/her by the Board of Directors.

The term of office of the Chairman, Deputy Chairman, Managing Director and Secretary, where he/she is a Director, shall not exceed their respective membership terms as Directors and they may be reappointed. The Board of Directors may dismiss any of them without prejudice to the right to compensation of the dismissed, if the dismissal was due to unlawful reasons or at an inappropriate time.

12.13.20 Board Meetings

The Board of Directors shall be convened at least four times per year upon a written invitation given by the Chairman. The Chairman shall call a meeting of the Board if so requested by any two Directors.

12.13.21 Quorum and Representation

A meeting of the Board shall be duly convened only if attended by the majority of Directors in person or by proxy. In the event that a Director appoints another Director to attend a Board meeting a his/her proxy, then such proxy shall be appointed in accordance with the following guidelines:

- a Director may not act as proxy for more than one other Director in the same meeting;
- the proxy shall be appointed in writing; and
- a Director acting by proxy may not vote on resolutions on which his/her principal is prohibited from to voting.

Board resolutions shall be adopted with the approval of the majority of the Directors represented or in attendance. In the event of a tie, the chairman of the meeting, the Board Chairman or, in his/her absence, his/her delegate shall have a casting vote. It is for the Board of Directors to issue resolutions to pass, by presenting them to all the Directors separately, as long as a Director does not request a Board meeting for deliberations. These resolutions are presented to the Board in the first following meeting.A Director having a direct or an indirect interest in any matter or proposal presented to the Board shall, whenever required, inform the Board or the committee of the nature of his/her interest in the matter presented. Such Director shall abstain from participating in discussions and voting at the Board, whenever required, with regards to such matter or proposal.

12.13.22 Deliberations of the Board

Deliberations and resolutions of the Board shall be recorded in minutes to be signed by the Chairman, the present Directors and the Secretary. Such minutes shall be entered in a special register signed by the Chairman and the Secretary.

12.13.23 Shareholders' Assemblies

Any shareholder, regardless of the number of his Shares, shall have the right to attend the conversion General Assembly personally or by proxy, provided that the Directors or Company employees may not act as proxies.

(A) Conversion General Assembly

The founders shall invite all Shareholders to a conversion General Assembly, within 45 days from the date of the decision of the Ministry fo Commerce to authorize the conversion of the Company. To be validly constituted, the conversion General Assembly must be attended by Shareholders representing at least 50% of the Company's capital. If such majority is not achieved, an invitation shall be sent for a second meeting after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. In any event, this second meeting shall be valid regardless of the number of Shareholders represented therein.

(B) Ordinary General Assembly

Except for matters falling within the jurisdiction of the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all other matters related to the Company and shall be convened at least once a year during the first six months following the end of the Company's financial year. Other Ordinary General Assembly meetings may be called upon when necessary.

(C) Extraordinary General Assembly

The Extraordinary General Assembly shall be competent to amend the provisions of the Bylaws, to the extent permitted under the law. Furthermore, the Extraordinary General Assembly shall be empowered to adopt resolutions in matters within the jurisdiction of the Ordinary General Assembly under the same conditions and manners as prescribed for the latter.

(D) Manner of Convening Assemblies

Public and private assemblies convene at the invitation of the Board, in accordance to the Companies Law and its implementing regulations, and, if requested to do so by the Company's external auditors, the Audit Committee or by a number of Shareholders representing at least 5% of the Company's capital. The external auditors may convene the General Assembly if the Board did not convene the General Assembly within 30 days from the date of the external auditors' request.

The call for a General assembly meeting shall be published in a daily newspaper distributed in the locality of the head office of the Company, at least 21 days prior to the date set for such meeting. Nevertheless,a notice sent by registered mail to all Shareholders on the mentioned date shall suffice. A copy of both the invitation and the agenda shall be sent to the Ministry of Commerce, as well as to the CMA for companies listed on the Exchange, within the period set for publication.

(E) Record of Attendance

Shareholders who wish to attend a General Assembly shall register their names at the Company's head office before the time specified for the General Assembly.

(F) Quorum for the Ordinary General Assembly

A meeting of the Ordinary General Assembly shall not be valid unless attended by the Shareholders representing at least 25% of the Company's share capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. In any case, the second meeting shall be deemed valid irrespective of the number of Shares represented therein.

(G) Quorum of the Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall not be valid unless attended by Shareholders representing at least 50% of the Company's capital. If such quorum cannot be attained at the first meeting, a second meeting shall be convened after one hour from the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of having a second meeting. In any case, the second meeting shall be deemed valid if attended by Shareholders representing at least 25% of the Company's capital. If the required quorum has not been provided in the second meeting, there shall be an invitation for a third meeting in accordance with Article 29 of the Company's Bylaws and the third meeting shall be deemed valid irrespective of the number of Shares represented therein after approval of the competent authority.

(H) Voting Rights

Each Subscriber shall have one vote for every Share he/she represents at the conversion General Assembly, and each Shareholder shall have a vote for every Share he/she represents at the General Assemblies. Cumulative voting shall be used in electing the Board of Directors.

(I) Resolutions

Resolutions of the conversion General Assembly and the Ordinary General Assembly shall be adopted by an absolute majority of the Shares represented at the meeting.

Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of two-thirds (2/3) of the Shares represented at the meeting, unless the resolution to be adopted is related to increasing or decreasing the capital, extending the Company's term, dissolving the Company prior to the expiry of the term specified under the Bylaws or merging the Company with another company, then such resolution shall be valid only if adopted by a majority vote of three-quarters (3/4) of the Shares represented at the meeting.

(J) Discussion of Agenda

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions in respect thereof to the Directors and the external auditors. The Directors or the external auditors shall answer the Shareholders' questions in a manner that does not prejudice the Company's interest. If a Shareholder deems the answer to the question unsatisfactory, then such Shareholder may refer the issue to the General Assembly and its resolution in this regard shall be conclusive.

(K) Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman, or in his/her absence, his Deputy, or in the event of the absence of his/her delegate. The Chairman and his Deputy, the individual appointed by the Board of Directors shall appoint a secretary for the meeting and a vote counter. Minutes shall be written for the meeting which shall include the names of the Shareholders present, in person or represented by proxy, the number of Shares held by each Shareholder, the number of votes attached to such Shares, the resolutions adopted at the meeting, the number of votes assenting or dissenting to such resolutions and a comprehensive summary of the discussions that took place during the meeting. Such minutes shall be regularly recorded after each meeting in a special register that shall be signed by the Chairman, the Secretary and the vote counter.

12.13.24 Audit Committee

(A) Committee Formation

The Audit Committee shall be formed by a resolution of the Company's Ordinary General Assembly and shall consist of three (3) members, provided that the members are not executive Directors, whether Shareholders or otherwise. The resolution shall also determine the Audit Committee's composition rules, mandate and procedures as well as the remuneration of its members.

(B) Quorum of the Audit Committee

The meetings of the Audit Committee shall be valid if attended by the majority of its members. All its resolutions shall be made by the majority of votes of the present members. In case of a tie vote, the chairman shall have the casting vote.

(C) Competence of the Audit Committee

The Audit Committee shall oversee the affairs of the Company. For such purpose, the committee has the right to review all the Company's records and documents, require any explanations or statements from members of the Board of the Directors or the Executive Management. The committee may request the Board of Directors to call the General Assembly to convene if the Board of Directors obstructs its course of work or the Company suffers serious damage or losses.

(D) Reports of the Audit Committee

The Audit Committee shall check, the Company's financial statements, and the reports and notes to be provided by the external auditors. It shall express its opinion on the same, if any. It shall also prepare a report on its opinion with respect to the sufficiency of the internal control system in the Company, along with other activities within its competence. The Board of Directors shall deposit enough copies of this report in the Company's head office at least 21 days prior to the date of convening the General Assembly, in order to provide it to any Shareholder wishing to have a copy of the report. The report shall be read out at the meeting.

12.13.25 The External Auditors

(A) Appointment of the External Auditor

The Company shall have one or more external auditors licensed to practice in the Kingdom. The Ordinary General Assembly may appoint the external auditors annually and may also determine their remuneration and the duration of work. The Ordinary General Assembly may change the external auditorsat any time without prejudice to their right to compensation if such change was due to unlawful reasons or at an inappropriate time.

(B) Powers of the External Auditor

The external auditors shall have access at all times to the Company's books, records and any other documents, and may request information and clarifications as they deem necessary. They may further verify the Company's assets and liabilities. The Chairman shall enable the external auditors to perform its duty specified in the preceding paragraph. If the external auditors encountered a difficulty in this regard, it shall record that in a report submitted to the Board of Directors. If the Board does not facilitate the work of the external auditors, they shall call the Ordinary General Assembly to consider the matter.

12.13.26 Financial Year

The Company's financial year shall commence on 1 January and expire on 31 December each year, provided that the first financial year shall commence on the date of its registration in the commercial register and expire on the 31st of December of the following year.

12.13.27 Financial Documents

At the end of each financial year, the Board of Directors shall prepare the financial statements of the Company and a report of its activities and financial position for such financial year, including the proposed method of distributing the net profits. The Board of Directors shall put these documents at the disposal of the external auditors at least 45 days prior to the date specified for the General Assembly.

The Chairman of the Board of Directors, the Chief Executive Officer, and the Chief Financial Officer shall sign the documents set forth in the above paragraph, and copies thereof shall be deposited at the Company's head office at the disposal of the Shareholders at least 21 days before the date specified for the General Assembly.

The Chairman of the Board of Directors shall provide the Shareholders with the financial statements of the Company, the Board of Directors' report and the external auditors' report, unless they are published in a daily newspaper distributed in the locality of the Company's head office. The Chairman shall also send a copy of these documents to the Ministry of Commerce and the CMA at least 15 days before the date specified for the General Assembly.

12.13.28 Distribution of Dividends

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

a. 10% of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve totals 30% of the Company's paid-up capital;

b. the Ordinary General Assembly may resolve to form other reserves to the extent they serve the Company's interests, or to ensure the distribution of fixed dividends – so far as possible – to the Shareholders. The Ordinary General Assembly may also deduct amounts from the net profits to create social institutions for the Company's employees, or to support existing institutions of such kind; and

c. all remaining net profits shall be distributed to the shareholders unless otherwise decided by the Ordinary General Assembly.

The Company may distribute interim dividends to its Shareholders, on a quarterly or semi-annual basis, in accordance with the applicable regulations in this regard.

12.13.29 Entitlment to Dividends

The Shareholders are entitled to their proportionate share of dividends in accordance with the resolution of the General Assembly issued in this regard. Such resolution shall specify the date of entitlement and the date of distribution. Dividends shall be paid to Shareholders recorded in the Shareholders' Register at the end of the date of entitlement.

12.13.30 Disputes

Where the Directors have committed an act that has caused a particular damage to a Shareholder, such Shareholder shall have the right to sue the Directors for liability, provided that the Company still has the right to bring such action. The Shareholder shall notify the Company of his/her intention to file such an action.

12.13.31 Company's Losses

If the Company's losses amount to half (1/2) of the paid-up capital, at any time during the financial year, then any officer of the Company or the external auditors upon becoming aware of such losses shall notify the Chairman of the Board of Directors, who shall immediately inform the Directors. The Board of Directors shall, within 15 days of such notification, convene an Extraordinary General Assembly to meet within 45 days from the date on which the Board of Directors was notified of the losses, to resolve whether to increase or reduce the capital of the Company pursuant to the provisions of the Companies Law, in order to render the losses equal to less than half (1/2) of the Company's paid-up capital, or dissolve the Company before the end of its term as stated in the Companies Law.

The Company shall be deemed dissolved by operation of law if the General Assembly is not convened during the term specified in the above paragraph, or if the General Assembly is convened but is unable to adopt a resolution on the matter, or if the General Assembly resolves to increase the capital in accordance with the conditions specified in the above paragraph but the capital increase is not fully subscribed to within 90 days from the date on which the General Assembly adopted the resolution to increase the capital.

12.13.32 Dissolution and Liquidation of the Company

The Company, upon its dissolution, shall enter a liquidation phase during which it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify his powers, fees, any restrictions on his powers and the period required for the liquidation process. The period of a voluntary liquidation process shall not exceed five years and may not be further extended without a court order. The authority of the Board of Directors shall cease upon the dissolution of the Company. However, the Board of Directors shall remain responsible for the management of the Company and shall be deemed as liquidators towards third parties, until a liquidator is appointed. General Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising their competencies as far as they do not conflict with those of the liquidator.

12.14 Share Description

12.14.1 Ordinary Shares

The Shares shall be nominal Shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if such reserve has reached its maximum limit. Each share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

12.14.2 Repurchase of Shares

According to Article 112 of the Companies Law, which stipulates that a company may buy its shares in accordance with the rules set by the competent authority, provided that the Shares purchased by the Company shall not entitle it to votes in the Shareholders' assemblies.

12.14.3 Rights of Ordinary Shareholders

Pursuant to Article 110 of the Companies Law, Shares confer on the Shareholder all rights attached to the Shares, in particular the right to receive a share of the profits to be distributed, to receive a share of the Company's assets surplus upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly in accordance with the conditions and restrictions contained in the Companies Law and the Bylaws.

Each Shareholder shall have the right to discuss the matters stated in the agenda of the General Assembly and direct questions thereon to the Directors and the external auditors. The Board of Directors or the external auditors shall answer the questions of the Shareholders to the extent that it does not put the interest of the Company at risk. If a Shareholder is not satisfied with the answer, such Shareholder may refer the issue to the General Assembly whose resolution shall be binding in this regard.

12.14.4 Voting Rights

Any Shareholder, regardless of the number of his Shares, shall have the right to attend the constituent General Assembly or any General Assembly, which are to be held in the city where the Company's head office is located. A Shareholder may appoint another person who is not a Director or an employee of the Company to attend a General Assembly on his behalf.

Each Shareholder shall have a vote for every Share represented by him in the constituent General Assembly, and each Shareholder shall have a vote for every share represented by him in the General Assemblies. The cumulative voting method shall be used in electing the Directors in accordance with the Corporate Governance Regulations issued by the CMA and any amendments thereto made from time to time.

12.14.5 Amendment to the Rights of Shareholders

Shareholders' rights relating to receiving a share of the dividends to be distributed, receiving a share of the Company's surplus assets upon liquidation, attending the General Assemblies, participate in its deliberations, vote on its resolutions, disposing of Shares, requesting access to the Company's books and documents, monitoring the work of the Board of Directors, filing a claim of responsibility against the Directors, and challenge the validity of the resolutions of the General Assembly (under the conditions and restrictions set out in the Companies Law and the Bylaws) are granted under the Companies Law and therefore may not be amended.

12.15 Representations Related to Legal Information

The Directors declare the following:

- the issue does not violate the relevant laws and regulations of the Kingdom;
- the issue does not violate any of the contracts or agreements to which the Company is a party;
- all material legal information relating to the Company has been disclosed in the Prospectus;
- except as disclosed in Section 12.12 (**Litigation**), the Company and its Subsidiaries are not parties to any existing disputes, or legal procedures that may jointly and severally have a material impact on the Company's or its Subsidiaries' operations or financial position; and
- the Company's Directors shall not be subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's or its Subsidiaries' business or financial position.

13. UNDERWRITING

The Underwriter (Saudi Fransi Capital) has undertaken to fully underwrite the Offering of 6,000,000 Offer Shares pursuant to an underwriting agreement (the "Underwriting Agreement") entered into with the Company and the Selling Shareholders, subject to certain conditions. The name and address of the Underwriter are set out below:

13.1 Underwriter

Saudi Fransi Capital
King Fahad Road 8092
Riyadh 3735-12313
Kingdom of Saudi Arabia
Tel: +966 (11) 282 6666
Fax: +966 (11) 282 6823
Website: www.sfc.sa
E-mail: Tanmiah.IPO@fransicapital.com.sa

The principal terms of the Underwriting Agreement are set out below:

13.2 Summary of Underwriting Arrangements

Under the terms and subject to the conditions contained in the Underwriting Agreement:

(a) The Selling Shareholders undertake to the Underwriter that, on the first Business Day after allocation of the Offer Shares following the end of the Offering Period, they shall:

   (1) sell and allocate the Offer Shares to any Individual Investor or Participating Party whose application for Offer Shares has been accepted by the Receiving Agent; and

   (2) sell and allocate to the Underwriter the Offer Shares that are not subscribed by Individual Investors or Participating Parties pursuant to the Offering.

(b) The Underwriter undertakes to the Selling Shareholders that at the date of allocation, it will purchase any Offer Shares that are not subscribed for by Individual Investors or Participating Parties, according to what is mentioned below:

Table 13.1: Underwritten Shares

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares Underwritten
Saudi Fransi Capital	6,000,000	100%

source: The Company.

The Company and Selling Shareholders have committed to satisfy all the provisions of the Underwriting Agreement.

13.3 Underwriting Costs

The Selling Shareholders will pay to the Underwriter an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholders agreed on behalf of the Company to pay the Underwriter's costs and expenses in connection with the Offering.

14. EXPENSES

The Selling Shareholders will be responsible for all costs and expenses associated with the Offering, which are estimated at approximately SAR 25,000,000. This figure includes the fees of each Financial Advisor, Underwriter, Lead Manager, Bookrunner, Legal Advisor, Financial Due Diligence Advisor, Market Consultant, in addition to the fees of the Receiving Agent, and marketing, printing and distribution expenses and other relevant costs. The Offering expenses will be deducted from the Offering Proceeds. The Company will not be responsible for payment of the Offering expenses.

15. UNDERTAKINGS FOLLOWING ADMISSION

Following the Admission, the Company undertakes to:

(a) complete Form 8 (relating to compliance with the Corporate Governance Regulations) and, in the event the Company does not comply with any of the requirements of the Corporate Governance Regulations, to explain the reasons for such non-compliance;

(b) provide the CMA with the date on which the first General Assembly will be held following Admission so that a representative thereof may attend;

(c) submit transactions and contracts in which a Director has a direct or indirect interest for authorisation by General Assembly (in accordance with the Companies Law and Corporate Governance Regulations) and renew such authorisation on an annual basis, provided that the interested Director shall be prohibited from voting on the relevant resolution (whether in the Board or the General Assembly) (for further details regarding Related Party contracts and transactions, see Section 12.9 (**Related Party Contracts and Transactions**);

(d) disclose material developments related to the Company and projects set out in Section 4.8 (**Future Plans and Initiatives**); and

(e) comply with all the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, Listing Rules, and the Corporate Governance Regulations immediately upon Admission.

Similarly, following the Admission, the Directors undertake to:

(a) record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Chairman and the Secretary; and

(b) disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

16. WAIVERS

The Company has not applied to the CMA for any waivers from any of its regulatory requirements.

17. SUBSCRIPTION TERMS AND CONDITIONS

The Company has made an application to the CMA for the registration and offer of the Shares under the Rules on the Offer of Securities and Continuing Obligations issued by CMA pursuant to Resolution No. 3123-2017 dated 09/04/1439H (corresponding to 27 December 2017G) in accordance with the Capital Market Law passed by Royal Decree No. M/30 dated 02/06/1424H, as amended by CMA Board's Resolution No. 1-7-2021 dated 1/6/1442H (corresponding to 14 January 2021G), and an application for listing of the Shares on the Exchange in accordance with the Listing Rules approved by the CMA Board Resolution No. 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017G) and amended by CMA Resolution No. 1-22-2021 dated 12/7/1442H (corresponding to 24 February 2021G).

All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to the Receiving Agent is deemed as acceptance and approval of the subscription terms and conditions.

17.1 Subscription to Offer Shares

The Offering will consist of 6,000,000 Offer Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share at an Offer Price of SAR 67 per Offer Share. The Offer Shares represent 30% of the Company's capital with a total value of 402,000,000. The CMA has also the right to suspend the Offering if, at any time after its approval of this Prospectus and before registration and admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to the following groups of Investors:

Tranche (A): Participating Parties

Comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions including investment funds, companies, Qualified Foreign Investors and GCC Corporate Investors. Participating Entities will provisionally be allocated 6,000,000 Offer Shares, representing 100% of Offer Shares. Final allocation for the Participating Entities will be made upon the expiry of Individual Investors' subscription period. In the event that there is sufficient demand by Individual Investors, the Bookrunner shall have the right to reduce the previously allocated Offer Shares to Participating Entities to 5,400,000 Offer Shares, representing 90% of the total Offer Shares.

Tranche (B): Individual Investors

Comprising Saudi Arabian nationals, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi residents or GCC nationals with a bank account with the Receiving Agent and having the right to open an investment account. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of six hundred thousand (600,000) Offer Shares representing ten (10%) of the total Offer Shares shall be allocated to Individual Investors. In the event that the Individual Investors do not subscribe in full to the Offer Shares allocated to them, the Bookrunner may reduce the number of Offer Shares allocated to Individual Investors in proportion to the number of Offer Shares subscribed by them.

17.2 Book-Building and Subscription by Participating Parties

(a) The Company and the Financial Advisor determine the price range for the purposes of book-building, which will be made available to all Participating Parties, without any restriction.

(b) Each of the Participating Parties shall submit a Bidding Participation Application during the book-building period. The Participating Entities may change or cancel their Bidding Participation Application at any time during the book-building period, provided that such change shall be made by submitting an amended or additional Bidding Participation Application, where applicable, prior to the conclusion of fixing the Offer Price, which precedes commencement of the Offering Period. The number of Offer Shares to be subscribed by each Participating Entity shall neither be less than 100,000 Offer Shares nor more than 999,999 Offer Shares, and in relation only to public investment funds, without exceeding the maximum amount specified for each participating fund that is determined in accordance with Book-Building Instructions. The number of requested shares shall be subject to allocation. The Bookrunner will inform the Participating Entities of the Offer Price and the number of Offer Shares provisionally allocated to them. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Investors, according to the subscription terms and conditions detailed in the Subscription Application Forms.

(c) After book-building for the Participating Entities is completed, the Bookrunner will announce the coverage percentage for the Participating Entities.

(d) The Bookrunner and the Company will have the power to determine the Offer Price based on the supply and demand for the Offer Shares, provided that it does not exceed the price set out in the Underwriting Agreement and provided that the Offer Price is in accordance with the tick size applied by Tadawul.

17.3 Subscription by Individual Investors

Each Individual Investor shall subscribe for a minimum of 10 Offer Shares and a maximum of 250,000 Ordinary Shares. Changes to or withdrawal of the subscription application shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be provided during the Offering Period by the Receiving Agent. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Individual Investors who have participated in one of the recent initial public offerings can also subscribe through the Internet, banking telephone or ATMs of the Receiving Agent' branches that offer any or all such services to its customers, provided that, the following requirements are satisfied:

(a) the Individual Investor shall have a bank account at the Receiving Agent, which offers such services;

(b) there should have been no changes to the personal information or data of the Individual Investor since his subscription in the last Offering; and

(c) a non-Saudi and GCC Individual Investor must have an account with a Capital Market Institution that provides such service.

A signed Subscription Application Form must be submitted to any branch of the Receiving Agent representing a legally binding agreement between the Selling Shareholders and the relevant Individual Investor submitting it.

Individual Investors may obtain a copy of this Prospectus from the websites of the Company (www.tanmiah.com), the CMA (www.cma.org.sa) or the Financial Advisor (www.sfc.sa), and the Subscription Application Forms from the branches of the following Receiving Agent (or the websites for the Receiving Agent providing such service):

Banque Saudi Fransi
King Saud Road
P.O. Box 56006
Riyad 11554
Kingdom of Saudi Arabia
Tel: +966 92 0000 576
Fax: +966 11 4027 261
Website: www.fransi.com.sa
E-mail: Fransiplusadmin@alfransi.com.sa

The Receiving Agent will commence receiving Subscription Application Forms at its branches throughout the Kingdom beginning on Tuesday, 17/12/1442H (Corresponding to 27/07/2021G). Once the Subscription Application Form is signed and submitted, the Receiving Agent receiving it will stamp it and provide the Individual Investor with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form will be considered void. The Individual Investors do not have the right to claim any compensation for the damages incurred due to such cancellation.

Each Individual Investor is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 67 per Offer Share.

Subscriptions by Individual Investors for less than 10 Offer Shares or fractional Shares will not be accepted. Increments are to be made in multiples of such minimum number, while the maximum number of Offer Shares to be applied for is 250,000 Offer Shares.

Subscription Application Forms for Individual Investors should be submitted during the Offering Period and accompanied (where applicable) with the following documents (the Receiving Agent will verify all copies against the originals and will return the originals to the relevant Individual Investor):

(a) the original and copy of the Individual Investor's national civil identification card (in case of individuals, including Saudi and other GCC nationals);

(b) the original and copy of the family civil identification card (when subscribing on behalf of family members);

(c) the original and copy of a power of attorney (when subscribing on behalf of others);

(d) the original and copy of certificate of guardianship (when subscribing on behalf of orphans);

(e) the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);

(f) the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and

(g) the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

In the event an application is made on behalf of an Individual Investor (parents and children only), the name of the person signing on behalf of the Individual Investor should be stated in the Subscription Application Form, accompanied by a valid original and a copy of the power of attorney. The power of attorney must be notarised by a notary public for the Individual Investors residing in the Kingdom and must be legalised through a Saudi embassy or consulate in the relevant country for the Individual Investors residing outside the Kingdom. The concerned official of the Receiving Agent shall match the copy with the original version and return the original version to the Individual Investor.

One Subscription Application Form should be completed for each primary Individual Investor applying for himself and members appearing on his family identification card if the family members apply for the same number of Offer Shares as the primary Individual Investor. In this case:

(a) all Offer Shares allocated to the primary Individual Investor and dependent Individual Investors will be registered in the primary Individual Investor's name;

(b) the primary Individual Investor will receive any refund in respect of amounts not allocated and paid for by himself or dependent Individual Investors; and

(c) the primary Individual Investor will receive all dividends distributed in respect of the Offer Shares allocated to himself and dependent Individual Investors (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

(a) the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Investor;

(b) dependent Individual Investors intend to apply for a different number of Offer Shares than the primary Individual Investor; or

(c) the wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Investor). In the latter case, applications made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as primary Individual Investors. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalised through a Saudi embassy or consulate in the relevant country.

Each Individual Investor agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR 67 per Offer Share. Each Individual Investor shall acquire the number of Offer Shares allocated to him/her upon:

(a) delivery by the Individual Investor of the Subscription Application Form to the Receiving Agent; and

(b) payment in full by the Individual Investor to the Receiving Agent of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full at a branch of the Receiving Agent by authorizing a debit of the Individual Investor's account held with the Receiving Agent to whom the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject, in full or in part, such an application. The Individual Investor shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he has applied for.

17.4 Allocation and Refunds

The Lead Manager shall open and operate escrow accounts named "Tanmiah Food Company IPO". Each of the Receiving Agent shall deposit all amounts received from the Subscribers into the escrow accounts mentioned above.

The Lead Manager and Receiving Agent, as applicable, will send notification letters to the Subscribers informing them of the final number of Offer Shares allocated together with the amounts to be refunded. Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms. The announcement of the final allocation will be on 23/12/1442H (Corresponding to 02/08/2021G) and refunds process shall be made no later than 25/12/1442H (Corresponding to 04/08/2021G) (for further details, see "**Key Dates and Subscription Procedures**", page (xiii), and Section 17 (**Subscription Terms and Conditions**)). Subscribers should communicate with the Lead Manager or the branch of the Receiving Agent where they submitted their Subscription Application Form, as applicable, for any further information.

17.4.1 Allocation of Offer Shares to Participating Entities

After completion of the allocation of the Offer Shares to Individual Investors, final allocation of the Offer Shares to the Participating Entities will be made as the Company deems appropriate, in consultation with the Financial Advisor. The number of Offer Shares to be initially allocated to the Participating Entities is 6,000,000 ordinary Shares, representing 100% of the Offer Shares. The percentage of shares allotment to public funds shall be at least 50% of the total number of Offer Shares, in the event that there is sufficient demand by public funds. The shares will be allocated to each public fund initially on a pro rata basis based on the ratio of what was requested by each public fund to the total number of shares requested by each public fund. The shares specified for all public funds amounting to 3,000,000 ordinary Shares, which represent at least (50%) of the total number of Offering Shares. In the event that Individual Investors subscribe to the Offer Shares allocated thereto, the Bookrunner shall have the right to reduce the number of Offer Shares allocated to the Participating Entities to 5,400,000 ordinary Shares, representing 90% of the Offer Shares after the completion of the Individual Investors' subscription process.

17.4.2 Allocation of Offer Shares to Individual Investors

There will be an allocation of a maximum of 600,000 Offer Shares, representing 10% of the Offer Shares, to Individual Investors. The minimum allocation per Individual Investor is 10 Offer Shares, and the maximum allocation per Individual Investor is 250,000 Offer Shares. The balance of the Offer Shares (if available) will be allocated on a pro-rata basis of the percentage applied for by each individual investor to the number of Offer Shares applied for by each Individual Investor. In the event that the number of Individual Investors exceeds 60,000 Individual Investors, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated in accordance with the proposals made by the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Investors without any charge or withholding by the Receiving Agent.

17.5 Circumstances Where Trading and Listing May be Suspended or Cancelled

17.5.1 Power to Suspend Trading or Cancel Listing

(a) The CMA may suspend trading in listed securities or cancel the listing at any time as it deems fit, in any of the following circumstances:

(1) the CMA considers it necessary for the protection of investors or the maintenance of an orderly market;

(2) the issuer fails, in a manner which the CMA considers material, to comply with the CML, its implementing regulations or the Listing Rules;

(3) the issuer fails to pay on time any fees due to the CMA or the Exchange or any fines due to the CMA;

(4) if it considers that the issuer or its business, the level of its operations or its assets are no longer suitable for the continued listing of its securities on the Exchange;

(5) when a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the issuer announces sufficient information regarding the target and the CMA is satisfied, following the issuer's announcement, that there will be sufficient information available for the public about the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage;

(6) when information about the proposed transaction of reverse takeover is leaked and the issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly;

(7) when an application for financial restructuring of the issuer in case of its accumulated losses reaching 50% or more of its capital is registered with the court under the Bankruptcy Law;

(8) when the request for liquidation procedure or the administrative liquidation of the issuer is registered with the court under the Bankruptcy Law;

(9) upon issuance of a final judgment closing the financial restructuring and initiating the liquidation procedure or the administrative liquidation procedure of the issuer in the court under the Bankruptcy Law; or

(10) upon issuance of a final judgment initiating the liquidation procedure or the administrative liquidation procedure of the issuer in the court under the Bankruptcy Law.

(b) Lifting of trading suspension under paragraph (a) above is subject to the following:

(1) the issuer adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors;

(2) that lifting the suspension is unlikely to affect the normal activity of the Exchange;

(3) the issuer complies with any other conditions that the CMA may require;

(4) upon issuance of a final judgment initiating financial restructuring for the issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, in the event that the suspension is made in accordance with paragraph (a) ((7)) above; and

(5) upon issuance of a final judgment rejecting the commencement of liquidation procedure or administrative liquidation of the issuer under the Bankruptcy Law, unless the issuer was suspended from its activities by the relevant competent authority, in the event that the suspension is made in accordance with paragraph (a) ((8)) above.

(c) The Exchange shall suspend the trading of securities of the Company in any of the following cases:

(1) when the issuer does not comply with the deadlines for the disclosure of its periodic financial information within the periods specified in accordance with applicable implementing regulations;

(2) when the external auditor's report on the financial statements of the issuer contains an adverse opinion or an abstention from expressing opinion;

(3) if the liquidity requirements in Part 2 of the Listing Rules are not satisfied after listing after the time limit set by the Exchange for the issuer to rectify its conditions, unless the CMA agrees otherwise; or

(4) upon the issuance of a resolution by an Extraordinary General Assembly of the issuer to reduce its capital for the two trading days following the issuance of such resolution.

(d) The Exchange removes the suspension referred to in subparagraphs ((1)) and ((2)) of paragraph (c) above, after one trading session has passed after the cause of suspension ceases to exist. In case that the issuer's shares are available for trading outside the platform, the Exchange removes the suspension within a period of not more than five trading sessions after the cause of suspension ceases to exist.

(e) The Exchange may at any time propose to CMA to suspend the trading of any listed security or cancel its listing where, in its opinion, it is likely that any of the above circumstances of paragraph (a) above are to occur.

(f) The issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its implementing regulations and the Listing Rules.

(g) In the event that the listing suspension continues for six (6) months with no appropriate procedure made by the issuer to correct such suspension, CMA may cancel the listing of issuer.

(h) Upon the issuer's completion of a reverse takeover, the issuer's shares are de-listed. If the issuer wishes to re-list its shares, it shall submit a new application for registration and admission to listing in accordance with the requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.

(i) This paragraph shall not prejudice the suspension of trading and cancellation of listing resulting from the losses of the issuer pursuant to relevant implementing regulations of the CML and Listing Rules.

17.5.2 Voluntary Cancellation of Listing

(a) After its shares have been listed on the Exchange, an issuer may not cancel the liting of its securities without the prior approval of the CMA. To obtain CMA approval, the issuer must provide the cancellation application to the CMA along with a simultaneous notice to the Exchange. The application has to include the following:

(1) specific reasons for the request for cancellation;

(2) a copy of the disclosure described in paragraph (d) below;

(3) a copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the issuer; and

(4) names and contact information of the Financial Advisor and Legal Advisor appointed according to the Rules on the Offer of Securities and Continuing Obligations.

(b) The CMA may, at its discretion, approve or reject the cancellation request.

(c) The issuer must obtain the consent of the Extraordinary General Assembly on the cancellation of the listing after obtaining the CMA approval.

(d) Where cancellation is made at the issuer's request, it must disclose it to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the issuer's activities.

17.5.3 Temporary Trading Suspension

(a) An issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the CML, its implementing regulations or the Listing Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange suspends trading of the securities of that issuer immediately upon receiving such request.

(b) When trading is temporarily suspended at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period and the nature of the event that caused it, and the extent to which it affects the issuer's activities.

(c) The CMA may impose a temporary trading suspension without a request from the issuer where the CMA becomes aware of information or circumstances affecting the issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to temporary trading suspension, the issuer must continue to comply with the CML, its implementing regulations and Listing Rules.

(d) The Exchange may propose to the CMA to exercise its powers in accordance with paragraph (c) above, if it becomes aware of information or circumstances affecting the issuer's activities which would be likely to interrupt the operation of the Exchange or the protection of investors.

(e) A temporary trading suspension will be lifted following the elapse of the period referred to in the disclosure specified in paragraph (b) above in this Section, unless the CMA or the Exchange decided otherwise.

17.5.4 Re-Registering and Listing of Cancelled Securities

The Issuer is required to submit a new application in accordance with the procedures set out in Rules on the Offer of Securities and Continuing Obligations and Listing Rules.

17.6 Approvals and Decisions under Which the Shares are Offered

The following are the decisions and approvals under which the Offer Shares are publicly offered:

(a) the Company's Board of Directors' resolution recommending the Offering issued on 05/09/1440H (corresponding to 10 May 2019G);

(b) the Company's General Assembly resolution approving the Offering issued on 28/11/1440H (corresponding to 31 July 2019G);

(c) the CMA's approval on Shares Offering issued on 27/10/1442H (corresponding to 08/06/2021G); and

(d) the conditional approval of Tadawul to list the Shares.

17.7 Lock-up Period

The Substantial Shareholders specified in Table 4.16 (**Details of Shareholders Directly Holding 5% or more of the Shares**) may not dispose of any of their Shares for a period of (6) six months from the date on which trading of the Shares commences on the Exchange.

17.8 Acknowledgments and Declarations by Subscribers

By completing and delivering the Subscription Application Form, each Subscriber:

(a) agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;

(b) warrants that he/she has read this Prospectus and understood all its content;

(c) accepts the Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes to the Offer Shares accordingly;

(d) declares that neither himself nor any of his family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;

(e) accepts the number of Offer Shares allocated to him/her (to the maximum of the amount subscribed for) as per the Subscription Application Form;

(f) warrants not to cancel or amend the Subscription Application Form after submitting it to the Lead Manager or the Receiving Agent; and

(g) retains his/her right to sue the Company for damages caused directly by incorrect or incomplete information contained in the Prospectus, or by omitting major information that should have been part of the Prospectus and could affect his/her decision to purchase the Shares.

For further details on the allocation process, see Section 17.4 (**Allocation and Refunds**).

17.9 Shares' Record and Trading Arrangements

Tadawul shall keep a Shareholders' Register containing their names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

17.10 Saudi Exchange (Tadawul)

In 1990G, full electronic trading in the Kingdom equities was introduced. Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, during other than those times, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. Such times change during the month of Ramadan and they are announced by the Tadawul Management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders placed at a price limit), provided that, if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the "Tadawul" website and "Tadawul" Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that shares ownership transfer takes two working days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information that are important for the investors via Tadawul. Surveillance and monitoring are the responsibility of Tadawul as the operator of the market to ensure fair trading and an orderly market.

17.11 Securities Depository Center (Edaa)

Securities Depository Center Company (Edaa) was established in 2016G as a closed joint stock company in accordance with the Saudi Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H, with a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal value of SAR 10 per share, and is fully owned by the Exchange.

The establishment was based on CMA approval of Tadawul's Board of Directors request in relation to conversion of the Securities Depository Center into a joint stock company in accordance with the Capital Market Law issued by Royal Decree No. M/30 dated 02/06/1424H.

The activities of Edaa are to conduct businesses related to depositing, registering, transferring, settling and clearing securities, and recording any ownership restrictions on the deposited securities. Further, it deposits and manages the records of the issuers of securities, and organises issuers' general assemblies, including the remote voting services (e-Voting), reporting, notifications, and information, as well as providing other related services that Edaa may provide in accordance with CML and its implementing regulations.

17.12 Trading of Company's Shares

Trading of the Shares is expected to commence on Tadawul after finalisation of the allocation process and the announcement of the start date of trading by Tadawul. Following the Admission, Saudi nationals, non-Saudi nationals holding valid residency permits in the Kingdom, GCC nationals, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, Qualified Foreign Investors will be permitted to trade in the Shares in accordance with the QFI Rules Foreign Investors will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into SWAP agreements with Capital Market Institutions to acquire, hold and trade in the Shares on the Exchange on behalf of such Foreign Investor. It should be noted that Capital Market Institutions shall be deemed the legal owners of the Shares under the SWAP agreements.

Furthermore, Shares can only be traded after allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Main Market and its Shares listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Selling Shareholders shall have no legal responsibility in connection with pre-trading activities.

17.13 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of their parties and their respective successors, permitted assigns, executors, administrators and heirs; provided that, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned and delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, the conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

This Prospectus has been released in both Arabic and English languages and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic text, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for the investing foreign institutions, taking into account the relevant rules and instructions. All recipients of this Prospectus must inform themselves of any regulatory restrictions relevant to the Offering and the sale of Offer Shares and to observe all such restrictions.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, the Company becomes aware that: (i) that there has been a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations or the Listing Rules; or (ii) the occurrence of additional significant matters that have become known which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, the prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

18. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's Head Office on Omar bin Abdulaziz road, AlRabwa district, P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia, between [9:00 a.m. and 5:00 p.m.] from 12/11/1442H (Corresponding to 22/06/2021G) until 17/12/1442H (Corresponding to 27/07/2021G) for a period of not less than 20 days prior to the end of the Offering Period:

- the CMA announcement of the approval of the Offering;
- the Company General Assembly's approval of the Offering, dated 28/11/1440H (corresponding to 31 July 2019G);
- the Company's Bylaws;
- the financial Valuation Report prepared by the Financial Advisor;
- the Company's (and its Subsidiaries) articles of association, and the amendments made thereto;
- the Company's (and its Subsidiaries) commercial registration certificate issued by the MoC;
- the financial statements of the Company and its Subsidiaries for the financial years ended 31 December 2018G, 2019G and 2020G;
- the market study report prepared by the Market Consultant;
- all other reports, letters, documents, value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus;
- contracts and agreements disclosed in Section 12.9 (**Related Party Contracts and Transactions**); and
- letters of consent from each of:

    a. the Financial Advisor, Lead Manager, Bookrunner and Underwriter (Saudi Fransi Capital) for the inclusion of its name, logo, and statements in this Prospectus;

    b. the Auditors (PricewaterhouseCoopers (Public Accountants)) for the inclusion herein of their names and logos, along with the audit reports on the financial statements of the Company and Agricultural Development Company Ltd. for the financial years ended 31 December 2018G, 2019G and 2020G prepared in accordance with IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA;

    c. the Financial Due Diligence Advisor (Ernst &Young & Co (Certified Public Accountants)) for the inclusion of its name, logo and statements in this Prospectus;

    d. the Market Consultant (Frost & Sullivan) for the inclusion of its name, logo and statements, in this Prospectus; and

    e. the Legal Advisor (Zeyad Yousef AlSalloum and AlToaimi Company for Legal Services and Consultation), for the inclusion of its name, logo, and statements, in this Prospectus.

- the Underwriting Agreement.

19. FINANCIAL STATEMENTS AND AUDITORS' REPORT

This Section contains:

- The Company's audited consolidated financial statements for the financial years ended 31 December 2018G, 2019G and 2020G, which have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA and have been audited by the Auditors.
- ADC's audited financial statements for the financial year ended 31 December 2018G, in addition to notes thereto, which have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, as disclosed in the Auditors' Report attached to this Prospectus.
- ADC's audited consolidated financial statements for the financial years ended 31 December 2019G and 2020G, in addition to notes thereto, which have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, as disclosed in the Auditors' report attached to this Prospectus.

AGRICULTURAL DEVELOPMENT COMPANY LIMITED

(A Limited Liability Company)

Consolidated Financial Statements

For the Year Ended December 31, 2020G

And Independent Auditor's Report

Independent auditor's report to the shareholder of Agricultural Development 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 Agricultural Development Company Limited (the "Company") and its subsidiary (together the "Group") as at December 31, 2020, 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, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Independence

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

Responsibilities of management for the consolidated financial statements

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

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

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

Independent auditor's report to the shareholder of Agricultural Development 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 management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Mufaddal A. Ali
License Number 447

February 8, 2021

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liability Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2020G	As at December 31, 2019G
Assets			
Non-current assets			
Property, plant and equipment	6	89,440,427	75,967,769
Right-of-use assets	7	168,348,357	154,386,591
Intangible assets	8	873,731	379,117
Total non-current assets		258,662,515	230,733,477
Current assets			
Inventories	9	79,394,761	78,427,741
Biological assets	10	81,553,871	52,350,790
Trade receivables and other debtors	11	381,904,487	350,711,874
Prepayments and other receivables	12	65,112,107	50,058,167
Cash and cash equivalents	13	18,135,626	12,583,953
Total current assets		626,100,852	544,132,525
Total assets		884,763,367	774,866,002
Equity and liabilities			
Equity			
Share capital	14	20,000,000	20,000,000
Statutory reserve	15	6,256,162	6,256,162
Retained earnings		235,436,913	165,124,554
Total equity		261,693,075	191,380,716
Liabilities			
Non-current liabilities			
Employee benefit obligations	16	47,301,036	33,823,079
Lease liabilities	7	100,565,248	104,581,177
Total non-current liabilities		147,866,284	138,404,256
Current liabilities			
Borrowings	17	204,041,327	200,973,685
Trade payables	18	140,840,517	148,799,295
Accrued and other liabilities	19	75,473,290	43,273,808
Lease liabilities	7	48,586,057	48,131,268
Provision for zakat	22	6,262,817	3,902,974
Total current liabilities		475,204,008	445,081,030
Total liabilities		623,070,292	583,485,286
Total equity and liabilities		884,763,367	774,866,002

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liability Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended	
		December 31, 2020G	December 31, 2019G
Revenue	23	892,132,220	808,043,845
Cost of sales	24	(649,735,029)	(617,132,784)
Gross profit		242,397,191	190,911,061
Selling and distribution expenses	25	(100,093,523)	(82,952,917)
General and administrative expenses	26	(40,373,596)	(28,202,136)
Impairment loss on financial assets	11	(1,652,027)	(154,126)
Other income		649,606	1,148,477
Operating profit		100,927,651	80,750,359
Finance costs	27	(19,855,914)	(20,693,812)
Profit before zakat		81,071,737	60,056,547
Zakat	22	(4,439,162)	(2,037,546)
Profit for the year		76,632,575	58,019,001
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	16	(6,320,216)	(1,993,765)
Total comprehensive income for the year		70,312,359	56,025,236

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liability Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total equity
Balance at January 1, 2020G	20,000,000	6,256,162	165,124,554	191,380,716
Profit for the year	-	-	76,632,575	76,632,575
Other comprehensive loss	-	-	(6,320,216)	(6,320,216)
Total comprehensive income for the year	-	-	70,312,359	70,312,359
Balance at December 31, 2020G	20,000,000	6,256,162	235,436,913	261,693,075
Balance at January 1, 2019G	20,000,000	6,256,162	109,099,318	135,355,480
Profit for the year	-	-	58,019,001	58,019,001
Other comprehensive loss	-	-	(1,993,765)	(1,993,765)
Total comprehensive income for the year	-	-	56,025,236	56,025,236
Balance at December 31, 2019G	20,000,000	6,256,162	165,124,554	191,380,716

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liability Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended	
		December 31, 2020G	December 31, 2019G
Cash flows from operating activities			
Profit before zakat		81,071,737	60,056,547
Adjustments for:			
Depreciation on property, plant and equipment	6	14,081,548	11,657,497
Depreciation on right-of-use assets	7	47,793,426	41,156,932
Amortisation of intangible assets	8	174,399	189,730
Provision for slow-moving inventories	9	788,676	979,827
Impairment loss on financial assets	11	1,652,027	154,126
Property, plant and equipment written-off		1,269	-
Provision for employee benefit obligations	16	6,382,223	4,526,397
Net (gain) / loss on disposal of property, plant and equipment		(99,279)	120,815
Government subsidy accrued during the year	12	(59,887,301)	(52,587,127)
Gain on termination of lease contracts	7	(994,747)	-
Finance costs		10,991,560	11,024,227
Interest on lease liabilities		8,864,354	9,669,585
Changes in operating assets and liabilities:			
Inventories		(1,755,696)	(1,382,389)
Trade receivables and other debtors		(32,844,640)	(87,537,889)
Biological assets		(29,203,081)	1,694,080
Prepayments and other receivables		44,833,361	62,619,222
Trade payable		(5,699,149)	(4,543,298)
Accrued and other liabilities		32,199,482	(1,800,765)
Cash generated from operations		118,350,169	55,997,517
Employee benefit obligations paid	16	(1,484,111)	(1,353,994)
Zakat paid	22	(2,079,319)	(1,468,560)
Finance costs paid		(11,527,451)	(10,916,585)
Net cash generated from operating activities		103,259,288	42,258,378
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	6	(28,224,488)	(20,018,699)
Proceeds from disposal of property, plant and equipment		99,279	66,685
Net cash used in investing activities		(28,125,209)	(19,952,014)
Cash flows from financing activities			
Borrowings		3,603,533	39,935,020
Lease payments	7	(73,185,939)	(56,349,619)
Net cash used in financing activities		(69,582,406)	(16,414,599)
Net increase in cash and cash equivalents		5,551,673	5,891,765
Cash and cash equivalents at the beginning of the year		12,583,953	6,692,188
Cash and cash equivalents at the end of the year	13	18,135,626	12,583,953
Supplemental information for non-cash information			
Transfer of Property, plant and equipment from a related party	6	-	11,444
Employee benefit obligations transferred from related parties	16	2,259,629	-
Lease liabilities written off due to termination of lease contracts	7	(4,176,833)	-
Right-of-use assets written off due to termination of lease contracts	7	(3,182,086)	-

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

(All amounts in Saudi Riyals unless otherwise stated)

1. Corporate information

Agricultural Development Company Limited (the "Company") is a Saudi Limited Liability Company operating in the Kingdom of Saudi Arabia under Commercial Registration No. 1010395711 issued in Riyadh on Muharram 21, 1435 (November 24, 2013G). The Group consists of the Company and its subsidiary registered in Bahrain (collectively the "Group"). The principal activities of the Group include wholesale trading in poultry products and agricultural produce. The Company is a wholly owned subsidiary of Tanmiah Food Company (the "Parent Company"). The Parent Company has filed an application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia for the Initial Public Offering of its shares on Tadawul in accordance with the Rules on the offer of securities and continuing obligations issued by CMA. The application is currently under review by the CMA.

The Company's head office is located at Omar Bin Abdul Aziz Road, P.O. Box 437, Riyadh 11411, Kingdom of Saudi Arabia.

The consolidated financial statements include the financial statements of the Company, its subsidiary Supreme Food Bahrain SPC ("SFB") (operating under individual commercial registration as disclosed in Note 5) and its following branches in the Kingdom of Saudi Arabia:

Branch	Commercial registration number
Riyadh-1	1010112444
Riyadh-2	1010432406
Riyadh-3	1010183601
Kharj	1011007728
Dammam	2050025953
Hofuf	2251041226
Tabuk -1	3550014177
Tabuk -2	3550135910
Jeddah-1	4030099574
Shaqra	1113003266
Kharaj-Haradh	1011022379
Huraymila	1018000510
Shaqra-1	1113003226
Jeddah-2	4030085940
Madina	4650205201
Najran	5950119008
Khamis Mushait	5855350409
Dubai	1335527

Impact of COVID - 19

The novel Coronavirus (COVID-19) pandemic has spread across various geographies globally, disrupting business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In response to the spread of COVID-19 in Gulf Cooperation Council ("GCC") and its resulting disruptions to the social and economic activities in those markets, the Group's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets. Whilst it is challenging to predict the full extent and duration of business and economic impacts, the Group's management has considered the potential impacts of COVID-19 on the Group's operations and concluded that as of the issuance date of these consolidated financial statements, no significant changes are required to the judgements and key estimates as the food industry in general is exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. The Group is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods. Also see Note 3.6.

2. Basis of preparation

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

The Group has elected to present a single consolidated statement of comprehensive income and presents its expenses by function. The Group reports cash flows from operating activities using the indirect method.

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 less cost to sell.

These consolidated financial statements are presented in Saudi Riyals, which is the functional currency of the Company. 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.

2.2 New standards and amendments applicable from January 1, 2020G

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2020G:

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, 2020G	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2. Basis of preparation (continued)

2.2 New standards and amendments applicable from January 1, 2020G (continued)

Title	Key requirements	Effective Date	Impact
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, 2020G	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	January 1, 2020G	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
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, 2020G. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	January 1, 2020G	Management has considered the revised conceptual framework and has concluded that the accounting policies are appropriate and does not expect any change in its accounting policies due to such revision.

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation (continued)

2.2 New standards and amendments applicable from January 1, 2020G (continued)

Title	Key requirements	Effective Date	Impact
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020G, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	June 1, 2020G	There were no rent concessions granted to the Group during the annual reporting period ended on December 31, 2020G.

2.3 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but are not yet effective are disclosed below.

Title	Key requirements	Effective Date	Impact
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. In May 2020G, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to January 1, 2023G.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 "Property, Plant and Equipment (PP&E)" prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation (continued)

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

Title	Key requirements	Effective Date	Impact
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 "Business Combinations" to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Annual Improvements to IFRS Standards 2018G–2020G	The following improvements were finalised in May 2020G: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. IAS 41 'Agriculture' - removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.	January 1, 2021G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.

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:

3.1 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 16 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 has used certain significant assumptions in arriving at the fair valuation of biological assets at each reporting date. See Note 10 for the significant assumptions taken and limitations encountered in determining the fair value of the broiler birds and hatchery eggs.

3.3 Right-of-use assets and lease liabilities

For some lease contracts that contains extension options, the Group has applied a judgement to determine the lease term and has considered the extension period in determining the lease term, where the Group has sole discretion to extend the lease term and is reasonably certain to exercise such extension 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 7 for further details.

The lease liabilities are measured at the discounted value of lease payments, using incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined, which is generally the case for leases in the Group. Incremental borrowing rate is the rate that Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing offers received by the Group as a starting point, adjusted to reflect changes in financing conditions.

3. Critical accounting estimates and judgments (continued)

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 guarantees. The significant estimate relates to the valuation of the financial guarantee contract. See Note 29.1 (b) for further details.

3.5 Expected Credit Loss (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 29.2. 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.

3.6 ECL measurement on financial assets

Measurement of ECL is a significant estimate that involves the determination of the methodology, models and data inputs. The Group used supportable forward looking information for measurement of ECL. The most significant forward looking information used in determination of ECL is disclosed in Note 29.2.

The existence of COVID-19 was confirmed in early 2020G and has spread globally, causing disruptions to businesses and economic activity. In the determination of ECL for the year ended December 31, 2020G, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and found that the payment cycle for few customers was affected during the year and the impact was considered in the determination of ECL. However, on overall basis, the customers were not significantly affected by COVID-19. Further, management considered the impact of forward looking information used in determination of ECL and the impact of that on ECL for the year ended December 31, 2020G was immaterial. As mentioned in Note 1, the Group's management continues to monitor the situation closely.

4. Summary of significant accounting policies

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

4.1 Basis of consolidation

(a) Subsidiary

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

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

4. Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

4. Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

(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-off the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.2 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entity operates (the “functional currency”). The 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.

4. Summary of significant accounting policies (continued)

4.3 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.

4.4 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. 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.

4. Summary of significant accounting policies (continued)

4.4 Property, plant and equipment (continued)

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.

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 cost 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.

4.5 Intangible assets

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

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

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

4. Summary of significant accounting policies (continued)

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortisation and are instead tested annually for impairment. Assets subject to depreciation / amortisation are reviewed for impairment whenever events or 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).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.7 Inventories

Inventories are 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. Costs are assigned to individual items of inventory on the basis of weighted average costs except for the poultry meats and other food stuff inventory for which cost is determined on the basis of standard cost.

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

4.8 Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); 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.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in 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 recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value.

4. Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Classification of financial liabilities

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

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

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the 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.

FVOCI: 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 FVOCI. 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 FVOCI 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

FVOCI: 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.

4. Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

De-recognition

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

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

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 29.2 details how the Group determines impairment methodology for trade and 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..

4. Summary of significant accounting policies (continued)

4.9 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.

4.10 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.

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 Bahrain.

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 and transferred to retained earnings in the period in which they occur.

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.

4.11 Provisions

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

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

4. Summary of significant accounting policies (continued)

4.12 Trade payables

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

4.13 Biological assets

Biological assets include parent chicken (breeder birds), hatchery egss and broilers which are grouped according to their phyical state, transformational capacity, as well as their particular stage in the production process. The Group capitalises the costs relating to the biological transformation of biological assets (subsequent expenditure).

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 value of hatchery 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. Any material 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 cost to sell. 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 broilers.

4.14 Government grants

Grants from the government are recognised at fair value which represents amounts receivable from the Government where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The Group receives government grants on the basis of production volume and dressed weight of broiler chickens. Note 12 provides further information on how the group accounts for government grants.

4.15 Revenue recognition

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

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

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

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

4. Summary of significant accounting policies (continued)

4.15 Revenue recognition (continued)

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

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

Step 5. 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 and rebates 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.

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".

4.16 General and administrative expenses

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

4.17 Selling and distribution expenses

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

4.18 Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision for zakat is accrued and charged to the 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.

4. Summary of significant accounting policies (continued)

4.19 Leases

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).

4.20 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 29 for a description of the Group's impairment policies.

4.21 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 include items directly attributable to a segment as well as those that can be allocated on a reasonable basis and are reported to the Chief Executive Officer, being Chief Operating Decision Maker of the Group.

(All amounts in Saudi Riyals unless otherwise stated)

4. Summary of significant accounting policies (continued)

4.22 Share capital

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

4.23 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.

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.

4.24 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

5. Interests in other entities

5.1 Material subsidiaries

The Company's only subsidiary at December 31, 2020G and 2019G is set out below. The subsidiary has share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation is also its principal place of business.

Subsidiary	Country of incorporation	Effective ownership at December 31, 2020G and 2019G	Principal activities
Supreme Food Bahrain SPC ("SFB")	Bahrain	100%	Wholesale trading in poultry products and agricultural produce

SFB was converted from a branch to a special purpose company during 2019G.

(All amounts in Saudi Riyals unless otherwise stated)

6. 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, 2019G	17,424,002	45,835,736	13,843,319	95,852,374	17,917,912	813,198	3,489,869	195,176,410
Additions	-	194,337	1,664,995	7,203,102	-	-	10,956,265	20,018,699
Transfers	-	-	-	3,346,380	-	-	(3,346,380)	-
Transfers from an affiliate (Note 21)	-	-	-	11,444	-	-	-	11,444
Disposals	(187,500)	-	-	-	(459,881)	-	-	(647,381)
At December 31 2019G	17,236,502	46,030,073	15,508,314	106,413,300	17,458,031	813,198	11,099,754	214,559,172
Additions	-	-	571,896	9,193,449	-	2,500	18,456,643	28,224,488
Transfers	-	70,585	1,203,795	5,312,276	-	-	(6,586,656)	-
Write off	-	-	-	(2,443)	-	-	-	(2,443)
Transfers to intangibles	-	-	-	-	-	-	(669,013)	(669,013)
Disposals	-	-	-	-	(601,256)	-	-	(601,256)
At December 31 2020G	17,236,502	46,100,658	17,284,005	120,916,582	16,856,775	815,698	22,300,728	241,510,948
Accumulated depreciation								
At January 1, 2019G	-	(30,500,156)	(10,446,581)	(67,867,400)	(17,908,837)	(670,813)	-	(127,393,787)
Depreciation charge	-	(1,314,216)	(1,496,300)	(8,795,782)	(9,075)	(42,124)	-	(11,657,497)
Disposals	-	-	-	-	459,881	-	-	459,881
At December 31, 2019G	-	(31,814,372)	(11,942,881)	(76,663,182)	(17,458,031)	(712,937)	-	(138,591,403)
Depreciation charge	-	(1,304,797)	(1,806,238)	(10,928,779)	-	(41,734)	-	(14,081,548)
Write off	-	-	-	1,174	-	-	-	1,174
Disposals	-	-	-	-	601,256	-	-	601,256
At December 31, 2020G	-	(33,119,169)	(13,749,119)	(87,590,787)	(16,856,775)	(754,671)	-	(152,070,521)
Net book amount								
At December 31, 2019G	17,236,502	14,215,701	3,565,433	29,750,118	-	100,261	11,099,754	75,967,769
At December 31, 2020G	17,236,502	12,981,489	3,534,886	33,325,795	-	61,027	22,300,728	89,440,427

Capital work in progress represents cost incurred on expansion of the current capacity of the processing plant and the construction of wastewater recycling plant which are expected to complete by 2021G.

(All amounts in Saudi Riyals unless otherwise stated)

6. Property, plant and equipment (continued)

Depreciation charge for the year has been allocated as follows:

	Note	For the year ended	
		December 31, 2020G	December 31, 2019G
Cost of sales	24	12,246,662	10,331,947
Selling and distribution expenses	25	1,834,886	1,325,550
		14,081,548	11,657,497

7. Leases

(i) The Group's leasing activities and how these are accounted for:

The Group leases various accommodations, warehouses, buildings, poultry processing plants, farms, vehicles and offices. Rental contracts are typically made for fixed periods of 2 to 20 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, 2020G and 2019G, the Group did not have any lease contracts classified as right-of-use asset that are variable in nature. As at December 31, 2020G and 2019G, no leases contain extension options exercisable solely by the Group before the end of the non-cancellable contract period. The Group does not provide residual value guarantees in relation to any of its leases.

(ii) Amounts recognised in the statement of financial position:

	December 31, 2020G	December 31, 2019G
Right-of-use assets		
Buildings	126,446,756	121,111,969
Vehicles	41,901,601	33,274,622
	168,348,357	154,386,591

	December 31, 2020G	December 31, 2019G
Lease liabilities		
Current	48,586,057	48,131,268
Non-current	100,565,248	104,581,177
	149,151,305	152,712,445

The additions to the right-of-use assets during the year ended December 31, 2020G was Saudi Riyals 64.94 million (December 31, 2019G: Saudi Riyals 25.6 million).

(iii) Amounts recognised in the consolidated statement of comprehensive income:

	For the year ended	
	December 31, 2020G	December 31, 2019G
Depreciation charge on right-of-use assets – buildings	36,177,659	31,945,266
Depreciation charge on right-of-use assets – vehicles	11,615,767	9,211,666
	47,793,426	41,156,932
Interest expense (included in finance costs -Note 27)	8,864,354	9,669,585
Expense relating to short-term leases (included in cost of sales – Note 24 and selling and distribution expenses – Note 25)	9,363,805	5,987,914

(All amounts in Saudi Riyals unless otherwise stated)

7. Leases (continued)

(iii) Amounts recognised in the consolidated statement of comprehensive income (continued):

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

	Note	For the year ended	
		December 31, 2020G	December 31, 2019G
Cost of sales	24	39,617,368	35,575,058
Selling and distribution expenses	25	8,176,058	5,581,874
		47,793,426	41,156,932

(iv) The total cash outflow for leases during the year was Saudi Riyals 73.19 million (December 31, 2019G: Saudi Riyals 56.35 million).

(v) During the year ended December 31, 2020G the Group has terminated few lease contracts and the related lease liabilities and right-of-use assets were written off resulting in a gain of Saudi Riyals 0.99 million.

8. Intangible assets

	Computer software
Cost	
At January 1, 2019G	1,751,809
At December 31, 2019G	1,751,809
Transfer from property, plant and equipment	669,013
At December 31, 2020G	2,420,822
Accumulated amortisation	
At January 1, 2019G	(1,182,962)
Amortisation charge	(189,730)
At December 31, 2019G	(1,372,692)
Amortisation charge	(174,399)
At December 31, 2020G	(1,547,091)
Net book amount	
At December 31, 2019G	379,117
At December 31, 2020G	873,731

9. Inventories

	December 31, 2020G	December 31, 2019G
Poultry meats and other food stuff	19,777,310	17,591,011
Raw materials	37,266,138	26,169,206
Goods-in-transit	3,024,945	22,514,126
Packaging materials	9,305,351	6,407,060
Spare parts	7,609,842	6,025,138
Other	5,556,008	2,553,231
Less: provision for slow-moving inventories	(3,144,833)	(2,832,031)
	79,394,761	78,427,741

Amounts of inventories recognised as an expense are disclosed in Note 24.

(All amounts in Saudi Riyals unless otherwise stated)

9. Inventories (continued)

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

	December 31, 2020G	December 31, 2019G
Opening balance	2,832,031	2,740,774
Additions	788,676	979,827
Write-offs	(475,874)	(888,570)
Closing balance	3,144,833	2,832,031

10. Biological assets

	December 31, 2020G	December 31, 2019G
Opening balance	52,350,790	54,044,870
Additions	675,056,672	646,639,770
Amortisation	(49,499,234)	(56,062,345)
Transfers to inventories	(596,354,357)	(592,271,505)
Closing balance	81,553,871	52,350,790
Categories of biological assets		
Broiler birds	24,841,479	13,250,387
Breeder birds – rearing & production	43,509,076	32,705,017
Hatchery eggs	13,203,316	6,395,386
	81,553,871	52,350,790

As at December 31, 2020G, the Group had 10.8 million broiler birds (December 31, 2019G: 5.15 million broiler birds). Further, 88.6 million broiler birds were slaughtered during the year ended December 31, 2020G (December 31, 2019G: 84.6 million broiler birds).

As at December 31, 2020G, the Group had 1.1 million breeder birds and 12.9 million hatchery eggs (December 31, 2019G: 0.97 million breeder birds and 7.03 million hatchery eggs).

The fair value measurements for the broiler birds and hatchery eggs 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	The valuation model considers the average 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).
Hatchery eggs	The valuation model considers the actual selling price less cost to sell [including the additional cost required to bring the eggs as ready to sell (i.e. overhead and vaccine cost)].	Hatchability of the eggs.	The estimated fair value would increase/ (decrease) if the hatchability was higher / (lower).

(All amounts in Saudi Riyals unless otherwise stated)

10. Biological assets (continued)

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.
- Hatchery eggs before incubation can be sold at a uniform price that does not fluctuate materially since the quality and weight of the eggs is not relevant at the stage of hatchery.

11. Trade receivables and other debtors

	Note	December 31, 2020G	December 31, 2019G
Trade receivables		90,670,112	76,019,156
Due from related parties	21	295,248,493	277,185,973
		385,918,605	353,205,129
Less: provision for impairment of trade receivables		(4,014,118)	(2,493,255)
		381,904,487	350,711,874

Due from related parties as at December 31, 2020G comprises of trade receivables amounting to Saudi Riyals 283.1 million (December 31, 2019G: Saudi Riyals 265.1 million) and other receivables amounting to Saudi Riyals 12.2 million (December 31, 2019G: 12.1 million).

Trade receivables and other debtors 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, 2020G, five largest customers accounted for 38% (December 31, 2019G: 24%) of the outstanding trade receivables. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measure them subsequently at amortised cost. 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. Trade receivables written-off during the year ended December 31, 2020G and 2019G are not subject to enforcement activity.

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

	December 31, 2020G	December 31, 2019G
Opening balance	2,493,255	5,183,895
Additions	1,652,027	154,126
Write-offs	(131,164)	(2,844,766)
Closing balance	4,014,118	2,493,255

Information about the impairment of trade receivables and other debtors and the Group 's exposure to credit risk, market risk and liquidity risk can be found in Note 29.

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
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12. Prepayments and other receivables

	December 31, 2020G	December 31, 2019G
Advances to suppliers	29,958,095	16,537,723
Government subsidy receivable	11,892,836	18,962,577
Prepaid expenses	15,968,726	10,542,920
Employee receivables	3,661,737	1,617,080
Other receivables	3,630,713	2,397,867
	65,112,107	50,058,167

During the year ended December 31, 2020G, the mechanism for government subsidy has been revised resultantly the Group has claimed government subsidy amount on the production of broiler chickens. Previously, such government subsidy was allowed to be claimed on the import of feeds for its biological assets.

Government subsidy, employee receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be the same as fair value.

Movement in government subsidy receivable during the year is as follows:

	December 31, 2020G	December 31, 2019G
Opening balance	18,962,577	27,174,213
Additions	59,887,301	52,587,127
Collections	(66,957,042)	(60,798,763)
Closing balance	11,892,836	18,962,577

13. Cash and cash equivalents

	December 31, 2020G	December 31, 2019G
Cash at banks	14,548,881	9,819,040
Cash in hand	3,586,745	2,764,913
	18,135,626	12,583,953

The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The carrying value at each reporting date is considered to be the same as fair value.

14. Share capital

At December 31, 2020G and 2019G, the Company's share capital of Saudi Riyals 20 million comprised of 20,000 fully paid shares of Saudi Riyals 1,000 each owned by Tanmiah Food Company ("TFC") incorporated in the Kingdom of Saudi Arabia.

15. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit 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.

(All amounts in Saudi Riyals unless otherwise stated)

16. Employee benefit obligations

The Group operates a defined benefit plan in line with the labour law requirement in the Kingdom of Saudi Arabia 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 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.

	Note	December 31, 2020G	December 31, 2019G
Opening balance		33,823,079	28,656,911
Current service cost		5,283,146	3,585,072
Interest cost		1,099,077	941,325
Employee benefit obligations transferred from related parties	21.1	2,259,629	-
Actuarial loss on the obligation		6,320,216	1,993,765
Benefits paid		(1,484,111)	(1,353,994)
Closing balance		47,301,036	33,823,079

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

	For the year ended	
	December 31, 2020G	December 31, 2019G
Current service cost	5,283,146	3,585,072
Interest cost	1,099,077	941,325
Total amount recognised in consolidated profit or loss	6,382,223	4,526,397
Effect of changes in actuarial assumptions	6,320,216	1,993,765
Total amount recognised in consolidated statement of comprehensive income	12,702,439	6,520,162

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

	December 31, 2020G	December 31, 2019G
Discount rate	2%	3.25%
Future salary increase rate	2.5%	2.5%

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

Discount rate:

	December 31, 2020G	December 31, 2019G
0.5% increase in discount rate	(2,411,705)	(1,554,061)
0.5% decrease in discount rate	2,463,602	1,672,924

Future salary growth:

	December 31, 2020G	December 31, 2019G
0.5% increase in salary escalation rate	2,570,853	1,772,483
0.5% decrease in salary escalation rate	(2,531,780)	(1,658,904)

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16. Employee benefit obligations (continued)

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

	December 31, 2020G	December 31, 2019G
1 - 5 years	17,666,000	14,692,896
Over 5 years	41,190,321	33,061,488

17. Borrowings

	December 31, 2020G	December 31, 2019G
Short-term bank loans	202,719,950	199,116,417
Interest payable	1,321,377	1,857,268
	204,041,327	200,973,685

The Group obtained short-term loan facilities from commercial banks of Saudi Riyals 358 million (December 31, 2019G: Saudi Riyals 300 million). The unused balance of these facilities as at December 31, 2020G was amounted to Saudi Riyals 132 million (December 31, 2019G: Saudi Riyals 81.1 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 ADGHC, and by the joint and several guarantees from the shareholders of ADGHC and cross and corporate guarantees from certain member companies of Al-Dabbagh Group. The interest rates during the year on these facilities varied between 3.2% - 4.6% per annum (2019G: 4% - 7.5% per annum).

Management assessed that the fair value of borrowings is approximately equal to their carrying amounts due to the short-term maturities of three months to six months 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 27.

18. Trade payables

	Note	December 31, 2020G	December 31, 2019G
Trade payables		113,911,557	89,571,402
Due to related parties	21	26,928,960	59,227,893
		140,840,517	148,799,295

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.

19. Accrued and other liabilities

	December 31, 2020G	December 31, 2019G
Accrued expenses	35,187,376	23,304,716
Accrued employee-related costs	30,101,236	16,320,758
VAT payable	6,313,638	-
Utilities payable	3,294,059	2,516,393
Advances from customers	576,981	1,131,941
	75,473,290	43,273,808

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.

(All amounts in Saudi Riyals unless otherwise stated)

20. Other financial liability

Financial guarantees issued on behalf of group companies under common shareholding are disclosed in note 21.

21. Related party transactions and balances

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

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

Name of related party	Nature of relationship
Al Dabbagh Group Holding Company ("ADGHC")	Ultimate Parent
TFC	Parent
Gulf Power International Company ("GPI")	Affiliate
Supreme Food Processing Company ("SFPC")	Affiliate
Desert Hills Veterinary Services Company ("DHV")	Affiliate
Qeemah and Dukan for Groceries Company Limited ("Dukan")	Affiliate
Perfect Food Factory ("PFF")	Affiliate
National Scientific Company Limited ("NSC")	Affiliate
Advanced Petroleum Services Limited ("APSL")	Affiliate
SAED Esnad for Outsourcing ("SAED Esnad")	Affiliate
Saed International for Istiqdam Company ("SAED")	Affiliate

During the year ended December 31, 2020G and 2019G, 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:

21.1 Related party transactions

	For the year ended	
	December 31, 2020G	December 31, 2019G
Sales to affiliates	39,255,003	72,181,911
Purchases from an affiliate	28,199,471	31,690,121
Employee costs paid to an affiliate	3,211,761	5,638,870
Overheads recharged from Parent (Note 26)	38,754,611	26,997,810
Finance costs recharged from Parent (Note 27)	339,060	278,602
Transfer of property, plant and equipment from a related party	-	11,444
Employee benefit obligations transferred from related parties	2,259,629	-

As of December 31, 2020G the Group has provided corporate guarantees of Saudi Riyals 149 million to local banks against credit facilities obtained by associated group companies owned by the same Parent. Management of the Group had assessed the past due status of the debts and financial status of these 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 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. Subsequent measurement of financial guarantees is discussed in Note 29.

(All amounts in Saudi Riyals unless otherwise stated)

21. Related party transactions and balances (continued)

21.2 Related party balances

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

(i) Trade receivables and other debtors - related parties (Note 11)

	December 31, 2020G	December 31, 2019G
Dukan	253,976,668	229,383,874
SFPC	20,462,832	21,718,853
TFC	12,172,844	12,056,498
PFF	8,635,093	13,246,935
Other	1,056	779,813
	295,248,493	277,185,973

The Group receives the treasury and other support services from its Parent Company and disburses cash to the Parent Company in the normal course of business. The balances arising from the net collection and disbursement activities from the Parent Company are short term balances and bear or earn no commission. All transactions with the related parties are on mutually agreed terms and approved by the management.

(ii) Trade payables - related parties (Note 18)

	December 31, 2020G	December 31, 2019G
DHV	26,928,960	59,227,893

22. Zakat matters

22.1 Components of zakat

The Parent Company files zakat declarations on consolidated basis at Parent Company level. 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.

22.2 Movement in provision for zakat

	December 31, 2020G	December 31, 2019G
Opening balance	3,902,974	3,333,988
Provisions	4,439,162	2,037,546
Payment	(2,079,319)	(1,468,560)
Closing balance	6,262,817	3,902,974

(All amounts in Saudi Riyals unless otherwise stated)

22. Zakat matters (continued)

22.3 Status of final assessments

The Company has finalized its zakat assessments with the GAZT up to the year 2002G. The Company has filed zakat returns from 2003G to 2010G, however, the Company did not accrue for zakat for the years 2011G to 2013G as the Company's Parent, TFC, had obtained an approval from GAZT to file consolidated zakat declaration. TFC had filed a consolidated zakat return based on its consolidated financial statements which includes the results of the Company for the said years. Starting 2014G due to the change in shareholding, the Company was no longer a wholly owned subsidiary of TFC and hence the Company filed separate zakat returns for the years 2014G to 2018G.

Since 2019G, TFC has reverted to accruing zakat on a consolidated basis after obtaining approval from GAZT since the Company is now fully owned by TFC. The amount of zakat provision accrued during the period is the Company's allocation from the consolidated zakat provision and is based on the share of Company's zakat base in the consolidated zakat base of TFC.

The Group's subsidiary in Bahrain is not subject to zakat or tax under the local laws and regulations.

23. Revenue

For the year ended December 31, 2020G	Food and agriculture			Total
	Kingdom of Saudi Arabia	United Arab Emirates	Bahrain	
Revenue from external customers				
Timing of revenue recognition				
At a point in time	794,986,035	1,167,782	95,978,403	892,132,220

For the year ended December 31, 2019G	Food and agriculture			Total
	Kingdom of Saudi Arabia	United Arab Emirates	Bahrain	
Revenue from external customers				
Timing of revenue recognition				
At a point in time	730,737,177	808,922	76,497,746	808,043,845

The revenue from top five customers represents 18% of the Group's revenues (2019G: 22%).

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liability Company)
Notes to the consolidated financial statements for the year ended December 31, 2020G
(All amounts in Saudi Riyals unless otherwise stated)

24. Cost of sales

	Note	For the year ended	
		December 31, 2020G	December 31, 2019G
Materials consumed		342,051,621	340,559,509
Employee related costs		174,079,170	153,201,964
Depreciation on right-of-use assets	7	39,617,368	35,575,058
Transport and travel		36,377,193	34,312,832
Utilities		22,459,279	24,262,648
Depreciation on property, plant and equipment	6	12,246,662	10,331,947
Repairs and maintenance		6,893,158	8,034,517
Rent		6,822,253	4,020,795
Insurance		2,021,793	1,859,738
Amortisation		50,284	188,730
Other		7,116,248	4,785,046
		649,735,029	617,132,784

25. Selling and distribution expenses

	Note	For the year ended	
		December 31, 2020G	December 31, 2019G
Employee related costs		43,798,157	30,645,151
Transport and travel		21,405,306	19,393,114
Sales commission		10,788,436	9,499,263
Depreciation on right-of-use assets	7	8,176,058	5,581,874
Advertising and sales promotion		2,595,274	4,789,918
Rent		2,541,552	1,920,299
Depreciation on property, plant and equipment	6	1,834,886	1,325,550
Utilities		778,816	837,300
Insurance		824,182	1,020,019
Repairs and maintenance		831,700	961,065
Other		6,519,156	6,979,364
		100,093,523	82,952,917

(All amounts in Saudi Riyals unless otherwise stated)

26. General and administrative expenses

	Note	For the year ended	
		December 31, 2020G	December 31, 2019G
Overheads recharged from Parent	21	38,754,611	26,997,810
Other		1,618,985	1,204,326
		40,373,596	28,202,136

27. Finance costs

	Note	For the year ended	
		December 31, 2020G	December 31, 2019G
Interest on short-term borrowings		8,871,991	10,046,959
Finance costs recharged from Parent	21	339,060	278,602
Interest on lease liabilities		8,864,354	9,669,585
Others		1,780,509	698,666
		19,855,914	20,693,812

Others mainly includes bank charges.

28. Commitments and contingencies

28.1 Commitments and contingencies

- The capital expenditure contracted by the Group but not incurred until December 31, 2020G was approximately Saudi Riyals 14.38 million (December 31, 2019G: Saudi Riyals 23.6 million).
- The bank issued guarantees on behalf of the Group amounting to Saudi Riyals 2.2 million (December 31, 2019G: Saudi Riyals 3.3 million). The Group also has letters of credit issued on its behalf in the normal course of business amounting to Saudi Riyals 20.2 million at December 31, 2020G (December 31, 2019G: Saudi Riyals 16.2 million).

Pledge of cash against loan taken by ADGHC

During 2019G, ADGHC (the ultimate Parent Company) 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 Company, TFC and an associate and Dukan (together the "Beneficiaries") and to provide equity bridge finance to the Beneficiaries before TFC's Initial Public Offering (IPO). The proceeds of the loan were transferred to the Beneficiaries and this amount was placed in Escrow accounts in the name of these Beneficiaries to secure the loan obtained by ADGHC. The Company's share in this arrangement was Saudi Riyals 240 million. The Beneficiaries provided an irrevocable undertaking allowing the lender to offset the amount in the Escrow accounts against the loan obtained by ADGHC if the IPO was not completed by April 30, 2020G. This effectively meant 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 stated 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 Escrow accounts and the Beneficiaries had no access to these Escrow accounts and the amount therein could not be used by the Beneficiaries to finance their operations. Consequently, the Beneficiaries did not have the right to any economic benefit from this amount and accordingly, the Beneficiaries did not recognise the amount received or the related liability resulting from the pledge. The Beneficiaries have continued to recognise the receivable from Dukan in their respective financial statements.

On April 30, 2020G, ADGHC has settled the above-mentioned loan against the cash placed in the Escrow accounts. Accordingly, the pledge provided by the Group was also revoked as of that date.

28. Commitments and contingencies (continued)

28.2 Short-term leases

The short-term lease commitments as of December 31, 2020G amount to Saudi Riyals 1.97 million (2019G: Saudi Riyals 1.2 million).

29. Financial instruments

29.1 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.
- 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).

As at December 31, 2020G and December 31, 2019G, all of the Group's financial assets and financial liabilities are currently classified and measured at amortised cost. Further, the carrying value of all the financial assets and liabilities classified as amortised cost approximates to the fair value on each reporting date.

The fair value on initial recognition of financial guarantees issued on behalf of 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.

a) Valuation technique

For financial instruments, other than listed securities, discounted cash flow analysis is used to determine the fair value.

b) 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:

- 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.

29.2 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.

(All amounts in Saudi Riyals unless otherwise stated)

29. Financial instruments (continued)

29.2 Risk management framework (continued)

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. There are no changes to the Group's risk management policies due to COVID 19. The Group is continuously monitoring the evolving scenario and any change in the risk management policies will be reflected in the future reporting periods.

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 from other parties.

- **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. Refer to Note 11 for concentration of credit risk on trade receivables.

Further as of December 31, 2020G there was also a concentration of credit risk to local banks in respect of the financial guarantees amounting to Saudi Riyals 149 million (December 31, 2019G: Saudi Riyals 56 million) provided to the 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. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorizes a receivable for write-off when a debtor fails to make contractual payments greater than 720 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 to financial guarantees as of December 31, 2020G is of Saudi Riyals 149 million (December 31, 2019G: Saudi Riyals 56 million) to the local banks which was also the maximum exposure to credit risk at December 31, 2020G. 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**

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

	December 31, 2020G	December 31, 2019G
Cash at banks	14,548,881	9,819,040
Trade receivables and other debtors – third parties	86,655,994	73,525,901
Trade receivables and other debtors – related parties	295,248,493	277,185,973
Government subsidy, employee and other receivables (included within prepayments and other receivables)	19,185,286	22,977,524
	415,638,654	383,508,438

(All amounts in Saudi Riyals unless otherwise stated)

29. Financial instruments (continued)

29.2 Risk management framework (continued)

a) Credit risk (continued)

- **Risk management (continued)**

The Group uses the forward-looking 'expected credit loss' (ECL) model. Cash at banks are placed with banks with sound credit ratings. Government subsidy, contract assets, 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 inflation rate, GDP growth rate and 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, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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 periods presented as they are considered to have low credit risk.

Further, for financial guarantee contracts entered into in 2019G and 2020G, 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 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, 2020G	December 31, 2019G
Impairment loss on trade receivables and other debtors	1,652,027	154,126

(All amounts in Saudi Riyals unless otherwise stated)

29. Financial instruments (continued)

29.2 Risk management framework (continued)

a) Credit risk (continued)

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

December 31, 2020G	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.38%	59,191,289	226,887
1–90 days past due	0.22%	24,715,463	55,310
91–180 days past due	3.22%	2,512,012	80,939
181–270 days past due	7.01%	587,500	41,166
271–360 days past due	10.50%	60,370	6,338
More than 360 days past due	100.00%	1,964,570	1,964,570
Specific provision	100.00%	1,638,908	1,638,908
	4.43%	90,670,112	4,014,118

December 31, 2019G	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.10%	50,252,236	50,439
1–90 days past due	0.19%	21,968,918	40,666
91–180 days past due	2.63%	312,395	8,204
181–270 days past due	5.24%	485,926	25,474
271–360 days past due	7.74%	358,236	27,715
More than 360 days past due	83.48%	1,819,998	1,519,310
Specific provision	100.00%	821,447	821,447
	3.28%	76,019,156	2,493,255

As explained above, the amount of loss allowance at December 31, 2020G and December 31, 2019G resulting from financial guarantee contracts is not material; therefore, no loss allowance was recognised in the statement of comprehensive income for such contracts.

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 guarantee contracts), bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows as of December 31, 2020G and 2019G are:

	Within 3 months	3 to 12 months	More than 12 months	Total	Carrying amount
December 31, 2020G					
Financial guarantee contracts	149,000,000	-	-	149,000,000	-
Borrowings	206,030,730	-	-	206,030,730	204,041,327
Trade payables	-	140,840,517	-	140,840,517	140,840,517
Lease liabilities	15,559,172	46,484,560	100,994,945	163,038,677	149,151,305
Accrued and other liabilities	-	74,896,309	-	74,896,309	75,473,290
	370,589,902	262,221,386	100,994,945	733,806,233	569,506,439

29. Financial instruments (continued)

29.2 Risk management framework (continued)

b) Liquidity risk (continued)

	Within 3 months	3 to 12 months	More than 12 months	Total	Carrying amount
December 31, 2019G					
Financial guarantee contracts	56,000,000	-	-	56,000,000	-
Borrowings	203,988,290	-	-	203,988,290	200,973,685
Trade payables	-	148,799,295	-	148,799,295	148,799,295
Lease liabilities	13,154,715	39,356,175	122,407,175	174,918,065	152,712,445
Accrued and other liabilities	-	42,141,867	-	42,141,867	43,273,808
	273,143,005	230,297,337	122,407,175	625,847,517	545,759,233

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 17 for unused credit facilities and Note 13 for closing cash position of the Group. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the 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 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, 2020G	December 31, 2019G
Financial liabilities, principally borrowings	204,041,327	200,973,685

(All amounts in Saudi Riyals unless otherwise stated)

29. Financial instruments (continued)

29.2 Risk management framework (continued)

c) Market risk (continued)

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, 2020G	December 31, 2019G
Interest rate-increases by 100 basis points	(198,559)	(206,938)
Interest rate-decreases by 100 basis points	198,559	206,938

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 which are subject to other price risk.

d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital structure includes all component of shareholders' equity totalling Saudi Riyals 261.7 million at December 31, 2020G (December 31, 2019G: Saudi Riyals 191.3 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 subsidiary monitor capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	December 31, 2020G	December 31, 2019G
Borrowings	204,041,327	200,973,685
Lease liabilities	149,151,305	152,712,445
Less: cash and cash equivalents	(18,135,626)	(12,583,953)
Net debt (A)	335,057,006	341,102,177
Shareholders' equity (B)	261,693,075	191,380,716
Total capital (A+B)	596,750,081	532,482,893
Gearing ratio (A / (A+B))	56%	64%

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. Further, the Group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as floods and disease outbreaks.

(All amounts in Saudi Riyals unless otherwise stated)

30. Cash flow information

(a) Net debt

	December 31, 2020G	December 31, 2019G
Cash and cash equivalents	18,135,626	12,583,953
Lease liabilities	(149,151,305)	(152,712,445)
Borrowings - repayable within one year	(202,719,950)	(199,116,417)
Net debt	(333,735,629)	(339,244,909)

Borrowings of the Group carry variable interest rates.

(b) Net debt reconciliation

	Cash and cash equivalents	Borrowings - repayable within one year	Leases	Total
January 1, 2019G	6,692,188	(159,181,397)	-	(152,489,209)
Cash flows	5,891,765	(39,935,020)	56,349,619	22,306,364
Recognised on adoption of IFRS 16	-	-	(173,781,603)	(173,781,603)
Additions to leases	-	-	(25,610,876)	(25,610,876)
Interest on lease liabilities	-	-	(9,669,585)	(9,669,585)
December 31, 2019G	12,583,953	(199,116,417)	(152,712,445)	(339,244,909)
Cash flows	5,551,673	(3,603,533)	73,185,939	75,134,079
Additions to leases	-	-	(64,937,278)	(64,937,278)
Interest on lease liabilities	-	-	(8,864,354)	(8,864,354)
Lease liabilities written off due to termination of lease contracts	-	-	4,176,833	4,176,833
December 31, 2020G	18,135,626	(202,719,950)	(149,151,305)	(333,735,629)

31. Approval of financial statements

These consolidated financial statements of the year ended December 31, 2020G were approved for issue by the management of the Group on February 8, 2021G.

TANMIAH FOOD COMPANY

(A Saudi Closed Joint Stock Company)

Consolidated Financial Statements

For the Year Ended December 31, 2020G

And Independent Auditor's Report

Independent auditor's report to the shareholders of Tanmiah Food Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tanmiah Food Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2020, 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, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

Independence

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

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.

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

Independent auditor's report to the shareholders of Tanmiah Food Company (continued)

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

February 8, 2021

TANMIAH FOOD COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2020G	As at December 31, 2019G
Assets			
Non-current assets			
Property, plant and equipment	6	155,299,479	138,552,599
Right-of-use assets	7	199,730,189	187,749,206
Intangible assets	8	1,602,184	1,382,156
Financial assets at fair value through other comprehensive income	9	773,983	773,983
Total non-current assets		357,405,835	328,457,944
Current assets			
Inventories	10	138,997,671	160,620,943
Biological assets	11	82,232,958	57,041,156
Contract assets	12	1,969,388	1,599,947
Trade receivables and other debtors	13	472,357,282	430,629,905
Prepayments and other receivables	14	83,921,663	70,401,734
Cash and cash equivalents	15	60,459,134	23,918,830
Total current assets		839,938,096	744,212,515
Total assets		1,197,343,931	1,072,670,459
Equity and liabilities			
Equity			
Share capital	16	200,000,000	200,000,000
Statutory reserve	17	14,523,655	7,082,296
Retained earnings		133,011,913	79,808,555
Total equity		347,535,568	286,890,851
Liabilities			
Non-current liabilities			
Employee benefit obligations	18	82,555,204	65,957,275
Lease liabilities	7	124,023,286	128,883,979
Total non-current liabilities		206,578,490	194,841,254
Current liabilities			
Borrowings	19	313,440,367	318,322,813
Trade payables	20	161,394,704	139,501,770
Accrued and other liabilities	21	103,355,317	69,292,746
Lease liabilities	7	55,129,162	55,829,274
Provision for zakat	23	9,910,323	7,991,751
Total current liabilities		643,229,873	590,938,354
Total liabilities		849,808,363	785,779,608
Total equity and liabilities		1,197,343,931	1,072,670,459

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

TANMIAH FOOD COMPANY
(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, 2020G	December 31, 2019G
Revenue	24	1,211,932,954	1,145,655,260
Cost of sales	25	(902,287,666)	(867,604,625)
Gross profit		309,645,288	278,050,635
Selling and distribution expenses	26	(132,765,993)	(119,905,064)
General and administrative expenses	27	(66,281,106)	(53,215,422)
Impairment loss on financial assets	13	(4,405,605)	(998,308)
Other income		1,059,579	3,289,606
Operating profit		107,252,163	107,221,447
Finance costs	28	(25,719,671)	(28,419,449)
Profit before zakat		81,532,492	78,801,998
Zakat	23	(7,118,900)	(7,979,042)
Profit for the year		74,413,592	70,822,956
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	18	(13,768,875)	(3,997,188)
Changes in the fair value of equity investments at fair value through other comprehensive income	9	-	(10,200,000)
Total other comprehensive loss		(13,768,875)	(14,197,188)
Total comprehensive income for the year		60,644,717	56,625,768
Earnings per share attributable to owners of the Company:			
Basic and diluted earnings per share	31	3.72	3.86

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

TANMIAH FOOD COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total equity
Balance at January 1, 2020G	200,000,000	7,082,296	79,808,555	286,890,851
Profit for the year	-	-	74,413,592	74,413,592
Other comprehensive loss	-	-	(13,768,875)	(13,768,875)
Total comprehensive income for the year	-	-	60,644,717	60,644,717
Transfer	-	7,441,359	(7,441,359)	-
Balance at December 31, 2020G	200,000,000	14,523,655	133,011,913	347,535,568

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

TANMIAH FOOD COMPANY

(A Saudi Closed Joint Stock Company)

Consolidated statement of changes in equity (continued)

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Contributed capital	Statutory reserve	Financial assets at FVOCI reserve	Retained earnings	Equity attributable to the owners of the Company	Non-controlling interest	Total equity
Balance at January 1, 2019G	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 income for the year	-	-	-	(10,200,000)	66,825,768	56,625,768	-	56,625,768
Additions (Note 16)	-	50,000,000	-	-	-	50,000,000	-	50,000,000
Reimbursed by the shareholder (Note 23)	-	-	-	-	2,000,000	2,000,000	-	2,000,000
Reclassification on disposal of financial assets at FVOCI (Note 9)	-	-	-	(16,563,435)	16,563,435	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	600	600
Transfer	-	-	7,082,296	-	(7,082,296)	-	-	-
Transfers (Note 16)	100,000,000	(50,000,000)	(21,216,697)	-	(28,783,303)	-	-	-
Balance at December 31, 2019G	200,000,000	-	7,082,296	-	79,808,555	286,890,851	-	286,890,851

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

TANMIAH FOOD COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended	
		December 31, 2020G	December 31, 2019G
Cash flows from operating activities			
Profit before zakat		81,532,492	78,801,998
Adjustments for:			
Depreciation on property, plant and equipment	6	21,093,964	18,894,497
Depreciation on right-of-use assets	7	54,517,938	47,386,974
Amortisation of intangible assets	8	542,559	578,490
Property, plant and equipment written-off		1,269	-
Impairment loss on financial assets	13	4,405,605	998,308
Provision for slow-moving inventories	10	3,214,630	2,876,754
Provision for employee benefit obligations	18	11,724,733	8,848,379
Net (gain) / loss on disposal of property, plant and equipment		(113,811)	438,210
Gain on termination of lease contracts	7	(994,747)	-
Finance costs	28	15,007,016	16,808,539
Interest on lease liabilities	7	10,712,655	11,610,910
Government subsidy accrued during the year	14	(59,887,301)	(52,587,127)
Changes in operating assets and liabilities:			
Inventories		18,408,642	(18,291,801)
Trade receivables and other debtors		(46,132,982)	(80,573,208)
Biological assets		(25,191,802)	(1,215,575)
Contract assets		(369,441)	(1,323,390)
Prepayments and other receivables		46,367,372	55,823,491
Trade payable		15,810,888	3,936,910
Due to a related party		-	(25,178,852)
Accrued and other liabilities		34,062,571	(14,445,515)
Cash generated from operations		184,712,250	53,387,992
Employee benefit obligations paid	18	(2,813,633)	(6,133,270)
Zakat paid	23	(5,200,328)	(11,460,866)
Finance costs paid		(15,609,400)	(16,057,203)
Net cash generated from operating activities		161,088,889	19,736,653
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	6	(38,511,126)	(25,654,448)
Payments for purchases of intangibles	8	(93,574)	-
Proceeds from disposal of property, plant and equipment		113,811	66,685
Proceeds from sale of financial assets at FVOCI		-	37,500,000
Net cash (used in) / generated from investing activities		(38,490,889)	11,912,237
Cash flows from financing activities			
Borrowings		(4,280,062)	38,001,002
Lease payments		(81,777,634)	(66,112,944)
Net cash used in financing activities		(86,057,696)	(28,111,942)

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

TANMIAH FOOD COMPANY

(A Saudi Closed Joint Stock Company)

Consolidated statement of cash flows (continued)

(All amounts in Saudi Riyals unless otherwise stated)

	Note	December 31, 2020G	December 31, 2019G
Net increase in cash and cash equivalents		36,540,304	3,536,948
Cash and cash equivalents at the beginning of the year		23,918,830	20,381,882
Cash and cash equivalents at the end of the year	15	60,459,134	23,918,830
Supplemental information for non-cash information			
Reimbursement of zakat by the shareholder		-	2,000,000
Additions to contributed capital		-	50,000,000
Employee benefit obligations transferred from related parties	18	220,949	-
Employee benefit obligations transferred to a related party	18	(6,302,995)	-
Lease liabilities written off due to termination of lease contracts	7	(4,176,833)	-
Right-of-use assets written off due to termination of lease contracts	7	(3,182,086)	-

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

1. Corporate information

Tanmiah Food Company (the "Company") 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 (collectively the "Group").

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

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

Further, the Company converted into a Saudi Closed Joint Stock Company ("CJSC") effective from Rajab 4, 1440H (corresponding to March 11, 2019G) 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 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, 2020G and December 31, 2019G, these consolidated financial statements include the financial statements of the Company and its subsidiaries operating under their individual commercial registrations as disclosed in Note 5.

The Company has filed an application with the Capital Market Authority ("CMA") of the Kingdom of Saudi Arabia for the Initial Public Offering of its shares on Tadawul in accordance with the Rules on the offer of securities and continuing obligations issued by CMA. The application is currently under review by the CMA.

Impact of COVID - 19

The novel Coronavirus (COVID-19) pandemic has spread across various geographies globally, disrupting business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In response to the spread of COVID-19 in Gulf Cooperation Council ("GCC") and its resulting disruptions to the social and economic activities in those markets, the Group's management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets. Whilst it is challenging to predict the full extent and duration of business and economic impacts, the Group's management has considered the potential impacts of COVID-19 on the Group's operations and concluded that as of the issuance date of these consolidated financial statements, no significant changes are required to the judgements and key estimates as the food industry in general is exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. The Group is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods. Also see Note 3.4.

2. Basis of preparation

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

The Group has elected to present a single consolidated statement of comprehensive income and presents its expenses by function. The Group reports cash flows from operating activities using the indirect method.

2. Basis of preparation (continued)

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 less cost to sell.
- 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 Foods 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.

2.2 New standards and amendments applicable from January 1, 2020G

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2020G:

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, 2020G	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
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, 2020G	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation (continued)

2.2 New standards and amendments applicable from January 1, 2020G (continued)

Title	Key requirements	Effective Date	Impact
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	January 1, 2020G	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
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, 2020G. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	January 1, 2020G	Management has considered the revised conceptual framework and has concluded that the accounting policies are appropriate and does not expect any change in its accounting policies due to such revision.
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020G, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	June 1, 2020G	There were no rent concessions granted to the Group during the annual reporting period ended on December 31, 2020G.

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation (continued)

2.3 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but are not yet effective are disclosed below.

Title	Key requirements	Effective Date	Impact
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020G, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to January 1, 2023G.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 "Property, Plant and Equipment (PP&E)" prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 "Business Combinations" to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.

(All amounts in Saudi Riyals unless otherwise stated)

2. Basis of preparation (continued)

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

Title	Key requirements	Effective Date	Impact
Annual Improvements to IFRS Standards 2018G–2020G	The following improvements were finalised in May 2020G: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	January 1, 2022G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.	January 1, 2021G	The Group does not expect any material impact on its consolidated financial statements due to the amendment.

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.

3. Critical accounting estimates and judgments (continued)

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

3.1 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 18 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 has used certain significant assumptions in arriving at the fair valuation of biological assets at each reporting date. See Note 11 for the significant assumptions taken and limitations encountered in determining the fair value of the broiler birds and hatchery eggs.

3.3 Right-of-use assets and lease liabilities

For some lease contracts that contains extension options, the Group has applied a judgement to determine the lease term and has considered the extension period in determining the lease term, where the Group has sole discretion to extend the lease term and is reasonably certain to exercise such extension 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 7 for further details.

The lease liabilities are measured at the discounted value of lease payments, using incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined, which is generally the case for leases in the Group. Incremental borrowing rate is the rate that Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing offers received by the Group as a starting point, adjusted to reflect changes in financing conditions.

3.4 Expected Credit Loss (ECL) measurement on financial assets

Measurement of ECL is a significant estimate that involves the determination of the methodology, models and data inputs. The Group used supportable forward looking information for measurement of ECL. The most significant forward looking information used in determination of ECL is disclosed in Note 30.2.

The existence of COVID-19 was confirmed in early 2020G and has spread globally, causing disruptions to businesses and economic activity. In the determination of ECL for the year ended December 31, 2020G, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and found that the payment cycle for few customers was affected during the year and the impact was considered in the determination of ECL. However, on overall basis, the customers were not significantly affected by COVID-19. Further, management considered the impact of forward looking information used in determination of ECL and the impact of that on ECL for the year ended December 31, 2020G was immaterial. As mentioned in Note 1, the Group's management continues to monitor the situation closely.

4. Summary of significant accounting policies

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

4.1 Basis of consolidation

(a) Subsidiaries

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

4. Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

(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.

(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-off the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.2 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The 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.

4. Summary of significant accounting policies (continued)

4.3 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.

4.4 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. 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.

4. Summary of significant accounting policies (continued)

4.4 Property, plant and equipment (continued)

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.

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.

4.5 Intangible assets

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

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

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

4. Summary of significant accounting policies (continued)

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortisation and are instead tested annually for impairment. Assets subject to depreciation / amortisation are reviewed for impairment whenever events or 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).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.7 Inventories

Inventories are 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. Costs are assigned to individual items of inventory on the basis of weighted average costs except for the poultry meats and other food stuff and finished goods inventory for which cost is determined on the basis of standard cost.

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

4.8 Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); 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.

4. Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in 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 recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value.

Classification of financial liabilities

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

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

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount 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.

FVOCI: 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 FVOCI. 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 FVOCI 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.

4. Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Equity instruments

FVOCI: 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. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

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

De-recognition

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

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

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.

4. Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

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 30.2 details how the Group determines impairment methodology for trade and 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.

4.9 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.

4.10 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.

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 and transferred to retained earnings in the period in which they occur.

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.

4.11 Provisions

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

4. Summary of significant accounting policies (continued)

4.11 Provisions (continued)

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.

4.12 Trade payables

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

4.13 Biological assets

Biological assets include parent chicken (breeder birds), hatchery egss and broilers which are grouped according to their phyical state, transformational capacity, as well as their particular stage in the production process. The Group capitalises the costs relating to the biological transformation of biological assets (subsequent expenditure).

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 value of hatchery 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. Any material 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 cost to sell. 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 broilers.

4.14 Government grants

Grants from the government are recognised at fair value which represents amounts receivable from the Government where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The Group receives government grants on the basis of production volume and dressed weight of broiler chickens. Note 14 provides further information on how the group accounts for government grants.

4. Summary of significant accounting policies (continued)

4.15 Revenue recognition

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

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

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

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

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

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

Step 5. 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 and rebates which relate to the items sold. No customer loyalty points are offered to customers and therefore there is no deferred revenue to be recognised for the items sold.

4. Summary of significant accounting policies (continued)

4.15 Revenue recognition (continued)

Construction of poultry farms

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

4.16 General and administrative expenses

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

4.17 Selling and distribution expenses

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

4.18 Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision for zakat is accrued and charged to the 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.

4.19 Leases

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.

4. Summary of significant accounting policies (continued)

4.19 Leases (continued)

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).

4.20 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 4.7 for a description of the Group's impairment policies.

4.21 Earnings per share

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

4.22 Segmental reporting

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis and are reported to the Chief Executive Officer, being Chief Operating Decision Maker of the Group.

4. Summary of significant accounting policies (continued)

4.23 Share capital

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

4.24 Contributed capital

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

4.25 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.

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.

4.26 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

5. Interests in other entities

5.1 Material subsidiaries

The Group's principal subsidiaries at December 31, 2020G and 2019G 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)

5. Interests in other entities (continued)

5.1 Material subsidiaries (continued)

Subsidiary	Country of incorporation	Effective ownership at December 31, 2020G	Effective ownership at December 31, 2019G	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
Supreme Foods Bahrain SPC ("SFB")	Kingdom of Bahrain	100%	100%	General trading
Dabbagh International (UAE) (L.L.C) ("DI")	United Arab Emirates (UAE)	100%	100%	Dormant company

(All amounts in Saudi Riyals unless otherwise stated)

6. 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, 2019G	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 an affiliate (Note 22)	-	-	-	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, 2019G	26,735,012	95,755,783	18,133,524	209,618,279	20,090,992	2,742,021	13,067,674	386,143,285
Additions	-	-	672,014	14,030,407	7,909	132,815	23,667,981	38,511,126
Write off	-	-	-	(2,443)	-	-	-	(2,443)
Transfers to intangibles	-	-	-	-	-	-	(669,013)	(669,013)
Transfers	-	70,585	4,525,156	6,217,636	-	-	(10,813,377)	-
Disposals	-	-	-	-	(786,996)	-	-	(786,996)
At December 31, 2020G	26,735,012	95,826,368	23,330,694	229,863,879	19,311,905	2,874,836	25,253,265	423,195,959
Accumulated depreciation								
At January 1, 2019G	-	(51,812,625)	(12,559,575)	(142,382,927)	(20,126,345)	(2,317,993)	-	(229,199,465)
Depreciation charge	-	(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, 2019G	-	(55,195,792)	(14,105,595)	(156,110,005)	(19,761,661)	(2,417,633)	-	(247,590,686)
Depreciation charge	-	(2,919,936)	(2,160,296)	(15,798,472)	(111,275)	(103,985)	-	(21,093,964)
Write off	-	-	-	1,174	-	-	-	1,174
Disposals	-	-	-	-	786,996	-	-	786,996
At December 31,2020G	-	(58,115,728)	(16,265,891)	(171,907,303)	(19,085,940)	(2,521,618)	-	(267,896,480)
Net book amount								
At December 31,2019G	26,735,012	40,559,991	4,027,929	53,508,274	329,331	324,388	13,067,674	138,552,599
At December 31,2020G	26,735,012	37,710,640	7,064,803	57,956,576	225,965	353,218	25,253,265	155,299,479

Capital work-in-progress represents costs incurred on expansion of the current capacity of the processing plant, tree plantation project and the construction of wastewater recycling plant which are expected to complete by 2021G.

(All amounts in Saudi Riyals unless otherwise stated)

6. Property, plant and equipment (continued)

Depreciation charge for the year has been allocated as follows:

	Note	December 31, 2020G	December 31, 2019G
Cost of sales	25	18,731,132	17,140,922
Selling and distribution expenses	26	2,027,251	1,494,236
General and administrative expenses	27	335,581	259,339
		21,093,964	18,894,497

7. Leases

(i) The Group's leasing activities and how these are accounted for:

The Group leases various accommodations, warehouses, buildings, poultry processing plants, farms, vehicles and offices. Rental contracts are typically made for fixed periods of 2 to 45 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, 2020G and 2019G, the Group did not have any lease contracts classified as right-of-use asset that are variable in nature. As at December 31, 2020G and 2019G no leases contain extension options exercisable solely by the Group before the end of the non-cancellable contract period. The Group does not provide residual value guarantees in relation to any of its leases.

(ii) Amounts recognised in the statement of financial position:

	December 31, 2020G	December 31, 2019G
Right-of-use assets		
Buildings	156,109,008	151,272,488
Vehicles	43,621,181	36,476,718
	199,730,189	187,749,206

	December 31, 2020G	December 31, 2019G
Lease liabilities		
Current	55,129,162	55,829,274
Non-current	124,023,286	128,883,979
	179,152,448	184,713,253

The additions to the right-of-use assets during the year ended December 31, 2020G was Saudi Riyals 69.68 million (December 31, 2019G: Saudi Riyals 26.43 million).

(iii) Amounts recognised in the consolidated statement of comprehensive income:

	December 31, 2020G	December 31, 2019G
Depreciation charge on right-of-use assets – buildings	41,419,921	36,675,615
Depreciation charge on right-of-use assets – vehicles	13,098,017	10,711,359
	54,517,938	47,386,974
Interest expense (included in finance costs - Note 28)	10,712,655	11,610,910
Expense relating to short-term leases (included in cost of sales – Note 25 and selling and distribution expenses – Note 26)	14,770,515	9,109,728

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7. Leases (continued)

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

	Note	December 31, 2020G	December 31, 2019G
Cost of sales	25	40,600,846	36,137,655
Selling and distribution expenses	26	12,132,848	9,523,643
General and administrative expenses	27	1,784,244	1,725,676
		54,517,938	47,386,974

The total cash outflow for leases during the year was Saudi Riyals 81.77 million (December 31, 2019G: Saudi Riyals 66.11 million).

During the year ended December 31, 2020G the Group has terminated few lease contracts and the related lease liabilities and right-of-use assets were written off resulting in a gain of Saudi Riyals 0.99 million.

8. Intangible assets

	Computer software
Cost	
At January 1, 2019G	13,831,840
At December 31, 2019G	13,831,840
Transfer from property, plant and equipment	669,013
Additions	93,574
At December 31, 2020G	14,594,427
Accumulated amortisation	
At January 1, 2019G	(11,871,194)
Amortisation charge	(578,490)
At December 31, 2019G	(12,449,684)
Amortisation charge	(542,559)
At December 31, 2020G	(12,992,243)
Net book amount	
At December 31, 2019G	1,382,156
At December 31, 2020G	1,602,184

9. Financial assets at fair value through other comprehensive income

9.1 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.

9.2 Equity investments at fair value through other comprehensive income

	December 31, 2020G	December 31, 2019G
Unlisted securities:		
Alexandria Copenhagen Company	773,983	773,983

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

9.3 Amounts recognised in profit or loss and other comprehensive income

	December 31, 2020G	December 31, 2019G
Fair value loss recognised in other comprehensive income	-	(10,200,000)

On November 27, 2019G, 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, 2019G, 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.

9.4 Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 30.

10. Inventories

	December 31, 2020G	December 31, 2019G
Raw materials	55,080,699	58,553,119
Poultry meats and other food stuff	19,777,310	17,591,011
Finished goods	17,531,797	22,077,545
Animal health products	15,204,345	16,562,542
Packaging materials	12,170,293	8,427,399
Spare parts	10,347,237	8,321,349
Equipment for sale	5,492,862	5,364,164
Goods-in-transit	3,803,952	23,246,874
Work in process	78,550	-
Other	6,333,534	5,720,529
Less: provision for slow-moving inventories	(6,822,908)	(5,243,589)
	138,997,671	160,620,943

Amounts of inventories recognised as expense during the year are disclosed in Note 25.

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

	December 31, 2020G	December 31, 2019G
Opening balance	5,243,589	4,516,019
Additions	3,214,630	2,876,754
Write-offs	(1,635,311)	(2,149,184)
Closing balance	6,822,908	5,243,589

(All amounts in Saudi Riyals unless otherwise stated)

11. Biological assets (continued)

	December 31, 2020G	December 31, 2019G
Opening balance	57,041,156	55,825,581
Additions	690,645,776	673,456,232
Amortisation	(49,499,234)	(56,062,345)
Transfers to inventories	(615,954,740)	(616,178,312)
Closing balance	82,232,958	57,041,156
Categories of biological assets:		
Broiler birds	24,841,479	13,250,387
Breeder birds – rearing & production	43,509,076	35,610,381
Hatchery eggs	13,882,403	8,180,388
	82,232,958	57,041,156

As at December 31, 2020G the Group had 10.8 million broiler birds (December 31, 2019G: 5.15 million broiler birds). Further, 88.6 million broiler birds were slaughtered during the year ended December 31, 2020G (December 31, 2019G: 84.6 million broiler birds).

As at December 31, 2020G the Group had 1.1 million breeder birds and 13.4 million hatchery eggs (December 31, 2019G: 1.1 million breeder birds and 7.2 million hatchery eggs).

The fair value measurements for the broiler birds and hatchery eggs 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	The valuation model considers the average 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).
Hatchery eggs	The valuation model considers the actual selling price less cost to sell [including the additional cost required to bring the eggs as ready to sell (i.e. overhead and vaccine cost)].	• Hatchability of the eggs	The estimated fair value would increase/ (decrease) if the hatchability was higher / (lower).

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.
- Hatchery eggs before incubation can be sold at a uniform price that does not fluctuate materially since the quality and weight of the eggs is not relevant at the stage of hatchery.

12. Assets and liabilities related to contracts with customers

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

	December 31, 2020G	December 31, 2019G
Contract assets relating to the construction of poultry farms	1,969,388	1,599,947

Contracts for construction of poultry farm are for a period of one year or less and are billed based on work performed.

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13. Trade receivables and other debtors

	Note	December 31, 2020G	December 31, 2019G
Trade receivables		173,992,231	165,070,878
Due from related parties	22	310,128,679	273,318,755
		484,120,910	438,389,633
Less: provision for impairment of trade receivables and other debtors		(11,763,628)	(7,759,728)
		472,357,282	430,629,905

Due from related parties as at December 31, 2020G comprises of trade receivables amounting to Saudi Riyals 284.5 million (December 31, 2019G: Saudi Riyals 252.3 million) and other receivables amounting to Saudi Riyals 25.6 million (December 31, 2019G: 21 million).

Trade receivables and other debtors 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, 2020G, five largest customers accounted for 44% (December 31, 2019G: 38%) of the outstanding trade receivables. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measure them subsequently at amortised cost. Due to short-term nature of the Trade receivables and other debtors 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.

Trade receivables written-off during the year ended December 31, 2020G and 2019G are not subject to enforcement activity.

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

	December 31, 2020G	December 31, 2019G
Opening balance	7,759,728	11,664,527
Additions	4,405,605	998,308
Write-offs	(401,705)	(4,903,107)
Closing balance	11,763,628	7,759,728

Information about the impairment of trade receivables and other debtors and the Group 's exposure to credit risk, market risk and liquidity risk can be found in Note 30.

14. Prepayments and other receivables

	December 31, 2020G	December 31, 2019G
Advances to suppliers	35,589,022	25,842,179
Prepaid expenses	24,013,661	15,814,518
Government subsidy receivable	11,892,836	18,962,577
Other receivables	7,845,214	7,121,849
Employee receivables	4,580,930	2,660,611
	83,921,663	70,401,734

During the year ended December 31, 2020G, the mechanism for government subsidy has been revised resultantly the Group has claimed government subsidy amount on the production of broiler chickens. Previously, such government subsidy was allowed to be claimed on the import of feeds for its biological assets.

Government subsidy, employee receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be the same as fair value.

(All amounts in Saudi Riyals unless otherwise stated)

14. Prepayments and other receivables (continued)

Movement in government subsidy receivable during the year is as follows:

	December 31, 2020G	December 31, 2019G
Opening balance	18,962,577	27,174,213
Additions	59,887,301	52,587,127
Collections	(66,957,042)	(60,798,763)
Closing balance	11,892,836	18,962,577

15. Cash and cash equivalents

	December 31, 2020G	December 31, 2019G
Cash at banks	55,809,239	19,517,303
Cash in hand	4,649,895	4,401,527
	60,459,134	23,918,830

The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The carrying value at each reporting date is considered to be the same as fair value.

16. Share capital

At December 31, 2020G and 2019G, the Company's share capital of Saudi Riyals 200 million consisted of 20 million issued and fully paid shares of Saudi Riyals 10 each. The shareholding pattern of Company's share capital is as follows:

Shareholder	Country of incorporation	December 31, 2020G	December 31, 2019G
ADGHC	Saudi	96%	96%
TCG	Saudi	4%	4%
		100%	100%

TCG is fully owned by ADGHC at December 31, 2020G and 2019G. During the year ended December 31, 2019G 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, in 2019G 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.

17. Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit 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.

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18. 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, where the Group operates. 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.

	Note	December 31, 2020G	December 31, 2019G
Opening balance		65,957,275	59,244,978
Current service cost		9,665,942	6,986,250
Interest cost		2,058,791	1,862,129
Employee benefit obligations transferred from a related party	22	220,949	-
Employee benefit obligations transferred to a related party	22	(6,302,995)	-
Actuarial loss on the obligation		13,768,875	3,997,188
Benefits paid		(2,813,633)	(6,133,270)
Closing balance		82,555,204	65,957,275

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

	December 31, 2020G	December 31, 2019G
Current service cost	9,665,942	6,986,250
Interest cost	2,058,791	1,862,129
Total amount recognised in consolidated profit or loss	11,724,733	8,848,379
Effect of changes in actuarial assumptions	13,768,875	3,997,188
Total amount recognised in consolidated statement of comprehensive income	25,493,608	12,845,567

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

	December 31, 2020G	December 31, 2019G
Discount rate	2%	3.25%
Future salary increase rate	2.5%	2.5%

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

Discount rate:

	December 31, 2020G	December 31, 2019G
0.5% increase in discount rate	(3,964,323)	(5,400,518)
0.5% decrease in discount rate	4,157,105	410,924

Future salary growth:

	December 31, 2020G	December 31, 2019G
0.5% increase in salary escalation rate	4,324,127	579,986
0.5% decrease in salary escalation rate	(4,154,217)	(5,580,433)

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

	December 31, 2020G	December 31, 2019G
1 - 5 years	30,348,581	29,813,886
Over 5 years	68,082,535	58,555,992

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19. Borrowings

	December 31, 2020G	December 31, 2019G
Short-term bank loans	311,323,617	315,603,679
Interest payable	2,116,750	2,719,134
	313,440,367	318,322,813

The Group obtained short-term loan facilities from commercial banks aggregating to Saudi Riyals 583 million (December 31, 2019G: Saudi Riyals 517 million). The unused balance of these facilities as at December 31, 2020G was amounted to Saudi Riyals 234 million (December 31, 2019G Saudi Riyals 151 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 the Group and other ADGHC group companies. Further, in one of the subsidiary, receivable from a customer and insurance policy against stocks were assigned in favour of a Bank. The interest rates during the year on these facilities varied between 3.2% - 5.9% per annum (2019G: 4% - 7.5% per annum).

Management assessed that fair value of borrowings is approximately equal to their carrying amounts due to the short-term maturities of three months to six months 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 28.

20. Trade payables

	December 31, 2020G	December 31, 2019G
Trade payables	161,394,704	139,501,770

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.

21. Accrued and other liabilities

	December 31, 2020G	December 31, 2019G
Accrued expenses	45,494,011	32,238,952
Accrued employee related costs	44,645,348	28,122,250
Utilities payable	4,145,500	3,163,752
Advances from customers	1,703,034	3,756,726
Others	7,367,424	2,011,066
	103,355,317	69,292,746

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. Others mainly includes VAT payable.

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22. 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

During the year ended December 31, 2020G and 2019G, 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:

22.1 Related party transactions

	Note	December 31, 2020G	December 31, 2019G
Sales to an affiliate		26,355,905	18,888,028
Employee costs paid to an affiliate		3,211,761	5,638,870
Disposal of investment in Red Sea International Company to a shareholder		-	37,500,000
Property, plant and equipment transferred from a related party	6	-	1,472
Capital contribution by Parent	16	-	50,000,000
Payments on behalf of Parent and affiliate		14,438,339	8,707,982
Expenses recharged to an affiliate	27	-	2,640,549
Employee benefit obligations transferred from related parties	18	220,949	-
Employee benefit obligations transferred to a related party being employees transferred to Parent	18	6,302,995	-

22.2 Key management personnel compensation

	December 31, 2020G	December 31, 2019G
Remuneration	14,472,382	11,693,924
Provision for employee benefit obligations	480,110	562,770

The closing payable balance of key management personnel compensation is Saudi Riyals 0.67 million (December 31, 2019G: Saudi Riyals 0.9 million).

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.

(All amounts in Saudi Riyals unless otherwise stated)

22. Related party transactions and balances (continued)

22.3 Related party balances

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

(i) Trade receivables and other debtors - related parties (Note 13)

	December 31, 2020G	December 31, 2019G
Dukan	284,470,920	252,276,504
ADGHC*	25,625,485	21,029,131
NSCL	29,596	10,442
APSL	2,678	2,678
	310,128,679	273,318,755

*This balance relates to the IPO related expenses paid by the Group on behalf of ADGHC, Ultimate Parent.

23. Zakat matters

23.1 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.

23.2 Movement in provision for zakat

	December 31, 2020G	December 31, 2019G
Opening balance	7,991,751	11,473,575
Provision for the year	7,118,900	7,979,042
Payment	(5,200,328)	(11,460,866)
Closing balance	9,910,323	7,991,751

23.3 Status of final assessments

The Company and its subsidiaries registered in the Kingdom of Saudi Arabia file zakat declaration on consolidation basis in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT").

The Company finalised its zakat assessments with the GAZT up to 2010G. From 2011G to 2013G the Company has accrued for zakat on consolidated basis, and had obtained an approval from GAZT to file consolidated zakat declaration. During 2014G, due to the transfer of its shares in subsidiaries, the Company no more held effectively 100% of the shares in its subsidiaries, and therefore filed an unconsolidated zakat return for the years ended 2014G through 2018G. ADC, DHV, and SFPC filed separate zakat returns for the years 2014G to 2018G. The assessments for those years have not yet been completed.

SFPC has received final zakat assessment for the years from 2015G to 2018G with an additional zakat liability of Saudi Riyals 4.1 million. SFPC has filed an appeal to GAZT against the assessment and expects this assessment to be set aside in the favor of the Company.

Further, DHV has also received final zakat assessments for the years 2017G and 2018G with an additional zakat liability of Saudi Riyals 0.45 million and Saudi Riyals 0.16 million respectively. The appeals of which are currently pending with the General Secretariat of Tax Committees (GSTC).

Since 2019G, 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.

Further, the Company entered into an agreement during 2019G with its shareholder namely ADGHC, whereby all liabilities relating to assessments up to the year ended December 31, 2018G will be reimbursed by ADGHC.

(All amounts in Saudi Riyals unless otherwise stated)

24. Revenue

For the year ended December 31, 2020G	Food and agriculture				Construction of poultry farms	Total
	Kingdom of Saudi Arabia	United Arab Emirates	Bahrain	Other GCC countries	Kingdom of Saudi Arabia	
Revenue from external customers						
Timing of revenue recognition						
At a point in time	1,014,554,840	54,187,151	123,414,303	8,554,759	-	1,200,711,053
Over time	-	-	-	-	11,221,901	11,221,901
	1,014,554,840	54,187,151	123,414,303	8,554,759	11,221,901	1,211,932,954

For the year ended December 31, 2019G	Food and agriculture				Construction of poultry farms	Total
	Kingdom of Saudi Arabia	United Arab Emirates	Bahrain	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	78,554,578	54,674,478	-	1,138,494,330
Over time	-	-	-	-	7,160,930	7,160,930
	941,909,561	63,355,713	78,554,578	54,674,478	7,160,930	1,145,655,260

The revenue from top five customers in the food and agriculture stream represents 27% of the Group's revenues (2019G: 33%)

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25. Cost of sales

	Note	December 31, 2020G	December 31, 2019G
Materials consumed		532,242,997	526,231,026
Employee related costs		204,203,093	182,227,739
Transport and travel		40,236,808	39,356,535
Depreciation on right-of-use assets	7	40,600,846	36,137,655
Utilities		27,801,606	29,701,817
Depreciation on property, plant and equipment	6	18,731,132	17,140,922
Repairs and maintenance		8,350,136	12,836,048
Rent		10,804,893	8,280,383
Insurance		2,502,979	2,212,705
Amortisation		50,284	188,730
Other		16,762,892	13,291,065
		902,287,666	867,604,625

26. Selling and distribution expenses

	Note	December 31, 2020G	December 31, 2019G
Employee related costs		61,770,709	49,110,700
Transport and travel		25,930,773	25,765,526
Depreciation on right-of-use assets	7	12,132,848	9,523,643
Sales commission		11,769,519	9,499,263
Advertising and sales promotion		3,122,208	5,709,094
Rent		3,965,622	4,445,926
Utilities		2,312,812	2,533,177
Depreciation on property, plant and equipment	6	2,027,251	1,494,236
Insurance		1,273,432	1,512,765
Repairs and maintenance		859,353	1,190,063
Other		7,601,466	9,120,671
		132,765,993	119,905,064

27. General and administrative expenses

	Note	December 31, 2020G	December 31, 2019G
Employee related costs		54,693,142	43,441,462
Professional fees		3,313,225	2,662,350
Transport and travel		1,248,320	1,973,308
Depreciation on right-of-use assets	7	1,784,244	1,725,676
IT infrastructure cost		1,213,885	860,484
Utilities		733,796	715,488
Amortisation		365,060	384,543
Depreciation on property, plant and equipment	6	335,581	259,339
Other		2,593,853	3,833,321
Expenses recharged to an affiliate	22.1	-	(2,640,549)
		66,281,106	53,215,422

(All amounts in Saudi Riyals unless otherwise stated)

28. Finance costs

	Note	December 31, 2020G	December 31, 2019G
Interest on short-term borrowings		11,421,660	14,722,460
Interest on lease liabilities	7	10,712,655	11,610,910
Others		3,585,356	2,086,079
		25,719,671	28,419,449

Others mainly includes bank charges.

29. Commitments and contingencies

29.1 Commitments and contingencies

- The capital expenditure contracted by the Group but not incurred until December 31, 2020G was approximately Saudi Riyals 15.91 million (December 31, 2019G: Saudi Riyals 23.6 million).
- The banks issued guarantees on behalf of the Group amounting to Saudi Riyals 7.7 million (December 31, 2019G: Saudi Riyals 5.8 million). The Group also has letters of credit and documentary collection in sight issued on its behalf in the normal course of business amounting to Saudi Riyals 29.8 million and Saudi Riyals 1.7 million, respectively (December 31, 2019G: Saudi Riyals 45.2 million and Nil, respectively).

Pledge of cash against loan taken by ADGHC

During 2019G, 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 Escrow accounts 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 accounts against the loan obtained by ADGHC if the IPO was not completed by April 30, 2020G. This effectively meant 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 stated 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 Escrow accounts and the Group had no access to these Escrow accounts and the amount therein could not be used by the Group to finance its operations. Consequently, the Group did not have the right to any economic benefit from this amount and accordingly, the Group did not recognise 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.

On April 30, 2020G, ADGHC has settled the above-mentioned loan against the cash placed in the Escrow accounts. Accordingly, the pledge provided by the Group was also revoked as of that date.

29.2 Short-term leases

The short-term lease commitments as of December 31, 2020G amount to Saudi Riyals 1.97 million (2019G: Saudi Riyals 1.2 million).

30. Financial instruments

30.1 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.

(All amounts in Saudi Riyals unless otherwise stated)

30. Financial instruments (continued)

30.1 Fair value measurement of financial instruments (continued)

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.
- 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, 2020G					
	FVOCI	Amortised cost	Total	Level 1	Level 2	Level 3
Financial assets						
Unlisted equity securities	773,983	-	773,983	-	-	773,983
Trade receivables and other debtors	-	472,357,282	472,357,282	-	-	-
Contract assets	-	1,969,388	1,969,388	-	-	-
Cash at banks	-	55,809,239	55,809,239	-	-	-
Government subsidy, employee and other receivables	-	24,318,980	24,318,980	-	-	-
Total financial assets	773,983	554,454,889	555,228,872	-	-	773,983

	December 31, 2019G					
	FVOCI	Amortised cost	Total	Level 1	Level 2	Level 3
Financial assets						
Unlisted equity securities	773,983	-	773,983	-	-	773,983
Trade receivables and other debtors	-	430,629,905	430,629,905	-	-	-
Contract assets	-	1,599,947	1,599,947			
Cash at banks	-	19,517,303	19,517,303	-	-	-
Government subsidy, employee and other receivables	-	28,745,037	28,745,037	-	-	-
Total financial assets	773,983	480,492,192	481,266,175	-	-	773,983

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

All financial liabilities as of December 31, 2020G and December 31, 2019G are measured at amortised cost. The carrying values of the financial liabilities under amortised cost approximate their fair values.

c) Valuation technique

For financial instruments, other than listed securities, discounted cash flow analysis is used to determine the fair value.

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

	December 31, 2020G	December 31, 2019G
Opening balance	773,983	773,983
Gains recognised in other comprehensive income	-	-
Disposals	-	-
Closing balance	773,983	773,983

30. Financial instruments (continued)

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:

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

30.2 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. There are no changes to the Group's risk management policies due to COVID 19. The Group is continuously monitoring the evolving scenario and any change in the risk management policies will be reflected in the future reporting periods.

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 from other parties.

- **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. Refer to Note 13 for concentration of credit risk on trade receivables.

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. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorizes a receivable for write-off when a debtor fails to make contractual payments greater than 720 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.

(All amounts in Saudi Riyals unless otherwise stated)

30. Financial instruments (continued)

30.2 Risk management framework (continued)

a) Credit risk (continued)

- **Impairment of financial assets**

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

	December 31, 2020G	December 31, 2019G
Cash at banks	55,809,239	19,517,303
Trade receivables and other debtors – third parties	162,228,603	157,311,150
Trade receivables and other debtors – related parties	310,128,679	273,318,755
Contract asset	1,969,388	1,599,947
Government subsidy, employee and other receivables (included within prepayments and other receivables)	24,318,980	26,311,512
	554,454,889	478,058,667

The Group uses the forward-looking 'expected credit loss' (ECL) model. Cash at banks are placed with banks with sound credit ratings. Government subsidy, contract assets, 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 inflation rate, GDP growth rate and 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, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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 periods presented as they are considered to have low credit risk.

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

	December 31, 2020G	December 31, 2019G
Impairment loss on trade receivables and other debtors	4,405,605	998,308

(All amounts in Saudi Riyals unless otherwise stated)

30. Financial instruments (continued)

30.2 Risk management framework (continued)

a) Credit risk (continued)

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

December 31, 2020G	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.22%	104,919,183	229,309
1–90 days past due	0.13%	43,546,046	57,342
91–180 days past due	0.95%	8,870,555	84,575
181–270 days past due	2.77%	1,527,141	42,310
271–360 days past due	1.18%	619,072	7,286
More than 360 days past due	40.83%	5,352,651	2,185,223
Specific provision	100.00%	9,157,583	9,157,583
	6.76%	173,992,231	11,763,628

December 31, 2019G	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
91–180 days past due	0.54%	2,541,532	13,792
181–270 days past due	1.59%	1,837,466	29,219
271–360 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

b) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows as of December 31, 2020G and 2019G are:

	Within 3 months	3 to 12 months	More than 12 months	Total	Carrying amount
December 31, 2020G					
Borrowings	317,005,751	-	-	317,005,751	313,440,367
Trade payables	-	161,394,704	-	161,394,704	161,394,704
Lease liabilities	16,910,365	54,637,497	153,911,161	225,459,023	179,152,448
Accrued and other liabilities	-	101,652,283	-	101,652,283	103,355,317
	333,916,116	317,684,484	153,911,161	805,511,761	757,342,836

30. Financial instruments (continued)

30.2 Risk management framework (continued)

b) Liquidity risk (continued)

	Within 3 months	3 to 12 months	More than 12 months	Total	Carrying amount
December 31, 2019G					
Borrowings	322,898,703	-	-	322,898,703	318,322,813
Trade payables	-	139,501,770	-	139,501,770	139,501,770
Lease liabilities	14,520,646	47,683,967	171,449,274	233,653,887	184,713,253
Accrued and other liabilities	-	65,536,020	-	65,536,020	65,536,020
	337,419,349	252,721,757	171,449,274	761,590,380	708,073,856

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 19 for unused credit facilities and Note 15 for closing cash position of the Group. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the 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 risks to the Group are not significant. There are no interest bearing financial assets at the end of reporting period.

(All amounts in Saudi Riyals unless otherwise stated)

30. Financial instruments (continued)

30.2 Risk management framework (continued)

c) Market risk (continued)

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, 2020G	December 31, 2019G
Financial liabilities, principally borrowings	313,440,367	318,322,813

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:

	December 31, 2020G	December 31, 2019G
Interest rate-increases by 100 basis points	(257,197)	(284,194)
Interest rate-decreases by 100 basis points	257,197	284,194

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.

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 probable fluctuations in the investment value is not material to the consolidated financial statements of the Group.

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 347.5 million at December 31, 2020G (December 31, 2019G: Saudi Riyals 286.9 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, 2020G	December 31, 2019G
Borrowings	313,440,367	318,322,813
Lease liabilities	179,152,448	184,713,253
Less: cash and cash equivalents	(60,459,134)	(23,918,830)
Net debt (A)	432,133,681	479,117,236
Shareholders' equity (B)	347,535,568	286,890,851
Total capital (A+B)	779,669,249	766,008,087
Gearing ratio (A / (A+B))	55%	63%

(All amounts in Saudi Riyals unless otherwise stated)

30. Financial instruments (continued)

30.2 Risk management framework (continued)

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. Further, the Group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as floods and disease outbreaks.

31. 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, 2020G	December 31, 2019G
Net profit attributable to owners of the Company	74,413,592	70,822,956
Weighted average number of shares	20,000,000	18,333,333
Basic and diluted earnings per share (Saudi Riyals per share)	3.72	3.86

During the year ended December 31, 2019G, 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 16 for further details. Consequently, weighted average number of shares were used for computing the earnings per share for the year ended December 31, 2019G.

32. Segment information

The Group operates principally in a single business segment of Agriculture and Food Business which includes manufacturing and distribution of fresh and processed poultry and poultry related products. This is in line with the operating segment that is regularly reported to the Chief Operating Decision Maker. This is also the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

	Kingdom of Saudi Arabia	December 31, 2020G		
		United Arab Emirates	Kingdom of Bahrain	Total
Property, plant and equipment	114,424,345	40,706,689	168,445	155,299,479
Right-of-use assets	178,583,776	20,140,688	1,005,725	199,730,189
Intangible assets	1,471,240	130,944	-	1,602,184
Financial assets at FVOCI	773,983	-	-	773,983

(All amounts in Saudi Riyals unless otherwise stated)

32. Segment information (continued)

	Kingdom of Saudi Arabia	December 31, 2019G		
		United Arab Emirates	Kingdom of Bahrain	Total
Property, plant and equipment	93,297,389	45,048,447	206,763	138,552,599
Right-of-use assets	170,394,056	16,277,340	1,077,810	187,749,206
Intangible assets	1,139,812	242,344	-	1,382,156
Financial assets at FVOCI	773,983	-	-	773,983

See Note 24 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, 2020G and 2019G.

33. Cash flow information

(a) Net debt

	December 31, 2020G	December 31, 2019G
Cash and cash equivalents	60,459,134	23,918,830
Lease liabilities	(179,152,448)	(184,713,253)
Borrowings - repayable within one year	(311,323,617)	(315,603,679)
Net debt	(430,016,931)	(476,398,102)

Borrowings of the Group carry variable interest rates.

(b) Net debt reconciliation

	Cash and cash equivalents	Borrowings - repayable within one year	Leases	Total
January 1, 2019G	20,381,882	(277,602,677)	-	(257,220,795)
Recognised due to adoption of IFRS 16	-	-	(212,781,050)	(212,781,050)
Additions to 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, 2019G	23,918,830	(315,603,679)	(184,713,253)	(476,398,102)
Additions to Leases	-	-	(69,681,007)	(69,681,007)
Interest on lease liabilities	-	-	(10,712,655)	(10,712,655)
Lease liabilities written off due to termination of lease contracts	-	-	4,176,833	4,176,833
Cash flows	36,540,304	4,280,062	81,777,634	122,598,000
December 31, 2020G	60,459,134	(311,323,617)	(179,152,448)	(430,016,931)

34. Approval of financial statements

These consolidated financial statements of the year ended December 31, 2020G were approved for issuance by the Board of directors of the Group on February 3, 2021G.

AGRICULTURAL DEVELOPMENT COMPANY LIMITED

(A Limited Liability Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019G

AND INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholder of Agricultural Development 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 Agricultural Development Company Limited (the "Company") and its subsidiary (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 for the consolidated financial statements

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

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

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

Independent auditor's report to the shareholder of Agricultural Development 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 management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

May 5, 2020

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liability Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2019G	As at December 31, 2018G
Assets			
Non-current assets			
Property, plant and equipment	8	75,967,769	67,782,623
Right-of-use assets	9	154,386,591	-
Intangible assets	10	379,117	568,847
Total non-current assets		230,733,477	68,351,470
Current assets			
Inventories	11	78,427,741	78,025,179
Biological assets	12	52,350,790	54,044,870
Trade receivables	13	350,711,874	263,328,111
Prepayments and other receivables	14	50,058,167	57,457,781
Cash and cash equivalents	15	12,583,953	9,080,813
Total current assets		544,132,525	461,936,754
Total assets		774,866,002	530,288,224
Equity and liabilities			
Equity			
Share capital	16	20,000,000	20,000,000
Statutory reserve	17	6,256,162	6,256,162
Retained earnings		165,124,554	109,099,318
Total equity		191,380,716	135,355,480
Liabilities			
Non-current liabilities			
Employee benefit obligations	18	33,823,079	28,656,911
Lease liabilities	9	104,581,177	-
Total non-current liabilities		138,404,256	28,656,911
Current liabilities			
Borrowings	19	200,973,685	163,319,648
Trade payables	20	148,799,295	153,331,149
Accrued and other liabilities	21	43,273,808	46,291,048
Lease liabilities	9	48,131,268	-
Provision for zakat	23	3,902,974	3,333,988
Total current liabilities		445,081,030	366,275,833
Total liabilities		583,485,286	394,932,744
Total equity and liabilities		774,866,002	530,288,224

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liability Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended	
		December 31, 2019G	December 31, 2018G
Revenue	25	808,043,845	715,948,697
Cost of sales	26	(617,132,784)	(562,372,623)
Gross profit		190,911,061	153,576,074
Selling and distribution expenses	27	(82,952,917)	(70,219,1oo)
General and administrative expenses	28	(28,202,136)	(22,196,489)
Impairment loss on financial assets	13	(154,126)	(2,047,634)
Other income		1,148,477	26,349
Operating profit		80,750,359	59,139,200
Finance costs	29	(20,693,812)	(6,496,642)
Profit before zakat		60,056,547	52,642,558
Zakat	23	(2,037,546)	(1,464,147)
Profit for the year		58,019,001	51,178,411
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	18	(1,993,765)	(545,060)
Total comprehensive income for the year		56,025,236	50,633,351

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED

(A Limited Liability Company)

Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total equity
Balance at January 1, 2019G	20,000,000	6,256,162	109,099,318	135,355,480
Profit for the year	-	-	58,019,001	58,019,001
Other comprehensive loss	-	-	(1,993,765)	(1,993,765)
Total comprehensive income for the year	-	-	56,025,236	56,025,236
Balance at December 31, 2019G	20,000,000	6,256,162	165,124,554	191,380,716
Balance at January 1, 2018G	20,000,000	6,256,162	58,465,967	84,722,129
Profit for the year	-	-	51,178,411	51,178,411
Other comprehensive loss	-	-	(545,060)	(545,060)
Total comprehensive income for the year	-	-	50,633,351	50,633,351
Balance at December 31, 2018G	20,000,000	6,256,162	109,099,318	135,355,480

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liability Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended	
		December 31, 2019G	December 31, 2018G
Cash flows from operating activities			
Profit before zakat		60,056,547	52,642,558
Adjustments for:			
Depreciation on property, plant and equipment	8	11,657,497	10,569,475
Depreciation on right-of-use asset	9	41,156,932	-
Amortisation of intangible assets	10	189,730	189,337
Provision for slow-moving inventories	11	979,827	(374,365)
Impairment loss on financial assets	13	154,126	2,047,634
Write-off of property, plant and equipment		-	30,765
Provision for employee benefit obligations	18	4,526,397	3,804,829
Net loss / (gain) on disposal of property, plant and equipment		120,815	(190)
Government subsidy accrued during the year	14	(52,587,127)	(39,004,162)
Finance costs		11,024,227	6,496,642
Interest on lease liabilities		9,669,585	-
Changes in operating assets and liabilities:			
Inventories		(1,382,389)	(12,980,877)
Trade receivables		(87,537,889)	(75,531,020)
Biological assets		1,694,080	(7,802,493)
Prepayments and other receivables		62,619,222	42,294,824
Trade payable		(4,543,298)	54,624,309
Accrued and other liabilities		(1,800,765)	11,284,846
Cash generated from operations		55,997,517	48,292,112
Employee benefit obligations paid	18	(1,353,994)	(1,812,295)
Zakat paid	23	(1,468,560)	(700,182)
Finance costs paid		(10,916,585)	(6,776,547)
Net cash generated from operating activities		42,258,378	39,003,088
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	8	(20,018,699)	(9,722,235)
Proceeds from disposal of property, plant and equipment		66,685	190
Net cash used in investing activities		(19,952,014)	(9,722,045)
Cash flows from financing activities			
Borrowings		39,935,020	(41,384,462)
Principal elements of lease payments	9	(56,349,619)	-
Net cash used in financing activities		(16,414,599)	(41,384,462)
Net changes in cash and cash equivalents		5,891,765	(12,103,419)
Cash and cash equivalents at the beginning of the year	15	6,692,188	18,795,607
Cash and cash equivalents at the end of the year	15	12,583,953	6,692,188
Supplemental information for non-cash information			
Transfer of PPE from a related party		11,444	-

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

1. Corporate information

Agricultural Development Company Limited (the "Company") and its subsidiary (collectively the "Group") is a Saudi Limited Liability Company operating in the Kingdom of Saudi Arabia under Commercial Registration No. 1010395711 issued in Riyadh on Muharram 21, 1435 (November 24, 2013G). The principal activities of the Company include wholesale trading in poultry products and agricultural produce. The Company is a wholly owned subsidiary of Tanmiah Food Company (the "Parent Company").

The Company's head office is located at Omar Bin Abdul Aziz Road, P.O. Box 437, Riyadh 11411, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the financial statements of the Company, its subsidiary Supreme Food Bahrain SPC ("SFB") (operating under individual commercial registration as disclosed in Note 7) and its following branches in the Kingdom of Saudi Arabia:

Branch	Commercial registration number
Riyadh-1	1010112444
Sulay Stores	1010183601
Riyadh	1010395711
Kharj	1011007728
Dammam	2050025953
Hofuf	2251041226
Tabuk	3550014177
Jeddah	4030099574
Shaqra	1113003266
Kharaj-Haradh	1011022379
Huraymila	1018000510
Shaqra-1	1113003226
Riyadh-2	1010432406
Jeddah-1	4030085940
Madina	4650205201
Dubai	803133

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").

These consolidated financial statements are the first consolidated financial statements of the Group, as one of the branches has been converted into a subsidiary during the year (Note 7). However, the comparative information presented in these consolidated financial statements for the year ended December 31, 2018G has not been adjusted, since the results of the above-mentioned branch were included in the comparative information. 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.

These consolidated financial statements are presented in Saudi Riyals, which is the functional currency of the Company. 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, 2020G	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, 2020G	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, 2020G. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	January 1, 2020G	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

3. Critical accounting estimates and judgments (continued)

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

3.1 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 18 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 12 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 22 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 31.2. 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.

(All amounts in Saudi Riyals unless otherwise stated)

4. Restatement related to disclosure of contingencies related to prior year

During November 2019G, management identified certain financial guarantees and pledges that were provided by the Group in 2018G to certain local banks against borrowings and other credit facilities obtained by the Groups ultimate parent Al Dabbagh Group Holding Company ("ADGHC") and other subsidiaries of ADGHC, which were not disclosed in the Group's previously issued annual financial statements for the year ended December 31, 2018G ("the 2018G financial statements"). Such guarantees and pledges were revoked in 2019G with retrospective effect from the date of inception. See Note 8 and 30.

However, this resulted in a non-disclosure of the related contingency in the 2018G 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), other financial liability (Note 22), commitments (Note 30) and risk management disclosures (Note 31) in the accompanying consolidated financial statements. Further, the Group 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 6.7). The restatement did not have any effect on the statement of financial position as at December 31, 2018G and statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018G.

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 2 above, the Group has adopted IFRS 16 Leases retrospectively from January 1, 2019G but has not restated comparatives for the 2018G 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, 2019G. The new accounting policies are disclosed in Note 6.18.

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, 2019G. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019G was 5.9% in Saudi Arabia and Bahrain.

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, 2019G 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, 2019G.

Measurement of lease liabilities

Operating lease commitments disclosed as at December 31, 2018G	144,873,002
Discounted using the lessee's incremental borrowing rate of at the date of initial application	138,912,752
Add: contracts reassessed as lease contracts	34,868,851
Lease liability recognised as at January 1, 2019G	173,781,603
Of which are:	
Current lease liabilities	135,465,032
Non-current lease liabilities	38,316,571

5. Changes in accounting policies (continued)

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

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

- right-of-use assets – increased by Saudi Riyals 169.9 million
- prepayments and other receivables – increased by Saudi Riyals 2.6 million
- lease liabilities – increased by Saudi Riyals 173.8 million
- accrued and other liabilities – decreased by Saudi Riyals 1.2 million

There is no impact on retained earnings on January 1, 2019G 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 subsidiary 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

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.

6. Summary of significant accounting policies (continued)

6.1 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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.

6.1 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 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.

6. Summary of significant accounting policies (continued)

6.1 Foreign currencies (continued)

(ii) 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.

6.2 Current versus 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.

6.3 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.

6. Summary of significant accounting policies (continued)

6.3 Property, plant and equipment (continued)

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.

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 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. Summary of significant accounting policies (continued)

6.4 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.

6.5 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).

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.

6.6 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.

6.7 Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

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

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

6. Summary of significant accounting policies (continued)

6.7 Financial instruments (continued)

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 in either profit or loss or other comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in 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.

Classification of financial liabilities

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

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

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the 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 de-recognition is recognised directly in the 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 year in which it arises.

6. Summary of significant accounting policies (continued)

6.7 Financial instruments (continued)

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 de-recognition 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.

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.

6. Summary of significant accounting policies (continued)

6.7 Financial instruments (continued)

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 31.2 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.

6.8 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.

6.9 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 Bahrain.

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.

6.10 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. Summary of significant accounting policies (continued)

6.11 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.

6.12 Biological assets

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

Breeder birds

The cost of breeder birds is 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.

6.13 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 statement of comprehensive income on a systematic basis over the years 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".

6.14 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.

6. Summary of significant accounting policies (continued)

6.14 Revenue recognition (continued)

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

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

Step 5. 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.

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".

6.15 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.

6.16 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.

6.17 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.

6. Summary of significant accounting policies (continued)

6.17 Zakat (continued)

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.

6.18 Leases

Until the 2018G 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, 2019G, 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 year.

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).

6.19 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 Notes 6.7 and 31 for a description of the Group's impairment policies.

6.20 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. Summary of significant accounting policies (continued)

6.21 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 profit or loss, 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

The Group's principal subsidiary at December 31, 2019G is set out below. Unless otherwise stated, the subsidiary has share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation is also its principal place of business.

Subsidiary	Country of incorporation	Effective ownership at December 31, 2019G	Principal activities
Supreme Food Bahrain SPC	Bahrain	100%	Wholesale trading in poultry products and agricultural produce

During the year 2019G, the Group has converted one of its branches "Supreme Food Bahrain SPC" into a subsidiary.

(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, 2018G	17,424,002	48,789,476	18,173,551	121,008,590	27,832,502	2,713,046	2,242,688	238,183,855
Additions	-	609,799	544,531	4,916,255	142,330	19,451	3,489,869	9,722,235
Transfers	-	-	-	2,242,688	-	-	(2,242,688)	-
Transfer to a related party	-	(3,563,539)	-	(2,825,575)	-	-	-	(6,389,114)
Write-offs	-	-	(4,874,763)	(29,486,989)	(9,994,920)	(1,919,299)	-	(46,275,971)
Disposals	-	-	-	(2,595)	(62,000)	-	-	(64,595)
At December 31, 2018G	17,424,002	45,835,736	13,843,319	95,852,374	17,917,912	813,198	3,489,869	195,176,410
Additions	-	194,337	1,664,995	7,203,102	-	-	10,956,265	20,018,699
Transfers	-	-	-	3,346,380	-	-	(3,346,380)	-
Transfers from a related party	-	-	-	11,444	-	-	-	11,444
Disposals	(187,500)	-	-	-	(459,881)	-	-	(647,381)
At December 31 2019G	**17,236,502**	**46,030,073**	**15,508,314**	**106,413,300**	**17,458,031**	**813,198**	**11,099,754**	**214,559,172**
Accumulated depreciation								
At January 1, 2018G	-	32,738,084	13,840,116	92,658,673	27,763,540	2,522,814	-	169,523,227
Depreciation	-	1,325,611	1,478,266	7,516,772	192,307	56,519	-	10,569,475
Write-off	-	-	(4,871,801)	(29,479,875)	(9,985,010)	(1,908,520)	-	(46,245,206)
Transfers	-	(3,563,539)	-	(2,825,575)	-	-	-	(6,389,114)
Disposals	-	-	-	(2,595)	(62,000)	-	-	(64,595)
At December 31, 2018G	-	30,500,156	10,446,581	67,867,400	17,908,837	670,813	-	127,393,787
Depreciation	-	1,314,216	1,496,300	8,795,782	9,075	42,124	-	11,657,497
Disposals	-	-	-	-	(459,881)	-	-	(459,881)
At December 31, 2019G	-	**31,814,372**	**11,942,881**	**76,663,182**	**17,458,031**	**712,937**	-	**138,591,403**
Net book amount								
At December 31, 2018G	17,424,002	15,335,580	3,396,738	27,984,974	9,075	142,385	3,489,869	67,782,623
At December 31, 2019G	**17,236,502**	**14,215,701**	**3,565,433**	**29,750,118**	-	**100,261**	**11,099,754**	**75,967,769**

Capital work in progress represents cost 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	For the year ended	
		December 31, 2019G	December 31, 2018G
Cost of sales	26	10,331,947	9,395,283
Selling and distribution expenses	27	1,325,550	1,174,192
		11,657,497	10,569,475

(All amounts in Saudi Riyals unless otherwise stated)

8. Property, plant and equipment (continued)

Restatement

At December 31, 2018G, 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, 2018G.

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

9. Leases

The Group leases various accommodations, warehouses, poultry processing plants, farms, buildings and vehicles. Rental contracts are typically made for fixed period of 1 to 10 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, 2019G, 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, 2019G	December 31, 2018G
Right-of-use assets		
Buildings	121,111,969	-
Vehicles	33,274,622	-
	154,386,591	-

	December 31, 2019G	December 31, 2018G
Lease liabilities		
Current	48,131,268	-
Non-current	104,581,177	-
	152,712,445	-

The additions to the right-of-use assets during the year ended December 31, 2019G was Saudi Riyals 25.6 million.

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

	For the year ended	
	December 31, 2019G	December 31, 2018G
Depreciation on right-of-use assets - buildings	31,945,266	-
Depreciation on right-of-use assets - vehicles	9,211,666	-
	41,156,932	-
Interest expense (included in finance costs -Note 29)	9,669,585	-
Expense relating to short-term leases (included in cost of sales – Note 26 and selling and distribution expenses – Note 27)	5,987,914	-

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9. Leases (continued)

The total cash outflow for leases during the year was Saudi Riyals 56.35 million. Depreciation on right-of-use assets for the year has been allocated as follows:

	Note	For the year ended	
		December 31, 2019G	December 31, 2018G
Cost of sales	26	35,575,058	-
Selling and distribution expenses	27	5,581,874	-
		41,156,932	-

10. Intangible assets

	Computer software
Cost	
At January 1, 2018G	1,751,809
Additions	-
At December 31, 2018G	1,751,809
Additions	-
At December 31, 2019G	1,751,809
Accumulated amortisation	
At January 1, 2018G	993,625
Amortisation	189,337
At December 31, 2018G	1,182,962
Amortisation	189,730
At December 31, 2019G	1,372,692
Net book amount	
At December 31, 2018G	568,847
At December 31, 2019G	379,117

11. Inventories

	December 31, 2019G	December 31, 2018G
Poultry meats and other food stuff	17,591,011	15,299,605
Raw materials	26,169,206	22,993,341
Goods-in-transit	22,514,126	27,303,398
Packaging materials	6,407,060	7,390,324
Spare parts	6,025,138	4,928,576
Other	2,553,231	2,850,709
Less: provision for slow-moving inventories	(2,832,031)	(2,740,774)
	78,427,741	78,025,179

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

(All amounts in Saudi Riyals unless otherwise stated)

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

	Year ended December 31, 2019G	Year ended December 31, 2018G
Opening balance	2,740,774	4,792,631
Additions / (reversals)	979,827	(374,365)
Write-offs	(888,570)	(1,677,492)
Closing balance	2,832,031	2,740,774

12. Biological assets

	Year ended December 31, 2019G	Year ended December 31, 2018G
Opening balance	54,044,870	46,242,377
Additions	646,639,770	602,998,951
Amortisation	(56,062,345)	(42,751,988)
Transfers to inventories	(592,271,505)	(552,444,470)
Closing balance	52,350,790	54,044,870
Categories of biological assets		
Broiler birds	13,250,387	18,797,974
Breeder – rearing & production	32,705,017	29,289,701
Hatchery eggs	6,395,386	5,957,195
	52,350,790	54,044,870

As at December 31, 2019G the Group had 5.15 million broiler birds (December 31, 2018G: 6.6 million broiler birds). Further 84.6 million broiler chicks were slaughtered during the year ended December 31, 2019G (December 31, 2018G: 72.9 million). As at December 2019G, the Group had 0.97 million breeder birds and 7.03 million hatchery eggs (December 31, 2018G: 1.1 million breeder birds and 6.4 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 the valuations of the Group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every six months.

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)

13. Trade receivables

	Note	December 31, 2019G	December 31, 2018G
Trade receivables		76,019,156	71,411,759
Due from related parties	24	277,185,973	197,100,247
		353,205,129	268,512,006
Less: provision for impairment of trade receivables		(2,493,255)	(5,183,895)
		350,711,874	263,328,111

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, 2019G, five largest customers accounted for 24% (December 31, 2018G: 28%) 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 a whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The Group establishes that there is no reasonable expectation of recovery once they are not subject to enforcement activity.

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

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

	Year ended December 31, 2019G	Year ended December 31, 2018G
Opening balance	5,183,895	5,652,196
Additions	154,126	2,047,634
Write-offs	(2,844,766)	(2,515,935)
Closing balance	2,493,255	5,183,895

14. Prepayments and other receivables

	December 31, 2019G	December 31, 2018G
Government subsidy receivable	18,962,577	27,174,213
Advances to suppliers	16,537,723	11,090,465
Prepaid expenses	10,542,920	17,138,903
Employee receivables	1,617,080	1,455,478
Other receivables	2,397,867	598,722
	50,058,167	57,457,781

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 values 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, 2019G	Year ended December 31, 2018G
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

(All amounts in Saudi Riyals unless otherwise stated)

15. Cash and cash equivalents

	December 31, 2019G	December 31, 2018G
Cash at banks	9,819,040	6,553,125
Cash in hand	2,764,913	2,527,688
	12,583,953	9,080,813

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 the statement of cash flows:

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

	Note	December 31, 2019G	December 31, 2018G
Cash and cash equivalents		12,583,953	9,080,813
Less: bank overdraft	19	-	(2,388,625)
Cash and cash equivalents for cash flow purposes		12,583,953	6,692,188

16. Share capital

At December 31, 2019G and 2018G, the Company's share capital of Saudi Riyals 20 million comprised of 20,000 fully paid shares of Saudi Riyals 1,000 each owned by Tanmiah Food Company ("TFC") incorporated in the Kingdom of Saudi Arabia.

17. 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.

18. Employee benefit obligations

The Group operates a defined benefit plan in line with the labour law requirement in the Kingdom of Saudi Arabia 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 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, 2019G	Year ended December 31, 2018G
Opening balance	28,656,911	26,119,317
Current service cost	3,585,072	2,955,951
Interest cost	941,325	848,878
Actuarial loss on the obligation	1,993,765	545,060
Benefits paid	(1,353,994)	(1,812,295)
Closing balance	33,823,079	28,656,911

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18. Employee benefit obligations (continued)

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

	For the year ended	
	December 31, 2019G	December 31, 2018G
Current service cost	3,585,072	2,955,951
Interest cost	941,325	848,878
Total amount recognised in consolidated profit or loss	4,526,397	3,804,829
Effect of changes in actuarial assumptions	1,993,765	545,060
Total amount recognised in consolidated statement of comprehensive income	6,520,162	4,349,889

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

	December 31, 2019G	December 31, 2018G
Discount rate	3.25%	3.25%
Future salary increases 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, 2019G	December 31, 2018G
0.5% increase in discount rate	(1,554,061)	(1,342,666)
0.5% decrease in discount rate	1,672,924	3,745,323

Future salary growth:

	December 31, 2019G	December 31, 2018G
0.5% increase in salary escalation rate	1,772,483	3,890,190
0.5% decrease in salary escalation rate	(1,658,904)	(1,497,187)

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

	December 31, 2019G	December 31, 2018G
1 - 5 years	14,692,896	11,194,735
Over 5 years	33,061,488	29,344,081

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19. Borrowings

	December 31, 2019G	December 31, 2018G
Short-term bank loans	199,116,417	159,181,397
Bank overdrafts	-	2,388,625
Interest payable	1,857,268	1,749,626
	200,973,685	163,319,648

The Group obtained short-term loan facilities from commercial banks of Saudi Riyals 300 million (December 31, 2018G: Saudi Riyals 201 million). The unused balance of these facilities as at December 31, 2019G amounted to Saudi Riyals 81.1 million (December 31, 2018G Saudi Riyals 5.4 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 ADGHC, and by the joint and several guarantees from the shareholders of ADGHC and cross and corporate guarantees from certain member companies of Al-Dabbagh Group. 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 Saudi Riyals Nil (December 31, 2018G: Saudi Riyals 2.4 million). These carried mark-up based on SIBOR.

Management assessed that the 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 29.

20. Trade payables

	Note	December 31, 2019G	December 31, 2018G
Trade payables		89,571,402	81,811,987
Due to related parties	24	59,227,893	71,519,162
		148,799,295	153,331,149

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.

21. Accrued and other liabilities

	December 31, 2019G	December 31, 2018G
Accrued expenses	23,304,716	26,796,639
Accrued employee-related costs	16,320,758	16,828,080
Utilities payable	2,516,393	1,789,620
Advance from customers	1,131,941	594,307
Other	-	282,402
	43,273,808	46,291,048

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.

(All amounts in Saudi Riyals unless otherwise stated)

22. Other financial liability

Financial guarantees issued on behalf of group companies under common shareholding are disclosed in note 24.

Restatement of prior year financial statements

At December 31, 2018G, 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 139.5 million (2019G: Such financial guarantees were revoked. See Note 30). 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, 2018G. 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 31.2.

23. Zakat matters

23.1 Components of Zakat

The Company files zakat declarations on consolidated basis at Parent Company level. 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.

23.2 Movement in provision for zakat

	Year ended December 31, 2019G	Year ended December 31, 2018G
Opening balance	3,333,988	2,570,023
Provisions	2,037,546	1,464,147
Payment	(1,468,560)	(700,182)
Closing balance	3,902,974	3,333,988

23.3 Status of final assessments

The Company has finalized its zakat assessments with the GAZT up to the year 2002G. The Company had filed zakat returns from 2003G to 2010G. The Company did not accrue for zakat for the years, 2011G to 2013G as the Company's majority shareholder, TFC, had obtained an approval from GAZT to file consolidated zakat declaration. TFC had filed a consolidated zakat return based on its consolidated financial statements which includes the results of the Company for the said years. Starting 2014G due to the change in shareholding, the Company was no more a wholly owned subsidiary of TFC and hence the Company filed separate zakat returns for the years 2014G to 2018G, however, no assessments have been issued by the GAZT for any of the years since 2003G.

Since 2019G, TFC has reverted to accruing zakat on a consolidated basis after obtaining approval from GAZT since the Company is now fully owned by the Parent Company. The amount of zakat provision accrued during the year is the Company's allocation from the annual consolidated return.

The Group's subsidiary in Bahrain is not subject zakat or tax under the local laws and regulations.

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24. Related party transactions and balances

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

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

Name of related party	Nature of relationship
Al Dabbagh Group Holding Company ("ADGHC")	Ultimate Parent
TFC	Parent
Gulf Power International Company ("GPI")	Affiliate
Supreme Food Processing Company ("SFPC")	Affiliate
Desert Hills Veterinary Services Company ("DHV")	Affiliate
Qeemah and Dukan for Groceries Company Limited ("Dukan")	Affiliate
Perfect Food Factory ("PFF")	Affiliate
National Scientific Company Limited ("NSC")	Affiliate
Advanced Petroleum Services Limited ("APSL")	Affiliate
SAED Esnad for Outsourcing ("SAED Esnad")	Affiliate
SAED Isteqdam	Affiliate

During the year ended December 31, 2019G and 2018G, a number of transactions were conducted in the ordinary course of business with the affiliated companies, which are based on prices and contract terms that are mutually agreed by management of the Group. The aggregate values of such transactions with affiliated companies are mentioned as follows:

24.1 Other related party transactions

	For the year ended	
	December 31, 2019G	December 31, 2018G
Sales to affiliates	72,181,911	47,814,406
Purchases from an affiliate	31,690,121	29,195,275
Employee costs paid to an affiliate	(5,638,870)	(8,106,346)
Overheads recharged from Parent (Note 28)	(26,997,810)	(20,914,024)
Finance costs recharged from Parent	(278,602)	(283,112)
Finance costs charged to an affiliate (Note 29)	-	3,407,336

Restatement of prior year financial statements

At December 31, 2018G, 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 22.

Further, during 2019G the Group has provided corporate guarantees of Saudi Riyals 56 million to local banks against credit facilities obtained by associated group companies owned by Group's shareholder (TFC). Management of the Group had assessed the past due status of the debts and financial status of these 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 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. Subsequent measurement of financial guarantees is discussed in Note 31.2(a).

Guarantee against loan taken by ADGHC

During 2019G, ADGHC obtained a loan of Saudi Riyals 275 million from a local commercial bank (the "lender") and transferred a portion of 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 30.1.

(All amounts in Saudi Riyals unless otherwise stated)

24. Related party transactions and balances (continued)

24.2 Related party balances

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

(i) Trade receivables - related parties (Note 13)

	December 31, 2019G	December 31, 2018G
SFPC	21,718,853	-
TFC	12,056,498	-
PFF	13,246,935	22,023,592
Dukan	229,383,874	174,382,826
Other	779,813	693,829
	277,185,973	197,100,247

(ii) Trade payables - related parties (Note 20)

	December 31, 2019G	December 31, 2018G
DHV	59,227,893	71,383,719
NSC	-	135,443
	59,227,893	71,519,162

(iii) Advance paid to a related party

	December 31, 2019G	December 31, 2018G
Saed International for Istiqdam Company ("SAED")	459,013	459,013

(All amounts in Saudi Riyals unless otherwise stated)

25. Revenues

For the year ended December 31, 2019G	Food and agriculture			Total
	Kingdom of Saudi Arabia	United Arab Emirates	Other GCC countries	
Revenue from external customers				
Timing of revenue recognition				
At a point in time	730,737,177	808,922	76,497,746	808,043,845

For the year ended December 31, 2018G	Food and agriculture			Total
	Kingdom of Saudi Arabia	United Arab Emirates	Other GCC countries	
Revenue from external customers				
Timing of revenue recognition				
At a point in time	646,461,830	249,645	69,237,222	715,948,697

The revenue from top five customers in the food and agriculture stream represents 22% of the Group's revenues (2018G: 33%).

26. Cost of sales

	Note	For the year ended	
		December 31, 2019G	December 31, 2018G
Materials consumed		340,559,509	329,853,391
Employee related costs		153,201,964	116,303,140
Rent		4,020,795	35,620,575
Depreciation on property, plant and equipment	8	10,331,947	9,395,283
Depreciation on right-of-use assets	9	35,575,058	-
Transport and travel		34,312,832	31,995,793
Repairs and maintenance		8,034,517	9,281,878
Utilities		24,262,648	20,902,126
Insurance		1,859,738	1,683,847
Amortisation	10	188,730	188,337
Other		4,785,046	7,148,253
		617,132,784	562,372,623

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27. Selling and distribution expenses

	Note	For the year ended	
		December 31, 2019G	December 31, 2018G
Employee related costs		30,645,151	25,294,933
Transport and travel		19,393,114	24,180,459
Sales commission		9,499,263	6,822,955
Rent		1,920,299	4,646,181
Advertising and sales promotion		4,789,918	1,476,434
Depreciation on property, plant and equipment	8	1,325,550	1,174,192
Depreciation on right-of-use assets	9	5,581,874	-
Utilities		837,300	711,310
Insurance		1,020,019	1,159,286
Repairs and maintenance		961,065	1,039,493
Other		6,979,364	3,713,857
		82,952,917	70,219,100

28. General and administrative expenses

	Note	For the year ended	
		December 31, 2019G	December 31, 2018G
Overheads recharged from Parent	24	26,997,810	20,914,024
Other		1,204,326	1,282,465
		28,202,136	22,196,489

29. Finance costs

	Note	For the year ended	
		December 31, 2019G	December 31, 2018G
Interest on short-term borrowings		10,046,959	9,534,193
Charge from a related party		278,602	283,112
Interest on lease liabilities		9,669,585	-
Other		698,666	86,673
Charge to an affiliate	24.1	-	(3,407,336)
		20,693,812	6,496,642

30. Commitments

30.1 Commitments

- The capital expenditure contracted by the Group but not incurred until December 31, 2019G was approximately Saudi Riyals 23.6 million (December 31, 2018G: Saudi Riyals 0.2 million).
- The bank issued guarantees on behalf of the Group amounting to Saudi Riyals 3.3 million (December 31, 2018G: Saudi Riyals 3.5 million). The Group also has letters of credit issued on its behalf in the normal course of business amounting to Saudi Riyals 16.2 million at December 31, 2019G (December 31, 2018G: Saudi Riyals 33.3 million).

Restatement of prior year financial statements

- At December 31, 2018G, 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, 2019G, the bank revoked financial guarantees with retrospective effect from the date of inception of such collaterals.

(All amounts in Saudi Riyals unless otherwise stated)

30. Commitments (continued)

30.1 Commitments (continued)

Pledge of cash against loan taken by ADGHC

During 2019G, ADGHC (the ultimate Parent Company) 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 Company, TFC and an associate (together the "Beneficiaries") and Dukan and to provide equity bridge finance to the Beneficiaries before TFC's Initial Public Offering (IPO). The proceeds of the loan were transferred to the Beneficiaries and this amount was placed in Escrow accounts in the name of these Beneficiaries to secure the loan obtained by ADGHC. The Company's share in this arrangement was Saudi Riyals 240 million. The Beneficiaries provided an irrevocable undertaking allowing the lender to offset the amount in the Escrow accounts against the loan obtained by ADGHC if the IPO was not completed by April 30,2020G. 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 SR 275 million was supposed to be used to settle the amount due from Dukan, this amount was placed in Escrow accounts and the Beneficiaries have no access to these Escrow accounts and the amount therein cannot be used by the Beneficiaries to finance their operations. Consequently, the Beneficiaries do not have the right to any economic benefit from this amount and accordingly, the Beneficiaries have not recognised the amount received or the related liability resulting from the pledge. The Beneficiaries have continued to recognize the receivable from Dukan in their respective financial statements.

30.2 Operating leases

Prior to January 1, 2019G, the Group entered into operating leases for its farms and office premises. From January 1, 2019G, 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, 2019G	December 31, 2018G
Within in one year	-	39,775,895
After one year but not more than five years	-	105,097,107
	-	144,873,002

30.3 Short-term leases

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

31. Financial Instruments

31.1 Fair value measurement of financial instruments

a) Recognised fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31. Financial Instruments (continued)

31.1 Fair value measurement of financial instruments (continued)

As at December 31, 2019G and December 31, 2018G, all of the Group's financial assets and financial liabilities are currently classified and measured at amortised cost. Further, the carrying value of all the financial assets and liabilities classified as amortised cost approximates to the fair value on each reporting date.

As disclosed in Note 22 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.

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- **For other financial instruments - discounted cash flow analysis.**

c) 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:

- 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.

31.2 Risk management framework

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

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

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

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

a) Credit risk

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

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial Instruments (continued)

31.2 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 13 for concentration of credit risk on trade receivables. Further as of December 31, 2018G there was also a concentration of credit risk to local banks in respect of the financial guarantees amounting to Saudi Riyals 327 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 to financial guarantees of Saudi Riyals 327 million as of December 31, 2018G was to one local bank which was also the maximum exposure to credit risk as at December 31, 2018G. These financial guarantees were revoked on December 24, 2019G. The exposure to financial guarantees entered into in 2019G of Saudi Riyals 56 million is to two local banks which was also the maximum exposure to credit risk at December 31, 2019G. 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, 2019G	December 31, 2018G
Cash at banks	9,819,040	6,553,125
Trade receivables – third parties	76,019,156	71,411,759
Trade receivables – related parties	277,185,973	197,100,247
Government subsidy, employee and other receivables (included within prepayments and other receivables)	22,977,524	29,228,413
	386,001,693	304,293,544

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 determine the 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.

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial Instruments (continued)

31.2 Risk management framework (continued)

b) Credit risk (continued)

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.

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 entered into in 2018G and 2019G, 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, 2019G	December 31, 2018G
Impairment loss on trade receivables	154,126	2,047,634

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

December 31, 2019G	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.10%	50,252,236	50,439
1–90 days past due	0.19%	21,968,918	40,666
90–180 days past due	2.63%	312,395	8,204
180–270 days past due	5.24%	485,926	25,474
270–360 days past due	7.74%	358,236	27,715
More than 360 days past due	83.48%	1,819,998	1,519,310
Specific provision	100.00%	821,447	821,447
	3.28%	76,019,156	2,493,255

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial Instruments (continued)

31.2 Risk management framework (continued)

a) Credit risk (continued)

December 31, 2018G	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.03%	44,848,032	14,993
1–90 days past due	0.07%	19,510,165	13,472
90–180 days past due	0.62%	547,508	3,392
180–270 days past due	1.20%	184,848	2,222
270–360 days past due	1.78%	198,656	3,540
More than 360 days past due	12.32%	1,113,447	137,173
Specific provision	100%	5,009,103	5,009,103
	7%	71,411,759	5,183,895

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

c) 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 guarantee contracts), bank overdraft or reliance on a particular market in which to realise liquid assets.

	Within 3 months	3 to 12 months	More than 1 year	Total
December 31, 2019G				
Financial guarantee contracts	56,000,000	-	-	56,000,000
Borrowings	203,988,290	-	-	203,988,290
Trade payables	-	148,799,295	-	148,799,295
Lease liabilities	16,043,756	32,087,512	139,294,293	187,425,561
Accrued and other liabilities	-	42,141,867	-	42,141,867
	276,032,046	223,028,674	139,294,293	638,355,013

	Within 3 months	3 to 12 months	More than 1 year	Total
December 31, 2018G (Restated)				
Financial guarantee contracts	139,500,000	-	-	139,500,000
Borrowings	165,524,463	-	-	165,524,463
Trade payables	-	153,331,149	-	153,331,149
Accrued and other liabilities	-	45,696,741	-	45,696,741
	305,024,463	199,027,890	-	504,052,353

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

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

The liquidity table as at December 31, 2018G 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, 2018G.

31. Financial Instruments (continued)

31.2 Risk management framework (continued)

b) Liquidity risk (continued)

The amounts included in the above 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 30.1). 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, 2019G, the bank revoked financial guarantees which were valid in 2018G, with retrospective effect from the date of inception. The financial guarantee contracts entered into by the Group during 2019G relate to guarantees provided to other group companies under common shareholding.

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the 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 Company's functional currency. The Group's transactions are principally in Saudi Riyals, 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, 2019G	December 31, 2018G
Financial liabilities, principally borrowings	200,973,685	163,319,648

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial Instruments (continued)

31.2 Risk management framework (continued)

c) Market risk (continued)

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

	For the year ended	
	December 31, 2019G	December 31, 2018G
Interest rate-increases by 100 basis points	(2,069,381)	(649,664)
Interest rate-decreases by 100 basis points	2,069,381	649,664

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 which are subject to other price risk.

d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital structure includes all component of shareholders' equity totalling Saudi Riyals 192.2 million at December 31, 2019G (December 31, 2018G: Saudi Riyals 135.4 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 subsidiary monitor capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	December 31, 2019G	December 31, 2018G
Borrowings	200,973,685	163,319,648
Lease liabilities	152,712,445	-
Less: cash and cash equivalents	(12,583,953)	(9,080,813)
Net debt (A)	341,102,177	154,238,835
Shareholders' equity (B)	191,380,716	135,355,480
Total capital (A+B)	532,482,893	289,594,315
Gearing ratio (A / (A+B))	64%	53%

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)

32. Cash flow information

(a) Net debt

	December 31, 2019G	December 31, 2018G
Cash and cash equivalents	12,583,953	6,692,188
Lease liabilities	(152,712,445)	-
Borrowings - repayable within one year	(199,116,417)	(159,181,397)
Net debt	(339,244,909)	(152,489,209)

Borrowings of the Group carry variable interest rates.

(b) Net debt reconciliation

	Cash and cash equivalents	Borrowings - repayable within one year	Leases	Total
January 1, 2018G	18,795,607	(200,565,859)	-	(181,770,252)
Cash flows	(12,103,419)	41,384,462	-	29,281,043
December 31, 2018G	6,692,188	(159,181,397)	-	(152,489,209)
Cash flows	5,891,765	(39,935,020)	56,349,619	22,306,364
Recognised on adoption of IFRS 16	-	-	(173,781,603)	(173,781,603)
Acquisition of leases	-	-	(25,610,876)	(25,610,876)
Interest on lease liabilities	-	-	(9,669,585)	(9,669,585)
December 31, 2019G	12,583,953	(199,116,417)	(152,712,445)	(339,244,909)

33. Approval of financial statements

These consolidated financial statements of the year ended December 31, 2019G were approved for issue by the management of the Group on February 5, 2020G.

34. Post balance sheet events

The existence of novel coronavirus (Covid-19) was confirmed in early 2020G 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 IFRS 9 estimates of expected credit loss provisions in 2020G.

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, 2019G

AND INDEPENDENT AUDITOR'S REPORT

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.

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

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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, 2019G	As at December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	**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, 2019G	**200,000,000**	-	**7,082,296**	-	**79,808,555**	**286,890,851**	-	**286,890,851**
Balance at January 1, 2018G	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, 2018G	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")
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended	
		December 31, 2019G	December 31, 2018G
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, 2019G) from "Supreme Foods Company" to "Tanmiah Foods Trading Company" and then subsequently changed its legal name on Ramadan 3, 1440H (corresponding to May 8, 2019G) to "Tanmiah Food Company."

Further, the Company converted into a Saudi Closed Joint Stock Company ("CJSC") from Rajab 4, 1440H (corresponding to March 11, 2019G) 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, 2019G to December 31, 2019G as despite conversion of the Company into a CJSC on March 11, 2019G 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, 2019G and December 31, 2018G, 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, 2020G	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, 2020G	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, 2020G. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	January 1, 2020G	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 2019G, management identified certain financial guarantees and pledges that were provided by the Group in 2018G 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, 2018G ("the 2018G financial statements"). Such guarantees and pledges were revoked in 2019G 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 2018G 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, 2018G and statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018G.

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, 2019G but has not restated comparatives for the 2018G 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, 2019G. 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, 2019G. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019G 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, 2019G 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, 2019G.

(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, 2018G	**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, 2019G	**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, 2019G

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

- 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, 2019G 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

Classification of financial assets

The Group classifies its financial assets under the following categories:

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

These classifications are on the basis of business model of the 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.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in 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.

Classification of financial liabilities

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

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

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 2018G 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, 2019G, 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.

(All amounts in Saudi Riyals unless otherwise stated)

7. Interests in other entities

7.1 Material subsidiaries

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

7.1 Material subsidiaries (continued)

Subsidiary	Country of incorporation	Effective ownership at December 31, 2019G	Effective ownership at December 31, 2018G	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, 2018G, 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, 2017G, 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, 2019G and December 31, 2018G is summarised as follows:

	December 31, 2019G	December 31, 2018G
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, 2018G, 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, 2018G, refer the table below.

	December 31, 2018G
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, 2018G) were:

	January 1, 2018G
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, 2018G	**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, 2018G	**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, 2019G	**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, 2018G	-	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, 2018G	-	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 31,2019G	**-**	**55,195,792**	**14,105,595**	**156,110,005**	**19,761,661**	**2,417,633**	**-**	**247,590,686**
Net book amount								
At December 31, 2018G	**26,922,512**	**43,748,821**	**3,531,862**	**53,845,867**	**198,145**	**241,600**	**3,807,264**	**132,296,071**
At December 31,2019G	**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, 2019G	December 31, 2018G
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, 2018G, 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, 2018G.

On December 11, 2019G, the Bank revoked this pledge with retrospective effect from August 12, 2018G, 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, 2019G, 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, 2019G	December 31, 2018G
Right-of-use assets		
Buildings	151,272,488	-
Vehicles	36,476,718	-
	187,749,206	-

	December 31, 2019G	December 31, 2018G
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, 2019G was Saudi Riyals 26.43 million.

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

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

(All amounts in Saudi Riyals unless otherwise stated)

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, 2019G	December 31, 2018G
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, 2019G, 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, 2019G, 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.

11.3 Amounts recognised in profit or loss and other comprehensive income

	December 31, 2019G	December 31, 2018G
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, 2018G, 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.

TANMIAH FOOD COMPANY
(Previously known as "Supreme Foods Company Limited")
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2019G
(All amounts in Saudi Riyals unless otherwise stated)

12. Inventories

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

As at December 31, 2019G the Group had 1.1 million breeder birds and 7.2 million hatchery eggs (December 31, 2018G: 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, 2019G	December 31, 2018G
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, 2019G and December 31, 2018G related to contracts with customers.

15. Trade receivables

	Note	December 31, 2019G	December 31, 2018G
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, 2019G, five largest customers accounted for 38% (December 31, 2018G: 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, 2019G and 2018G are not subject to enforcement activity.

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

	Year ended December 31, 2019G	Year ended December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	Year ended December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G 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, 2018G: 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, 2019G	December 31, 2018G
ADGHC	Saudi	**96%**	96%
TCG	Saudi	**4%**	4%
		100%	100%

TCG is fully owned by ADGHC at December 31, 2019G and 2018G.During the year ended December 31, 2019G 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, 2019G, 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, 2019G	Year ended December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
1 - 5 years	**29,813,886**	27,491,938
Over 5 years	**58,555,992**	54,800,200

21. Borrowings

	December 31, 2019G	December 31, 2018G
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, 2018G: Saudi Riyals 342 million). The unused balance of these facilities as at December 31, 2019G amounted to Saudi Riyals 151 million (December 31, 2018G 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, 2018G: 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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2018G, 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 (2019G: 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, 2018G. 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, 2019G and 2018G, 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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2018G, 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 2019G, 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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
ADGHC	-	61,161

(iii) Due to a related party

	December 31, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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 2002G. During previous years, the Company received additional zakat assessments of Saudi Riyals 27 million for the years ended March 31, 2003G to March 31, 2010G and short period ended December 31, 2010G. The Company appealed against such assessments and reached a settlement with the GAZT during 2019G for Saudi Riyals 6 million. At December 31, 2018G, the Company had provided Saudi Riyals 4 million against such additional assessments. Further, the Company entered into an agreement during 2019G with its shareholder namely ADGHC, whereby all liabilities relating to assessments up to the year ended December 31, 2018G 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 2011G to 2013G on consolidated basis as the Company, had obtained an approval from GAZT to file consolidated zakat declaration. During 2014G, 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 2014G through 2018G. ADC, DHV, and SFPC filed separate zakat returns for the years ended December 31, 2014G to 2018G. The assessments for those years have not yet been completed.

Since 2019G, 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, 2019G	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, 2018G	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 (2018G: 23%).

28. Cost of sales

	Note	For the year ended	
		December 31, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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

(All amounts in Saudi Riyals unless otherwise stated)

32. Commitments

32.1 Commitments

- The capital expenditure contracted by the Group but not incurred until December 31, 2019G was approximately Saudi Riyals 23.6 million (December 31, 2018G: Saudi Riyals 0.2 million).
- The bank issued guarantees on behalf of the Group amounting to Saudi Riyals 5.8 million (December 31, 2018G: 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, 2019G (December 31, 2018G: Saudi Riyals 33.4 million).

Restatement of prior year financial statements

At December 31, 2018G, 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, 2019G, 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 2019G, 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, 2020G. 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, 2019G, the Group entered into operating leases for its farms and office premises. From January 1, 2019G, 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, 2019G	December 31, 2018G
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, 2019G amount to Saudi Riyals 1.2 million.

(All amounts in Saudi Riyals unless otherwise stated)

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.
- 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, 2019G					
	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, 2018G					
	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, 2019G and December 31, 2018G 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.

(All amounts in Saudi Riyals unless otherwise stated)

33. Financial Instruments (continued)

33.1 Fair value measurement of financial instruments (continued)

c) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

	December 31, 2019G	December 31, 2018G
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, 2018G 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, 2018G was to one local bank which was also the maximum exposure to credit risk as at December 31, 2018G. These financial guarantees were revoked on December 24, 2019G. 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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	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, 2018G	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, 2019G and December 31, 2018G 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, 2019G				
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, 2018G (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, 2018G 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, 2018G.

The amounts included in the above 2018G 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, 2019G, 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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G (December 31, 2018G: 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, 2019G	December 31, 2018G
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, 2019G	December 31, 2018G
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, 2019G, 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, 2018G as well.

35. Segment information

The Group operates principally in a single business segment - Agriculture and Food Business which includes manufacturing and distribution of fresh and processed poultry and poultry products**.** This is line with the operating segment that is regularly reported to the CODM. This is also the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

	December 31, 2019G		
	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, 2018G		
	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, 2019G and 2018G.

36. Cash flow information

(a) Net debt

	December 31, 2019G	December 31, 2018G
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.

TANMIAH FOOD COMPANY
(Previously known as "Supreme Foods Company Limited")
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2019G
(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, 2018G	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, 2018G	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, 2019G	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, 2019G were approved for issue by the Board of directors of the Group on April 26, 2020G.

38. Post balance sheet events

The existence of novel coronavirus (Covid-19) was confirmed in early 2020G 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 2020G.

AGRICULTURAL DEVELOPMENT COMPANY LIMITED

(A Limited Liablity Company)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018G

AND INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report to the shareholders of Agricultural Development Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Agricultural Development Company Limited (the "Company") as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 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 Company 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 financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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Independent auditor's report to the shareholders of Agricultural Development Company Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

April 8, 2019

برايس وترهاوس كوبرز
محاسبون قانونيون
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PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

AGRICULTURAL DEVELOPMENT COMPANY LIMITED

(A Limited Liablity Company)

Statement of financial position

(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2018G	As at December 31, 2017G	As at January 1, 2017G
Assets				
Non-current assets				
Property, plant and equipment	7	**67,782,623**	68,660,628	71,945,130
Intangible assets	8	**568,847**	758,184	947,521
Total non-current assets		**68,351,470**	69,418,812	72,892,651
Current assets				
Inventories	9	**78,025,179**	64,669,937	52,499,004
Biological assets	10	**54,044,870**	46,242,377	42,791,940
Trade receivables	11	**263,328,111**	189,844,725	175,662,853
Prepayments and other receivables	12	**57,457,781**	60,748,443	63,766,365
Cash and cash equivalents	13	**9,080,813**	18,936,202	4,475,135
Total current assets		**461,936,754**	380,441,684	339,195,297
Total assets		**530,288,224**	449,860,496	412,087,948
Equity				
Share capital	14	**20,000,000**	20,000,000	20,000,000
Statutory reserve	15	**6,256,162**	6,256,162	3,885,923
Retained earnings		**109,099,318**	58,465,967	36,795,459
Total equity		**135,355,480**	84,722,129	60,681,382
Liabilities				
Non-current liabilities				
Employee benefits obligations	16	**28,656,911**	26,119,317	25,564,682
Total non-current liabilities		**28,656,911**	26,119,317	25,564,682
Current liabilities				
Borrowings	17	**163,319,648**	202,735,985	183,910,900
Trade payables	18	**153,331,149**	98,706,840	101,850,280
Accrued and other liabilities	19	**46,291,048**	35,006,202	38,357,872
Zakat provision	20	**3,333,988**	2,570,023	1,722,832
Total current liabilities		**366,275,833**	339,019,050	325,841,884
Total liabilities		**394,932,744**	365,138,367	351,406,566
Total equity and liabilities		**530,288,224**	449,860,496	412,087,948

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liablity Company)
Statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31,	
		2018G	2017G
Revenue	22	**715,948,697**	611,344,762
Cost of revenue	23	**(562,372,623)**	(495,787,024)
Gross profit		**153,576,074**	115,557,738
General and administrative expenses	24	**(22,196,489)**	(22,295,045)
Selling and distribution expenses	25	**(70,219,100)**	(64,356,003)
Impairment loss on financial assets	11	**(2,047,634)**	(2,206,518)
Other income		**26,349**	1,695,642
Operating income		**59,139,200**	28,395,814
Finance costs	17	**(6,496,642)**	(3,846,234)
Profit before zakat		**52,642,558**	24,549,580
Zakat	20	**(1,464,147)**	(847,191)
Profit for the year		**51,178,411**	23,702,389
Other comprehensive (loss) income			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	16	**(545,060)**	338,358
Total comprehensive income		**50,633,351**	24,040,747

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liablity Company)
Statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total
Balance at January 1, 2018G	**20,000,000**	**6,256,162**	**58,465,967**	**84,722,129**
Profit for the year	-	-	51,178,411	51,178,411
Other comprehensive loss	-	-	(545,060)	(545,060)
Total comprehensive income for the year	-	-	50,633,351	50,633,351
Balance at December 31, 2018G	**20,000,000**	**6,256,162**	**109,099,318**	**135,355,480**
Balance at January 1, 2017G	**20,000,000**	**3,885,923**	**36,795,459**	**60,681,382**
Profit for the year	-	-	23,702,389	23,702,389
Other comprehensive income		-	338,358	338,358
Total comprehensive income for the year	-	-	24,040,747	24,040,747
Transfer to statutory reserve		2,370,239	(2,370,239)	-
Balance at December 31, 2017G	**20,000,000**	**6,256,162**	**58,465,967**	**84,722,129**

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

AGRCULTURAL DEVELOPMENT COMPANY LIMITED

(A Limited Liablity Company)

Statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

	Note	December 31, 2018G	December 31, 2017G
Cash flow from operating activities			
Profit before zakat		**52,642,558**	24,549,580
Adjustments for:			
Depreciation on property, plant and equipment	7	**10,569,475**	10,789,176
Amortisation of intangible assets	8	**189,337**	189,337
(Reversal) provision for inventory obsolescence	9	**(374,365)**	3,294,469
Impairment loss on financial assets	11	**2,047,634**	2,206,518
Provision for the employee benefits obligations	16	**3,804,829**	3,613,253
Write-off of property and equipment		**30,765**	-
Net gain on disposal of property and equipment		**(190)**	(12,001)
Finance costs		**6,496,642**	3,846,234
Change in working capital			
Inventories		**(12,980,877)**	(15,465,402)
Trade receivables		**(75,531,020)**	(16,388,390)
Biological assets		**(7,802,493)**	(3,450,437)
Prepayments and other receivables		**3,290,662**	3,017,922
Trade payable		**54,624,309**	(3,143,440)
Accrued and other liabilities		**11,284,846**	(3,351,670)
Cash generated from operating activities		**48,292,112**	9,695,149
Employee benefits paid	16	**(1,812,295)**	(2,720,260)
Zakat paid	20	**(700,182)**	-
Finance cost paid		**(6,776,547)**	(3,458,622)
Net cash generated from operating activities		**39,003,088**	3,516,267
Cash flow from investing activities			
Purchase of property and equipment	7	**(9,722,235)**	(7,504,674)
Proceeds from disposal of property and equipment		**190**	12,001
Net cash used in investing activities		**(9,722,045)**	(7,492,673)
Cash flow from financing activity			
Borrowings		**(41,384,462)**	31,480,781
Net cash (used in) / generated from a financing activity		**(41,384,462)**	31,480,781
Net changes in cash and cash equivalents		**(12,103,419)**	27,504,375
Cash and cash equivalents at the beginning of the period	13	**18,795,607**	(8,708,768)
Cash and cash equivalents at the end of the period	13	**6,692,188**	18,795,607

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liablity Company)
Notes to the financial statements for the year ended December 31, 2018G
(All amounts in Saudi Riyals unless otherwise stated)

1. Corporate information

Agricultural Development Company Limited (the "Company") is a Saudi limited liability company operating in the Kingdom of Saudi Arabia under Commercial Registration No. 1010395711 issued in Riyadh on Muharram 21, 1435 (November 24, 2016G). The purpose of the Company includes wholesale trading in poultry products and agricultural produce.

The Company's head office is located at Omar Bin Abdul Aziz Road, P.O. Box 437, Riyadh 11411, Kingdom of Saudi Arabia.

The accompanying financial statements include the financial statements of the Company's head office and its following branches in the Kingdom of Saudi Arabia:

Branch	Commercial registration number
Riyadh-1	1010112444
Sulay Stores	1010183601
Riyadh	1010395711
Kharaj	1011007728
Dammam	2050025953
Hofuf	2251041226
Tabuk	3550014177
Jeddah	4030099574
Shaqra	1113003266
Kharaj-Haradh	1011022379
Huraymila	1018000510
Shaqra-1	1113003226
Riyadh-2	1010432406
Jeddah-1	4030085940
Madina	4650205201

In addition to above following are the branches outside the Kingdom of Saudi Arabia:

Branch	Commercial registration / License number
Bahrain	30611-4
Dubai	803133

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

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

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

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

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

2.1 Basis of measurement

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

- The defined benefit obligation, which is recognized at the present value of future obligations using the Projected Unit Credit Method.
- Biological assets, where fair value is reliably measurable, have been valued at fair value.

These financial statements are presented in Saudi Riyal, which is the functional as well as presentation currency of the Company. These financial statements have been rounded-off to nearest Saudi Riyal, unless otherwise stated.

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liablity Company)
Notes to the financial statements for the year ended December 31, 2018G
(All amounts in Saudi Riyals unless otherwise stated)

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

2.2 Standards, interpretations and amendments issued but not yet effective

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

Title	Key requirements	Effective Date	Impact
IFRS 16 Leases	IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	1 January 2019G Early adoption is permitted only if IFRS 15 is adopted at the same time.	The standard will affect primarily the accounting for the Company's operating leases for lands. As at the reporting date, the Company has operating lease commitments of Saudi Riyals 145 million, (see Note 26). The Company has determined that these commitments will result in the recognition of an asset and a liability for an amount of approximately Saudi Riyals 143 million for future payments and this will cause the Company's profit to decrease by approximately Saudi Riyals 0.3 million and classification of cash flows from operating to investment for an amount of approximately Saudi Riyals 37 million. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must : • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling • separately recognise any changes in the asset ceiling through other comprehensive income.1 January 2019G Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 The IASB has made limited scope amendments.	1 January 2019G	There is no impact on the financial statements of these amendments

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

3. Critical accounting estimates and judgments

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

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

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

3.1 Employment benefits obligations

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

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. See note 16 for further details.

3.2 Judgement

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

- Absence of an active market for live broiler birds in Kingdom of Saudi Arabia, affecting availability of reliable data on frequency of trades, volumes and prices.
- Poultry volume and prices may be affected due to weather conditions, bio security threats and bird immunity impacting bird mortality.

See note 10 for further details.

4. Summary of significant accounting policies

The significant accounting policies applied by the Company in the preparation of the financial statements ae set out below:

4.1 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Company 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 Company's statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

4.2 Current versus non-current classification

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

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

The Company 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 Company classifies all other liabilities as non-current.

4. Summary of significant accounting policies (continued)

4.3 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 Company, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost, net of accumulated depreciation and impairment losses, if any. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

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

Subsequent measurement

The Company 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 Company and the cost of the item can be measured reliably.

Depreciation

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

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

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

4. Summary of significant accounting policies (continued)

4.3 Property, plant and equipment (continued)

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 statement of comprehensive income at the time the item is derecognised.

Capital work-in-progress (CWIP)

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

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

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

Borrowing costs

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

4.4 Intangible assets

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

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

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

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

4.5 Impairment of non-financial assets

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

4. Summary of significant accounting policies (continued)

4.5 Impairment of non-financial assets (continued)

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

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

4.6 Inventories

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

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

4.7 Financial instruments

Classification of financial assets

The Company classifies its financial assets under the following categories:

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

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

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

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

Initial measurement

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

Classification of financial liabilities

The Company 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 Company of financial liabilities is managed and its performance is evaluated on a fair value basis.

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

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company 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.

4. Summary of significant accounting policies (continued)

4.7 Financial instruments (continued)

Reclassifications

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

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

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

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

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company'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 Company derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

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

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 27 details how the Company determines impairment methodology for other receivables.

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

4. Summary of significant accounting policies (continued)

4.8 Cash and cash equivalents

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

4.9 Employee benefits and post-employment benefits

Short-term employee benefits

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

A liability is recognised for the amount expected to be paid if the Company 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 Company operates a post-employment benefit scheme of defined benefit plans driven by the labour laws requirement in the Kingdom of Saudi Arabia for the Company.

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

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

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

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

4.10 Provisions

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

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

4.11 Trade payables

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

4.12 Biological assets

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

Breeder birds

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

Hatchery eggs

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

Broilers

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

4. Summary of significant accounting policies (continued)

4.13 Government grants

The Company 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 Company will comply with all attached conditions. Government grants are recognized in statement of comprehensive income on a systematic basis over the periods in which the Company recognizes as expenses the related inventories which the grants are intended to compensate. The government grant accrued during the year has been clubbed under the "cost of revenue".

4.14 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 Company and the revenue and costs, can be measured reliably.

The Company 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 Company 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 Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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

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

a) The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date.
b) The Company'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 Company's performance as the Company performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

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

Sale of goods:

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

4. Summary of significant accounting policies (continued)

4.14 Revenue recognition (continued)

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".

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

4.15 General and administrative expenses

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

4.16 Selling and distribution expenses

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

4.17 Zakat

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

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

4.18 Leases

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

Company as a lessee

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

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

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

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

4. Summary of significant accounting policies (continued)

4.18 Leases (continued)

Company as a lessor

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

4.19 Trade receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer Note 4.7 for a description of the Company's impairment policies.

4.20 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.

5. First time adoption of IFRS

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

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

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

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

AGRICULTURAL DEVELOPMENT COMPANY LIMITED
(A Limited Liablity Company)
Notes to the financial statements for the year ended December 31, 2018G
(All amounts in Saudi Riyals unless otherwise stated)

6. Reconciliations

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

	Note	Previous GAAP as at December 31, 2016G	Reclassification	Re-measurement	IFRS as at January 1, 2017G
Assets					
Non-current assets					
Property, plant and equipment	(i)	72,892,651	(947,521)	-	71,945,130
Intangible assets	(i)	-	947,521	-	947,521
Total non-current assets		**72,892,651**	**-**	**-**	**72,892,651**
Current assets					
Inventories	(ii) (vii)	58,086,476	(5,815,212)	227,740	52,499,004
Biological assets	(ii)	36,976,728	5,815,212	-	42,791,940
Trade receivables	(vi)	173,063,100	-	2,599,753	175,662,853
Prepayments and other receivables	(iv) (v)	63,851,008	-	(84,643)	63,766,365
Cash and cash equivalents		4,475,135	-	-	4,475,135
Total current assets		**336,452,447**	**-**	**2,742,850**	**339,195,297**
Total assets		**409,345,098**	**-**	**2,742,850**	**412,087,948**
Equity					
Share capital		20,000,000	-	-	20,000,000
Statutory reserve		3,885,923	-	-	3,885,923
Retained earnings		35,427,099	-	1,368,360	36,795,459
Total equity		**59,313,022**	**-**	**1,368,360**	**60,681,382**
Liabilities					
Non-current liabilities					
Employee benefits obligations	(iii)	24,488,862	-	1,075,820	25,564,682
Total non-current liabilities		24,488,862	-	1,075,820	25,564,682
Current liabilities					
Borrowings	(ix)	182,268,981	1,641,919	-	183,910,900
Trade payables	(ix)	102,417,607	(567,327)	-	101,850,280
Accrued and other liabilities	(vii) (ix)	39,133,794	(1,074,592)	298,670	38,357,872
Zakat provision		1,722,832	-	-	1,722,832
Total current liabilities		**325,543,214**	**-**	**298,670**	**325,841,884**
Total liabilities		**350,032,076**	**-**	**1,374,490**	**351,406,566**
Total equity and liabilities		**409,345,098**	**-**	**2,742,850**	**412,087,948**

(All amounts in Saudi Riyals unless otherwise stated)

6. Reconciliations (continued)

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

	Note	Previous GAAP as at December 31, 2017G	Reclassification	Re-measurement	IFRS as at December 31, 2017G
Assets					
Non-current assets					
Property, plant and equipment	(i)	69,418,812	(758,184)	-	68,660,628
Intangible assets	(i)	-	758,184	-	758,184
Total non-current assets		**69,418,812**	**-**	**-**	**69,418,812**
Current assets					
Inventories	(ii) (vii)	70,114,429	(5,714,611)	270,119	64,669,937
Biological assets	(ii)	40,527,766	5,714,611	-	46,242,377
Trade receivables	(vi)	187,799,744	-	2,599,753	189,844,725
Prepayments and other receivables	(iv) (v)	60,952,627	-	(84,643)	60,748,443
Cash and cash equivalents		18,936,202	-	-	18,936,202
Total current assets		**378,330,768**	**-**	**2,110,916**	**380,441,684**
Total assets		**447,749,580**	**-**	**2,110,916**	**449,860,496**
Equity					
Share capital		20,000,000	-	-	20,000,000
Statutory reserve		6,322,520	-	(66,358)	6,256,162
Retained earnings		57,356,475	-	1,109,492	58,465,967
Total equity		**83,678,995**	**-**	**1,043,134**	**84,722,129**
Liabilities					
Non-current liabilities					
Employee benefits obligations	(iii)	25,405,726	-	713,591	26,119,317
Total non-current liabilities		**25,405,726**	**-**	**713,591**	**26,119,317**
Current liabilities					
Borrowings	(ix)	200,706,454	2,029,531	-	202,735,985
Trade payables	(ix)	99,686,546	(979,706)	-	98,706,840
Accrued and other liabilities	(ix) (vii)	35,701,836	(1,049,825)	354,191	35,006,202
Zakat and income tax provision		2,570,023	-	-	2,570,023
Total current liabilities		**338,664,859**	**-**	**354,191**	**339,019,050**
Total liabilities		**364,070,585**	**-**	**1,067,782**	**365,138,367**
Total equity and liabilities		**447,749,580**	**-**	**2,110,916**	**449,860,496**

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6. Reconciliations (continued)

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

	Note	Previous GAAP for the year ended December 31, 2017G	Reclassification	Re-measurement	IFRS for the year ended December 31, 2017G
Revenue	(vii)	611,400,283	-	(55,521)	611,344,762
Government subsidy	(iv)	52,577,881	(52,577,881)	-	-
Cost of revenue	(iii), (iv),(v) (vii)	(548,658,192)	52,577,881	293,287	(495,787,024)
Gross profit		**115,319,972**	**-**	**237,766**	**115,557,738**
General and administrative expenses	(vi)	(23,946,791)	1,651,746	-	(22,295,045)
Selling and distribution expenses		(64,356,003)	-	-	(64,356,003)
Impairment loss on financial assets	(vi)	-	(1,651,746)	(554,772)	(2,206,518)
Other income	(iv)	2,042,220	-	(346,578)	1,695,642
Operating loss		**29,059,398**	**-**	**(663,584)**	**28,395,814**
Finance costs		(3,846,234)	-	-	(3,846,234)
Loss before zakat		**25,213,164**	**-**	**(663,584)**	**24,549,580**
Zakat		(847,191)	-	-	(847,191)
Loss for the year		**24,365,973**	**-**	**(663,584)**	**23,702,389**
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Re-measurements of post-employment benefit obligations	(iii)	-	-	338,358	338,358
Total comprehensive income		**24,365,973**	**-**	**(325,226)**	**24,040,747**

6. Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

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

Classification

The Company had previously classified software and licenses under 'Machinery and equipment' as part of tangible assets. As per IFRS that are endorsed in the KSA, the Company has reclassified these assets to intangible assets. As a result, at transition date property, plant and equipment has decreased by Saudi Riyals 0.9 million and intangibles has increased by Saudi Riyals 0.9 million.

As at December 31, 2017Gabove mentioned adjustment has resulted in decrease in property, plant and equipment by Saudi Riyals 0.8 million and increase in intangibles by Saudi Riyals 0.8 million.

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

Classification:

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

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

(iii) Actuarial valuation

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

The Company has also undertaken actuarial valuation as at December 31, 2017G which resulted in an increase in the liabilities of Saudi Riyals 0.7 million and increase in other comprehensive income by Saudi Riyals 0.3 million, increase in General and administrative expenses by Saudi Riyals 0.2 million, decrease in cost of revenue by Saudi Riyals 0.03 million.

(iv) Impact of IFRS adoption on Government grants

Government grant for Human Resource Development Fund ("HRDF"):

Under previous GAAP, the Company recognized the Government grants relating to HRDF only on receipt basis. Under IFRS that are endorsed in the KSA, Government grants are recognised when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. This has resulted in the recognition of amount due from government amounting to Saudi Riyals 0.3 million which has led to increase in prepayments and other receivables and corresponding increase in retained earnings as of January 1, 2017G which was previously recorded on receipt basis in the year 2017G. This has further led to increase in the other income by Saudi Riyals 0.3 million for the year ended December 31, 2017G.

Government grant on import of raw material:

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

6. Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

(v) Impact of IFRS adoption on Leasing arrangements

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

This has resulted in decrease in prepayments and other receivables by Saudi Riyals 0.4 million with the corresponding decrease in the retained earnings as at January 1, 2017G. This has further reduced the prepayments and other receivable by Saudi Riyals 0.2 million as of December 31, 2017G and cost of revenue will be decreased by Saudi Riyals 0.23 million.

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

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

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade receivables are presented separately in the statement of comprehensive income. As a result, the Company reclassified impairment losses amounting to Saudi Riyals 1.7 million from 'General and administrative expenses' to 'Impairment loss on financial assets" in the Statement of comprehensive Income for the year ended December 31, 2017G. Furthermore, due to adoption of IFRS, the Company has also reduced its provision of Saudi Riyals 2.6 million as of January 1, 2017G which has resulted in increase in the "Trade and other receivables" with the corresponding increase in the retained earnings as at January 1, 2017G. Further, for the year ended December 31, 2017G, the Company has decreased its provision towards the trade receivable balance by Saudi Riyals 0.5 million which has resulted in increase the "Impairment loss on financial assets". This has further increased the 'Trade receivables' by Saudi Riyals 2 million as at December 31, 2017G.

(vii) Impact of IFRS on revenue recognition

Sales return

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

6. Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

(viii) Statement of cash flows

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

	Previously reported as per SOCPA for the year ended December 31, 2017G	Impact of transition to IFRS	Amounts as per IFRS for the year ended December 31, 2017G
Net cash flows from operating activities	3,516,267	-	3,516,267
Net cash flows from investing activities	(7,492,673)	-	(7,492,673)
Net cash flows from financing activities	18,437,473	(13,043,308)	31,480,781
Net change in cash and cash equivalents	14,461,067	(13,043,308)	27,504,375
Cash and cash equivalents, beginning of the year	4,475,135	13,183,903	(8,708,768)
Cash and cash equivalents, end of the year	18,936,202	140,595	18,795,607

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

(ix) Reclassification

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

(i) "Interest payable" amounting to Saudi Riyals 1.6 million and Saudi Riyals 2 million has been reclassified from "Accrued and other liabilities" to be presented under "Borrowings" as of January 1, 2017G and December 31, 2017G.

(ii) "Advance from customers" amounting to Saudi Riyals 0.9 million and Saudi Riyals 0.5 has been reclassified from "Trade payable" to be presented under "Accrued and other liabilities" as of January 1, 2017G and December 31, 2017G.

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7. Property, plant and equipment

	Land	Building	Leasehold improvements	Machinery and equipment	Motor vehicles	Furniture and fixtures	Capital work in progress	Total
Cost								
At January 1, 2017G	17,424,002	48,652,576	17,932,451	116,129,399	27,888,502	2,708,251	-	230,735,181
Additions	-	136,900	241,100	4,879,191	-	4,795	2,242,688	7,504,674
Disposals	-	-	-	-	(56,000)	-	-	(56,000)
At December 31, 2017G	17,424,002	48,789,476	18,173,551	121,008,590	27,832,502	2,713,046	2,242,688	238,183,855
Additions	-	609,799	544,531	4,916,255	142,330	19,451	3,489,869	9,722,235
Transfers	-	-	-	2,242,688	-	-	(2,242,688)	-
Transfer to a related party	-	(3,563,539)	-	(2,825,575)	-	-	-	(6,389,114)
Write-off	-	-	(4,874,763)	(29,486,989)	(9,994,920)	(1,919,299)	-	(46,275,971)
Disposals	-	-	-	(2,595)	(62,000	-	-	(64,595)
At December 31, 2018G	**17,424,002**	**45,835,736**	**13,843,319**	**95,852,374**	**17,917,912**	**813,198**	**3,489,869**	**195,176,410**
Accumulated depreciation								
At January 1, 2017G	-	31,261,660	12,321,088	85,009,282	27,733,316	2,464,705	-	158,790,051
Depreciation	-	1,476,424	1,519,028	7,649,391	86,224	58,109	-	10,789,176
Disposals	-	-	-	-	(56,000)	-	-	(56,000)
At December 31, 2017G	-	32,738,084	13,840,116	92,658,673	27,763,540	2,522,814	-	169,523,227
Depreciation	**-**	**1,325,611**	**1,478,266**	**7,516,772**	**192,307**	**56,519**	**-**	**10,569,475**
Write-off	**-**	**-**	**(4,871,801)**	**(29,479,875)**	**(9,985,010)**	**(1,908,520)**	**-**	**(46,245,206)**
Transfer	**-**	**(3,563,539)**	**-**	**(2,825,575)**	**-**	**-**	**-**	**(6,389,114)**
Disposals	**-**	**-**	**-**	**(2,595)**	**(62,000)**	**-**	**-**	**(64,595)**
At December 31, 2018G	**-**	**30,500,156**	**10,446,581**	**67,867,400**	**17,908,837**	**670,813**	**-**	**127,393,787**
Net book amount								
At December 31, 2017G	**17,424,002**	**16,051,392**	**4,333,435**	**28,349,917**	**68,962**	**190,232**	**2,242,688**	**68,660,628**
At December 31, 2018G	**17,424,002**	**15,335,580**	**3,396,738**	**27,984,974**	**9,075**	**142,385**		**67,782,623**

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

Depreciation for the year has been allocated as follows:

	Note	December 31, 2018G	December 31, 2017G
Cost of revenues	23	**9,395,283**	9,557,372
Selling and distribution expenses	25	**1,174,192**	1,231,804
		10,569,475	10,789,176

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8. Intangible assets

	Computer software
Cost	
At January 1, 2017G	**1,751,809**
Additions	-
At December 31, 2017G	**1,751,809**
Disposal of subsidiary	-
At December 31, 2018G	**1,751,809**
Accumulated amortization	
At January 1, 2017G	**804,288**
Amortisation	**189,337**
At December 31, 2017G	**993,625**
Amortisation	**189,337**
At December 31, 2018G	**1,182,962**
Net book amount	
At December 31, 2017G	**758,184**
At December 31, 2018G	**568,847**

9. Inventories

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Poultry meats and other foods stuff	**15,299,605**	17,664,792	28,047,096
Raw materials	**22,993,341**	18,989,222	16,680,084
Goods in transit	**27,303,398**	20,524,027	-
Packaging material	**7,390,324**	6,201,337	6,241,901
Spare parts	**4,928,576**	3,954,225	2,440,754
Other	**2,850,709**	2,128,965	935,337
Less: Provision for slow moving inventories	**(2,740,774)**	(4,792,631)	(1,846,168)
	78,025,179	64,669,937	52,499,004

Amounts of inventories recognised as an expense is disclosed in Note 23.

Movement in provision of slow moving inventories:

	December 31, 2018G	December 31, 2017G
January 1	**4,792,631**	1,846,168
Reversal / additions	**(374,365)**	3,294,469
Write-offs	**(1,677,492)**	(348,006)
December 31	**2,740,774**	4,792,631

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10. Biological assets

	December 31, 2018G	December 31, 2017G
January 1	**46,242,377**	42,791,940
Increase due to purchases	**602,998,951**	497,972,334
Amortization	**(42,751,988)**	(38,911,942)
Transfer to inventory	**(552,444,470)**	(455,609,955)
December 31	**54,044,870**	46,242,377
Biological assets:		
Broiler chicks	**18,797,974**	14,048,284
Breeder – rearing & production	**29,289,701**	26,479,482
Hatchery eggs	**5,957,195**	5,714,611
	54,044,870	46,242,377

As at December 31, 2018G the Company had 6.6 million broiler chicks (December 31, 2017G: 5.2 million broiler chicks). Further, 72.9 million broiler chicks were slaughtered during the year ended December 31, 2018G (December 31, 2017G: 57.8 million). As at December 31, 2018G the Company had 1.1 million breeder birds and 6.4 million hatchery eggs (December 31, 2017G: 0.87 million breeder birds and 5.1 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 overhead)].	• Mortality of birds • Average weight of birds • Sales price of fully grown bird less cost to sell.	The estimated fair value would increase/ (decrease) if: Mortality was lower / (higher). Average weight of birds higher/ (lower). Selling price of fully grown bird less cost to sell was higher/ (lower).

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

The main level 3 inputs used by the Company 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.

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11. Trade receivables

	Note	December 31, 2018G	December 31, 2017G	January 01, 2017G
Trade receivables		**71,411,759**	65,921,869	67,424,812
Due from related parties	21	**197,100,247**	129,575,052	114,507,829
		268,512,006	195,496,921	181,932,641
Less: provision for impairment of receivables		**(5,183,895)**	(5,652,196)	(6,269,788)
		263,328,111	189,844,725	175,662,853

Trade receivables are non-derivatives financial assets carried at amortised cost and are generally on terms of 30 to 90 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Company to obtain collateral over third party receivables and these are, therefore, unsecured. The vast majority of the Company's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at December 31, 2018G, five largest customers account for 28 % (December 31, 2017G: 34%) of the outstanding accounts receivables. Due to short term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

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

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

Movement in provision of trade receivables:

	December 31, 2018G	December 31, 2017G
At the beginning of the year	**5,652,196**	6,269,788
Additions	**2,047,634**	2,206,518
Write-offs	**(2,515,935)**	(2,824,110)
December 31	**5,183,895**	5,652,196

12. Prepayments and other receivables

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Government subsidy receivable	**27,174,213**	40,872,648	41,382,318
Advance to suppliers	**11,090,465**	7,396,014	7,355,935
Prepaid expenses	**17,138,903**	9,805,999	10,909,388
Employees' receivable	**1,455,478**	1,750,049	2,217,752
Other receivable	**598,722**	923,733	1,900,972
	57,457,781	60,748,443	63,766,365

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

Movements in government subsidy receivable are as follows:

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

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13. Cash and cash equivalents

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Cash at banks	**6,553,125**	17,290,932	2,433,775
Cash in hand	**2,527,688**	1,645,270	2,041,360
	9,080,813	18,936,202	4,475,135

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

Reconciliation to cash flow statement:

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

	Note	December 31, 2018G	December 31, 2017G	January 1, 2017G
Cash and cash equivalent		**9,080,813**	18,936,202	4,475,135
Less: Bank overdraft	17	**(2,388,625)**	(140,595)	(13,183,903)
Cash and cash equivalent for the cash flows purpose		**6,692,188**	18,795,607	8,708,768

14. Share capital

At December 31, 2018G, December 31, 2107 and January 1, 2017G the share capital of the Company was comprised of 20,000 shares stated at Saudi Riyals 1,000 per share owned as follows:

Shareholder	Country of incorporation	December 31, 2018G	December 31, 2017G	January 1, 2017G
Supreme Foods Company ("SFC")	Saudi	100%	96%	96%
Tanmiah Commercial Group Company Limited ("TCG")	Saudi	-	4%	4%
		100%	100%	100%

During the year, there has been a change in the Company's shareholding as all the shares held by TCG has been transferred to SFC. The legal formalities relating to such change have been completed subsequent to year end. Subsequent to year end, SFC has changed its name to Tanmiah Foods Trading Company.

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15. 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.

16. Employee benefits obligations

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

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Net defined benefit liability	**28,656,911**	26,119,317	25,564,682

	December 31, 2018G	December 31, 2017G
January 1	**26,119,317**	25,564,682
Current service cost	**2,955,951**	2,782,401
Interest cost	**848,878**	830,852
Actuarial loss / (gain) on the obligation	**545,060**	(338,358)
Benefits paid	**(1,812,295)**	(2,720,260)
December 31	**28,656,911**	26,119,317

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

	December 31, 2018G	December 31, 2017G
Current service cost	**2,955,951**	2,782,401
Interest cost	**848,878**	830,852
Benefit expense	**3,804,829**	3,613,253

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

	December 31, 2018G	December 31, 2017G
Effect of changes in financial assumptions	**545,060**	(338,358)
Actuarial loss / (gain) on the obligation	**545,060**	(338,358)

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

16. Employee benefits obligations (continued)

Discount rate:

	December 31, 2018G	December 31, 2017G
0.5% increase in discount rate	**(1,342,666)**	1,190,105
0.5% decrease in discount rate	**3,745,323**	(1,289,999)

Future salary growth:

	December 31, 2018G	December 31, 2017G
0.5% increase in salary escalation rate	**3,890,190**	(1,364,880)
0.5% decrease in salary escalation rate	**(1,497,187)**	1,268,965

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

	December 31, 2018G	December 31, 2017G
1 - 5 years	**11,194,735**	10,445,507
Over 5 years	**29,344,081**	26,423,490

17. Borrowings

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Short term bank loans	**159,181,397**	200,565,859	169,085,078
Bank overdrafts	**2,388,625**	140,595	13,183,903
Interest payable	**1,749,626**	2,029,531	1,641,919
	163,319,648	202,735,985	183,910,900

The Company obtained short term loan facilities from commercial banks for a total amount of Saudi Riyals 201 million (December 31, 2017G: Saudi Riyals 225 million). The unused balance of these facilities as at December 31, 2018G amounted to 5.4 million (December 31, 2017G Saudi Riyals 4.6 million). These facilities bear financing charges at market rates, which are generally based on Saudi Inter Bank Offer Rate ("SIBOR") and are collaterized by demand promissory notes signed by ADGHC, and by the joint and several guarantees from the shareholders of Al Dabbagh Group Holding Company (ADGHC), and cross and corporate guarantee from certain member companies of Dabbagh Group. The interest rates during the year on these facilities varied between 4.3% - 6.5% per annum.

The bank overdraft facilities utilized from various banks aggregated to Saudi Riyals 2.4 million (December 31, 2017G Saudi Riyals 0.14 million). They carry mark-up based on SIBOR.

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

The financial charges recognized as an expense on the above borrowings is Saudi Riyals 6.5 million for the year ended December 31, 2018G (December 31, 2017G: Saudi Riyals 3.8 million).

18. Trade payables

	Note	December 31, 2018G	December 31, 2017G	January 1, 2017G
Trade payables		**81,811,987**	54,372,638	71,678,140
Due to related parties	21	**71,519,162**	44,334,202	30,172,140
		153,331,149	98,706,840	101,850,280

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

(All amounts in Saudi Riyals unless otherwise stated)

19. Accrued and other liabilities

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Accrued expenses	**26,796,639**	19,947,113	17,533,427
Accrued employee-related cost	**16,828,080**	10,994,678	15,372,865
Utilities payable	**1,789,620**	2,730,514	4,585,583
Advance from customers	**594,307**	979,706	567,327
Other provision	**282,402**	354,190	298,670
	46,291,048	35,006,202	38,357,872

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

20. Zakat provision

20.1 Components of zakat base

The significant components of the zakat base of company under zakat and income tax regulation are principally comprised of the following:

	December 31, 2018G	December 31, 2017G
Shareholders' equity at beginning of year	**82,285,532**	59,313,022
Provisions at the beginning of the period	**32,428,263**	31,035,027
Adjusted net income for the year	**58,565,892**	33,887,657
Government subsidy receivable	**(27,174,214)**	(40,872,648)
Adjusted property, plant and equipment and intangible assets – net	**(68,351,470)**	(69,418,812)
Broiler and breeder flock under productive stage	**(54,044,870)**	(40,527,766)
Spare parts	**(4,928,576)**	(3,954,225)

20.2 Provision for zakat

	December 31, 2018G	December 31, 2017G
January 1	**2,570,023**	1,722,832
Provisions	**1,464,147**	847,191
Payment	**(700,182)**	-
December 31	**3,333,988**	2,570,023

20.3 Status of final assessments

The Company has finalized its zakat assessments with the GAZT upto 2002G. The Company has filed zakat returns from 2003G to 2010G. The Company did not accrue for zakat for the years, 2011G to 2013G as the Company's majority shareholder, SFC, had obtained an approval from GAZT to file consolidated zakat declaration. SFC had filed a consolidated zakat return based on its consolidated financial statements which includes the results of the Company for the said years. Starting 2014G due to the change in shareholding, the Company was no more a wholly owned subsidiary of SFC and hence the Company has filed the separate zakat return for the years 2014G to 2017G.

21. Related parties transactions and balances

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

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

Name of related party	Nature of relationship
Al Dabbagh Company Holding Company ("ADGHC")	Ultimate Parent
SFC	Parent
Gulf Power	Affiliate
Supreme Foods Processing Company (SFPC)	Affiliate
Desert Hills Veterinary Services Company (DHV)	Affiliate
Qeemah and Dukaan (Dukaan)	Affiliate
Perfect Foods Factory (PFF)	Affiliate
Tanmiah Food Company (Tanmiah)	Affiliate
National Scientific Company Limited	Affiliate
Advanced Petroleum Services Limited ("APSL")	Affiliate
SAED Esnad for Outsourcing ("SAED Esnad")	Affiliate
SAED Isteqdam	Affiliate

(All amounts in Saudi Riyals unless otherwise stated)

21. Related parties transactions and balances (continued)

During the year ended December 31, 2018G and December 2017G, 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 Company. The aggregate values of such transactions with affiliated companies are mentioned as follows:

21.2 Other related parties transactions

	2018G	2017G
Sales	**47,814,406**	75,217,770
Purchases	**29,195,275**	26,764,238
Financial charges from a related party	**(3,407,336)**	(7,266,691)
Finance cost recharged from a related party	**(283,112)**	(153,226)
Employee cost paid to a related party	**(8,106,346)**	(6,512,701)
Import purchase transferred to Desert Hills Veterinary Services Company Limited ("DHV")	-	331,215
Transfer of property, plant and equipment net of accumulated depreciation to related parties	-	2,568
Allocation of expenses, net from SFC	**(20,914,024)**	(21,787,580)

21.3 Related party balances

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

(i) Trade receivable - related parties

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Dukan	**174,382,826**	90,474,125	43,690,264
PFF	**22,023,592**	38,843,082	58,738,803
Others	**693,829**	257,845	257,845
SFPC	-	-	11,820,917
	197,100,247	129,575,052	114,507,829

(ii) Trade payable - related parties

	December 31, 2018G	December 31, 2017G	January 1, 2017G
SFC	-	4,673,503	-
DHV	**71,383,719**	34,349,491	29,915,413
SFPC	-	5,175,765	-
National Scientific Company Limited	**135,443**	135,443	125,442
ADGHC	-	-	131,285
	71,519,162	44,334,202	30,172,140

(iii) Advance paid to a related party

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Saed International for Istiqdam Company ("SAED")	**459,013**	439,088	539,670

(All amounts in Saudi Riyals unless otherwise stated)

22. Revenues

2018G	Food and agriculture			Total
	Kingdom of Saudi Arabia	United Arab Emirates	Other GCC countries	
Revenue from external customers	646,461,830	249,646	69,237,222	715,948,697
Timing of revenue recognition				
At a point in time	646,461,830	249,646	69,237,222	715,948,697
Over time	-	-	-	-
	646,461,830	**249,646**	**69,237,222**	**715,948,697**

2017G	Food and agriculture			Total
	Kingdom of Saudi Arabia	United Arab Emirates	Other GCC countries	
Revenue from external customers	524,959,906	2,326,807	84,058,049	611,344,762
Timing of revenue recognition				
At a point in time	524,959,906	2,326,807	84,058,049	611,344,762
Over time	-	-	-	-
	524,959,906	**2,326,807**	**84,058,049**	**611,344,762**

The revenue from top five customers in the food and agriculture stream represents 33% of the Company's revenues (2017G: 26%).

23. Cost of revenues

	Note	December 31, 2018G	December 31, 2017G
Material consumed		**329,853,391**	303,865,339
Employee related cost		**116,303,140**	86,309,956
Rent		**35,620,575**	34,388,380
Depreciation	7	**9,395,283**	9,557,372
Transport and travel		**31,995,793**	25,224,979
Repairs and maintenance		**9,281,878**	8,434,438
Utilities		**20,902,126**	22,702,247
Insurance		**1,683,847**	2,051,690
Amortisation	8	**188,337**	188,337
Others		**7,148,253**	3,064,286
		562,372,623	495,787,024

(All amounts in Saudi Riyals unless otherwise stated)

24. General and administrative expenses

	December 31, 2018G	December 31, 2017G
Overhead recharged from a related party	**20,914,024**	21,634,353
Others	**1,282,465**	660,692
	22,196,489	22,295,045

25. Selling and distribution expenses

	Note	December 31, 2018G	December 31, 2017G
Employee related cost		**25,294,933**	24,617,640
Transport and travel		**24,180,459**	20,605,983
Sales commission		**6,822,955**	5,926,751
Rent		**4,646,181**	5,098,656
Advertising and sales promotion		**1,476,434**	2,499,714
Depreciation	7	**1,174,192**	1,231,804
Utilities		**711,310**	726,885
Insurance		**1,159,286**	1,243,200
Repairs and maintenance		**1,039,493**	1,059,422
Others		**3,713,857**	1,345,948
		70,219,100	64,356,003

26. Commitments and operating lease

26.1 Commitments

The bank issued guarantees on behalf of the Company amounting to Saudi Riyals 3.5 million (December 31, 2017G: Saudi Riyals 4 million). The Company also has letters of credit issued in the normal course of business amounting to Saudi Riyals 33.3 million at December 31, 2018G (2017G: Saudi Riyals 0.04 million).

26.2 Operating lease

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

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

	December 31, 2018G	December 31, 2017G
Within in one year	**39,775,895**	39,714,073
After one year but not more than five years	**105,097,107**	89,307,213
More than five years	-	-
	144,873,002	129,021,286

27. Financial Instruments

27.1 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 Company 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 Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2018G and December 31, 2017G, all of the Company's financial assets and financial liabilities are currently classified and measured at amortized cost. Further, the carrying value of all the financial assets and liabilities classified as amortised cost is approximates to the fair value on each reporting date.

27.2 Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company'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 Company 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)

(All amounts in Saudi Riyals unless otherwise stated)

27. Financial Instruments (continued)

27.2 Risk management framework (continued)

a) Credit risk

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

- **Risk management**

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

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

- **Impairment of financial assets**

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

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Cash at banks	**6,553,125**	17,290,932	2,433,775
Trade receivables – third parties	**71,411,759**	65,921,869	67,424,812
Trade receivables – related parties	**197,100,247**	129,575,052	114,507,829
Government subsidy, employee and other receivables (Included within prepayments and other receivables)	**29,228,413**	43,546,430	45,501,042
	304,293,544	256,334,283	229,867,458

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

For trade receivable, the Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Further, the expected credit losses also incorporate forward looking information.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

The Company has obtained the guarantee from its ultimate shareholder ADGHC for the receivable balance from Dukan amounting to Saudi Riyals 174 million as of December 31, 2018G. Hence the Company has not considered any impairment on such receivable balance.

(All amounts in Saudi Riyals unless otherwise stated)

27. Financial Instruments (continued)

27.2 Risk management framework (continued)

a) Credit risk (continued)

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

	December 31, 2018G	December 31, 2017G
Impairment loss on trade receivables	2,047,634	2,206,518

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

December 31, 2018G	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.03%	44,848,032	14,993
1–90 days past due	0.07%	19,510,165	13,472
90–180 days past due	0.62%	547,508	3,392
180–270 days past due	1.20%	184,848	2,222
270–360 days past due	1.78%	198,656	3,540
More than 360 days past due	12.32%	1,113,447	137,173
Specific provision	100%	5,009,103	5,009,103
	7%	**71,411,759**	**5,183,895**

December 31, 2017G	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.01%	38,522,354	5,446
1–90 days past due	0.03%	15,030,049	4,687
90–180 days past due	0.27%	1,256,774	3,362
180–270 days past due	0.51%	2,795,766	14,374
270–360 days past due	0.83%	459,709	3,820
More than 360 days past due	13.93%	2,598,702	361,993
Specific provision	100.00%	5,258,514	5,258,514
	8.57%	**65,921,868**	**5,652,196**

January 1, 2017G	Weighted average loss rate	Gross carrying amount	Loss Allowance
Current (not past due)	0.00%	37,784,748	531
1–90 days past due	0.00%	20,329,429	665
90–180 days past due	0.03%	1,013,370	282
180–270 days past due	0.06%	394,786	244
270–360 days past due	0.10%	178,250	171
More than 360 days past due	34.26%	2,215,302	758,968
Specific provision	100.00%	5,508,927	5,508,927
	9.30%	**67,424,812**	**6,269,788**

27. Financial Instruments (continued)

27.2 Risk management framework (continued)

b) Liquidity risk

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

	Within 3 months	3 to 12 months	> 12 months	No fixed maturity	Total
December 31, 2018G					
Borrowings	165,524,463	-	-	-	165,524,463
Trade payables	-	153,331,149	-	-	153,331,149
Accrued and other liabilities	45,696,741	-	-	-	45,696,741
	165,524,463	**-**	**-**	**-**	**165,524,463**

	Within 3 months	3 to 12 months	> 12 months	No fixed maturity	Total
December 31, 2017G					
Borrowings	205,472,921	-	-	-	205,472,921
Trade payables	-	98,706,840	-	-	98,706,840
Accrued and other liabilities	34,026,496	-	-	-	34,026,496
	239,499,417	**98,706,840**	**-**	**-**	**338,206,257**
January 1, 2017G					
Borrowings	344,060,312	-	-	-	344,060,312
Trade and other payables	-	101,850,280	-	-	101,850,280
Accrued and other liabilities	37,790,545	-	-	-	37,790,545
	381,850,857	**101,850,280**	**-**	**-**	**483,701,137**

In addition, the Company has overdraft facilities and lines of credit from banks, see Note 17 for details.

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

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. while optimizing the return. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

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

i) Currency risk

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

(All amounts in Saudi Riyals unless otherwise stated)

27. Financial Instruments (continued)

27.2 Risk management framework (continued)

c) Market risk (continued)

ii) Interest rate risk (continued)

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments. The Company'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 Company are not significant. There are no interest bearing financial assets at the end of reporting period.

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

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Financial assets	-	-	-
Financial liabilities, principally borrowings	**163,319,648**	202,735,985	183,910,900
	163,319,648	202,735,985	183,910,900

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

	December 31, 2018G	December 31, 2017G
Interest rate-increases by 100 basis points	**(649,664)**	(384,623)
Interest rate-decreases by 100 basis points	**649,664**	384,623

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 Company does not have any financial instruments which are subject to other price risk.

(All amounts in Saudi Riyals unless otherwise stated)

27. Financial Instruments (continued)

27.2 Risk management framework (continued)

d) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital structure includes all component of shareholders' equity totaling Saudi Riyals 135 million at December 31, 2018G (December 31, 2017G: Saudi Riyals 85 million). The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

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

	December 31, 2018G	December 31, 2017G	January 1, 2017G
Borrowings	**163,319,648**	202,735,985	183,910,900
Trade payable	**153,331,149**	98,706,840	101,850,280
Less: cash and cash equivalents	**(9,080,813)**	(18,936,202)	(4,475,135)
Net debt (A)	**307,569,984**	282,506,623	281,286,045
Shareholders' equity (B)	**135,355,480**	84,722,129	60,681,382
Total capital (A+B)	**442,925,464**	367,228,752	341,967,427
Gearing ratio (A / (A+B))	**69%**	77%	82%

e) Financial risk management strategies for biological assets

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

a) Regulatory and Environmental Risk

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

b) Climate and Other Risks

The Company is exposed to risk of loss from climate changes, diseases and other natural forces. The Company 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)

28. Cash flow information

(a) Net debt reconciliation

	December 31, 2018G	December 31, 2017G
Cash and cash equivalents	**6,692,183**	18,795,607
Borrowings - repayable within one year	**(159,181,397)**	(200,565,859)
Net debt	**(152,489,209)**	(181,770,252)

Borrowings of the Company carry variable interest rates.

(b) Net debt reconciliation

	Cash and cash equivalents	Borrowings - repayable within one year	Total
January 1, 2017G	(8,708,768)	(169,085,078)	**(177,793,846)**
Cash flows	27,504,375	(31,480,781)	**(3,976,406)**
December 31, 2017G	18,795,607	(200,565,859)	**(181,770,252)**
Cash flows	(12,103,419)	41,384,462	**29,281,043**
December 31, 2018G	6,692,188	(159,181,397)	**(152,489,209)**

29. Approval of financial statements

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

SUPREME FOODS COMPANY LIMITED

(A Limited Liablity Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018G

AND INDEPENDENT AUDITOR'S REPORT

pwc

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Supreme Foods Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited
The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

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

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

Responsibilities of management for the consolidated financial statements

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447
April 8, 2019

برايس وترهاوس كوبرز
محاسبون قانونيون
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

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

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

SUPREME FOODS COMPANY LIMITED

(A Limited Liablity Company)

Consolidated statement of changes in equity

(All amounts in Saudi Riyals unless otherwise stated)

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

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

SUPREME FOODS COMPANY LIMITED

(A Limited Liablity Company)

Consolidated statement of cash flows

(All amounts in Saudi Riyals unless otherwise stated)

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

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

SUPREME FOODS COMPANY LIMITED

(A Limited Liablity Company)

Notes to the consolidated financial statements for the year ended December 31, 2018G

(All amounts in Saudi Riyals unless otherwise stated)

1. Corporate information

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

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

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

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

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

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

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

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

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

2.1 Basis of measurement

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

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

2.3 Standards, interpretations and amendments issued but not yet effective

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

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

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

3. Critical accounting estimates and judgments

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

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

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

3.1 Employment benefits obligations

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

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

3.2 Judgement

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

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

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

See note 12 for further details.

4. Summary of significant accounting policies

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

4.1 Basis of consolidation

(a) Subsidiaries

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

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

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

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

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

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

4. Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

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

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

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

(b) Transactions eliminated on consolidation

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

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

(c) Changes in ownership interests

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

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

4. Summary of significant accounting policies (continued)

4.2 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

4.3 Current versus non-current classification

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

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

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

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

The Group classifies all other liabilities as non-current.

4. Summary of significant accounting policies (continued)

4.4 Property, plant and equipment

Initial recognition

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

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

Subsequent measurement

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

Subsequent expenditure

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

Depreciation

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

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

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

De-recognition

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

Capital work-in-progress (CWIP)

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

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

4. Summary of significant accounting policies (continued)

4.4 Property, plant and equipment (continued)

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

Borrowing costs

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

4.5 Intangible assets

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

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

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

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

4.6 Impairment of non-financial assets

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

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

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

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

4.7 Inventories

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

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

4. Summary of significant accounting policies (continued)

4.8 Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

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

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

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

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

Initial measurement

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

Classification of financial liabilities

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

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

Offsetting financial assets and liabilities

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

Reclassifications

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

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

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

4. Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Debt instruments (continued)

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

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

Equity instruments

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

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

De-recognition

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

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

Impairment of financial assets

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

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

4.9 Cash and cash equivalents

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

4.10 Employee benefits and post-employment benefits

Short-term employee benefits

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

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

4. Summary of significant accounting policies (continued)

4.10 Employee benefits and post-employment benefits (continued)

Post-employment obligation

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

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

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

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

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

4.11 Provisions

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

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

4.12 Trade payables

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

4.13 Biological assets

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

Breeder birds

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

Hatchery eggs

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

Broilers

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

4.14 Government grants

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

4. Summary of significant accounting policies (continued)

4.15 Revenue recognition

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

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

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

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

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

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

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

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

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

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

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

Sale of goods:

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

Construction of poultry farms:

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

4 . Summary of significant accounting policies (continued)

4.15 Revenue recognition (continued)

Construction of poultry farms (continued):

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

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

4.16 General and administrative expenses

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

4.17 Selling and distribution expenses

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

4.18 Zakat

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

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

4.19 Leases

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

Group as a lessee

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

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

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

4. Summary of significant accounting policies (continued)

4.19 Leases (continued)

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

Group as a lessor

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

4.20 Trade receivable

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

4.21 Earnings per share

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

4.22 Segmental Reporting

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

Segment results that are reported to the Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4.23 Share capital

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

4.24 Contributed capital

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

5. First time adoption of IFRS

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

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

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

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

SUPREME FOODS COMPANY LIMITED
(A Limited Liability Company)
Notes to the consolidated financial statements for the year ended December 31, 2018G
(All amounts in Saudi Riyals unless otherwise stated)

6. Reconciliations

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

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

(All amounts in Saudi Riyals unless otherwise stated)

6. Reconciliations (continued)

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

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

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6. Reconciliations (continued)

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

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

6. Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

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

Classification

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

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

Transfer from CWIP to leasehold improvements

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

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

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

Classification:

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

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

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

(iii) Actuarial valuation

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

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

6. Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS (continued)

(iv) Impact of IFRS adoption on Government grants

Government grant for Human Resource Development Fund ("HRDF"):

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

Government grant on import of raw material:

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

(v) Contract assets

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

(vi) Impact of IFRS adoption on Leasing arrangements

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

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

6. Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

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

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

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

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

(viii) Impact of IFRS on revenue recognition

Sales return

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

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

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

Uninstalled equipment

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

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

6. Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

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

Sale of goods at CIF basis

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

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

(ix) Fair valuation and classification of investments

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

Reclassification of investments

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

Dividend and investment income

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

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

Impact of fair valuation

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

(All amounts in Saudi Riyals unless otherwise stated)

6. Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

(x) Statement of cash flows

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

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

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

(xi) Reclassification

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

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

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

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

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7. Interests in other entities

7.1 Material subsidiaries

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

7. Interests in other entities (continued)

7.2 Non-controlling interests (NCI)

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

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

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

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7. Interests in other entities (continued)

7.2 Non-controlling interests (NCI)

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

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

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

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7. Interests in other entities (continued)

7.2 Non-controlling interests (NCI) (continued)

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

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

7.3 Transactions with non-controlling interests

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

	December 31, 2018G	December 31, 2017G
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	-	-

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7. Interests in other entities (continued)

7.4 Details of the sale of subsidiary

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

	December 31, 2018G	December 31, 2017G
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, 2018G) were:

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

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

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

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8. Property, plant and equipment

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

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

Depreciation for the year has been allocated as follows:

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

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9. Intangible assets

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

10. Financial assets at fair value through other comprehensive income

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

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

10.2 Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

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

10.3 Amounts recognised in profit or loss and other comprehensive income

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

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

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

10.4 Fair value and risk exposure

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

10.5 Disposal of equity investments

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

11. Inventories

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

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

Movement in provision of slow moving inventories:

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

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12. Biological assets

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

As at December 31, 2018G the Group had 6.6 million broiler chicks (December 31, 2017G: 5.2 million broiler chicks). Further, 72.9 million broiler chicks were slaughtered during the year ended December 31, 2018G (December 31, 2017G: 57.8 million). As at December 31, 2018G the Group had 1.1 million breeder birds and 4.1 million hatchery eggs (December 31, 2017G: 0.87 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 overhead)].	• Mortality of birds • Average weight of birds • Sales price of fully grown bird less cost to sell.	The estimated fair value would increase/ (decrease) if: Mortality was lower / (higher). Average weight of birds higher/ (lower). Selling price of fully grown bird less cost to sell was higher/ (lower).

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

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

- Mortality rate of the birds have been determined based on the historical rate and environmental factors.
- The broilers grow at different rates and there can be a considerable spread in the quality and weight of broilers that affects the price achieved. An average weight is assumed for the slaughter broiler livestock that are not yet at marketable weight.

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13. Assets and liabilities related to contracts with customers

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

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

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

Revenue recognised in relation to contract liabilities

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

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

14. Trade receivables

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

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

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

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

Movement in provision of trade receivables:

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

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15. Prepayments and other receivables

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

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

Movements in government subsidy receivable are as follows:

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

16. Cash and cash equivalents

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

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

Reconciliation to cash flow statement:

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

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

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17. Share capital

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

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

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

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

18. Statutory reserve

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

19. Employee benefits obligations

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

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

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19. Employee benefits obligations (continued)

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

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

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

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

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

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

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

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

Discount rate:

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

Future salary growth:

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

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

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

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20. Borrowings

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

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

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

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

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

21. Trade payables

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

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

22. Accrued and other liabilities

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

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

(All amounts in Saudi Riyals unless otherwise stated)

23. Zakat provision

23.1 Components of zakat base

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

23.2 Provision for zakat

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

23.3 Status of final assessments

The Company has finalized its zakat assessments with the GAZT upto 2002G. Further, the Company accrued for zakat for the years from 2011G to 2013G on consolidated basis as the Company, had obtained an approval from GAZT to file consolidated zakat declaration. During 2014G 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 2014G through 2017G. ADC, DHV, SFPC have filed the seprate zakat return for the years ended December 31, 2014G to 2017G.

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

(All amounts in Saudi Riyals unless otherwise stated)

24. Related parties transactions and balances

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

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

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

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

24.1 Transactions with key management personnel

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

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

24.2 Other related parties transactions

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

(All amounts in Saudi Riyals unless otherwise stated)

24. Related parties transactions and balances (continued)

24.3 Related party balances

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

(i) Trade receivable - related parties

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

(ii) Trade payable - related parties

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

(iv) Advance paid to a related party

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

(v) Due to a related party

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

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

25. Revenues

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

(All amounts in Saudi Riyals unless otherwise stated)

25. Revenues (continued)

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

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

26. Cost of revenues

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

27. General and administrative expenses

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

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28. Selling and distribution expenses

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

29. Other income, net

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

30. Commitments and operating lease

30.1 Commitments

- The capital expenditure contracted by the Group but not incurred till December 31, 2018G was approximately Saudi Riyals 0.21 million (December 31, 2017G: Saudi Riyals 0.21 million).
- The bank issued guarantees on behalf of the Group amounting to Saudi Riyals 21.6 million (December 31, 2017G: Saudi Riyals 11 million). The Group also has letters of credit issued on its behalf in the normal course of business amounting to Saudi Riyals 33.4 million at December 31, 2018G (2017G: Saudi Riyals 6 million).

30.2 Operating lease

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

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

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

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31. Financial Instruments

31.1 Fair value measurement of financial instruments

a) Recognised fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Fair value hierarchy

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

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

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31. Financial Instruments (continued)

31.1 Fair value measurement of financial instruments (continued)

b) Fair value hierarchy

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

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

c) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

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

e) Valuation process

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

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

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial Instruments (continued)

31.2 Risk management framework

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

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

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

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

a) Credit risk

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

- **Risk management**

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

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

- **Impairment of financial assets**

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial Instruments (continued)

31.2 Risk management framework (continued)

a) Credit risk (continued)

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

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

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

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

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

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

December 31, 2018G	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**

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial Instruments (continued)

31.2 Risk management framework (continued)

a) Credit risk (continued)

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

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

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial Instruments (continued)

31.2 Risk management framework (continued)

b) Liquidity risk

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

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

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

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

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

31. Financial Instruments (continued)

31.2 Risk management framework (continued)

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. while optimizing the return. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

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

i) Currency risk

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

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

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

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

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

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31. Financial Instruments (continued)

31.2 Risk management framework (continued)

iii) Price risk

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

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

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

d) Capital management

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

d) Capital management (continued)

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

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

(All amounts in Saudi Riyals unless otherwise stated)

31. Financial Instruments (continued)

31.2 Risk management framework (continued)

e) Financial risk management strategies for biological assets

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

a) Regulatory and Environmental Risk

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

b) Climate and Other Risks

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

32. (Loss) / earnings per share

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

i) Basic / diluted earnings per share

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

ii) Reconciliations of earnings used in calculating earnings per share

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

iii) Reconciliations of earnings used in calculating earnings per share

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

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33. Segment information

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

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

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

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

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

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

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

(All amounts in Saudi Riyals unless otherwise stated)

34. Cash flow information

(a) Net debt reconciliation

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

Borrowings of the company carry variable interest rates.

(b) Net debt reconciliation

	Cash and cash equivalents	Borrowings - repayable within one year	Total
January 1, 2017G	(21,803,980)	(297,894,487)	**(319,698,467)**
Cash flows	59,923,203	(43,263,524)	**16,659,679**
December 31 2017G	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 2018G	20,381,882	(277,602,677)	**(257,220,795)**

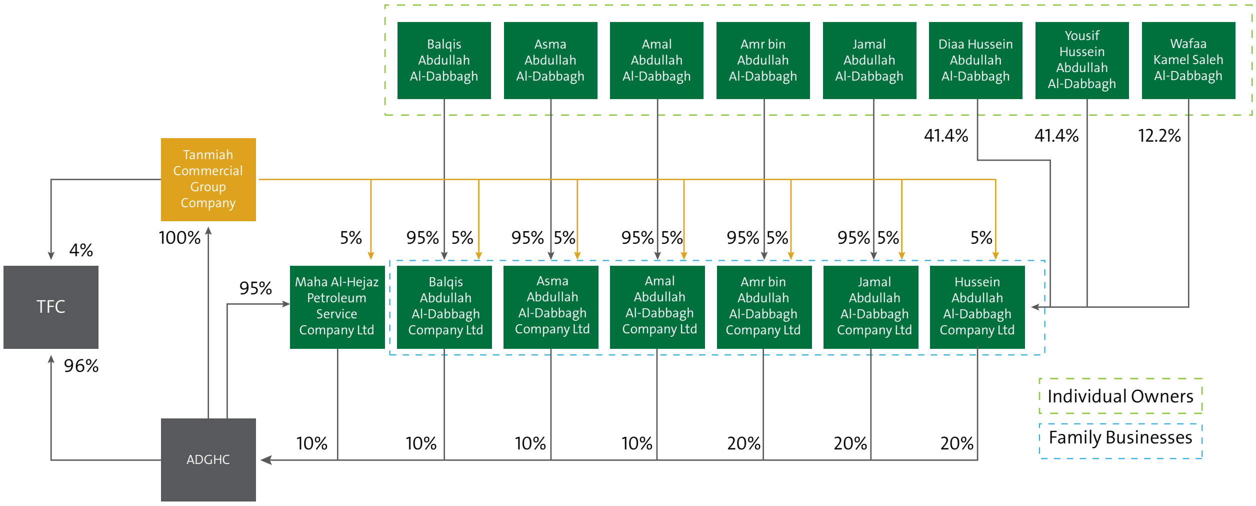
35. Approval of financial statements

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

Appendix A

This appendix contains a breakdown of the ultimate individual owners of the Company and their indirect ownership percentages in the Company.

Exhibit A.1: Ownership Structure of the Company



Based on the ownership structure of the Company shown in the figure above (for further details, see Section 4.4 (**Current Ownership Structure**) of the Prospectus), the structure is as follows:

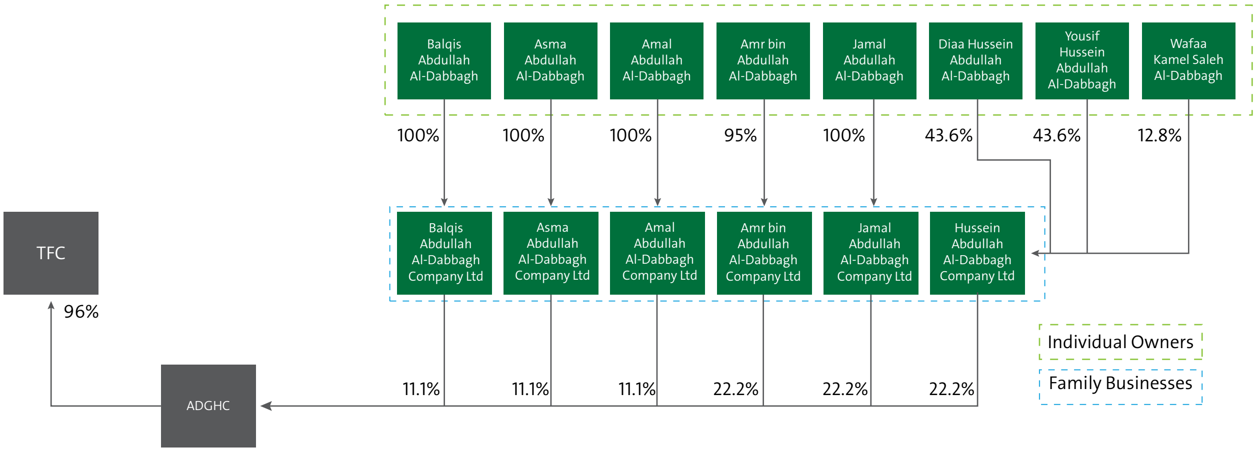
- The Company is wholly owned (directly and indirectly) by ADGHC, since ADGHC owns 96% of the Company and 100% of Tanmiah Commercial Group, which holds 4% of the Company;
- ADGHC is ultimately and wholly owned by eight individuals (the "**Individual Owners**"), whose names appear in the figure above;
- ADGHC is owned by Individual Owners through six family companies (the "**Family Businesses**") illustrated in the chart above; and
- ADGHC has circular interests (that is, subsidiaries hold stakes in each other), due to:
  - the interests of Tanmiah Commercial Group (wholly owned by ADGHC) in the aforementioned Family Businesses, with the Family Businesses collectively holding 90% of ADGHC; and
  - ADGHC's interests in Maha AlHejaz for Petroleum Services, which in turn holds 10% of ADGHC.

Thus, for the purpose of calculating the total ownership percentages of ultimate individuals in the Company, the following circular interests referred to above must be disregarded:

	Procedure	Result	Rationale
1	Add Tanmiah Commercial Group's interest in Maha AlHejaz for Petroleum Services (5%) to ADGHC's interest (95%)	Maha AlHejaz for Petroleum Services becomes wholly owned by ADGHC	Tanmiah Commercial Group is wholly owned by ADGHC
2	Disregard Tanmiah Commercial Group's interest in the aforementioned Family Businesses (5% from each Family Business) to Individual Owners on a pro-rata basis	Each of the Family Businesses becomes wholly owned by Individual Owners	Tanmiah Commercial Group is wholly owned by ADGHC, which is owned by the Family Businesses
3	Disregard the interest of Maha AlHejaz for Petroleum Services in ADGHC (10%) to Family Businesses on a pro-rata basis	The interest of Maha AlHejaz for Petroleum Services in ADGHC is cancelled	Maha AlHejaz for Petroleum Services is wholly owned by ADGHC (according to Row No. 1 of this table), which is owned by the Family Businesses

As such, the following chart sets out the ownership structure of the Company after adopting the previous procedures:

Exhibit A.2: Structure of Ultimate Individuals' Ownership of the Company



Based on the foregoing, the Individual Owners' indirect ownership percentages in the Company are as follows:

Table A.1: Indirect Ownership Percentages of Individual Owners in the Company Pre- and Post-Offering:

Indirect Owners	Indirect Ownership Percentage in the Company Pre-Offering	Indirect Ownership Percentage in the Company Post-Offering
Diaa Hussein Abdullah AlDabbagh	9.7%	6.8%
Yousif Hussein Abdullah AlDabbagh	9.7%	6.8%
Wafaa Kamel Saleh Al-Dabbagh	2.9%	2.0%
Jamal Abdullah Al-Dabbagh	22.2%	15.6%
Amr Abdullah Al-Dabbagh	22.2%	15.6%
Balqis Abdullah Al-Dabbagh	11.1%	7.8%
Amal Abdullah Al-Dabbagh	11.1%	7.8%
Asma Abdullah Al-Dabbagh	11.1%	7.8%
Total	**100.00%**	**70.0%**

Appendix B

This Appendix contains details of the lease agreements entered into by the Company and its Subsidiaries. The following table presents the main details of such agreements.

Table B.1: Details of the Lease Agreements Entered Into by the Group

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
1	The Company	Heirs of Sheikh Abdul Aziz AlMangour	Al-Rabwa, Riyadh, Kingdom (ADC Administrative Office)	0.04 acres (178 sqm)	The annual rent amount is SAR 1,200,000.	Five years commencing from 29/2/1438H (corresponding to 29 November 2016G)
2	The Company	HH Prince Sultan Mohammed AlKabeer	Al-Malaz, Riyadh, Kingdom (general warehouse)	0.25 acres (1000 sqm)	The annual rent amount is SAR 650,000.	One year effective as of 15/8/1440H (corresponding to 1 February 2017H). The agreement is subject to automatic renewal for one Gregorian year, unless either party gives written notice to the other at least three months prior to the end of any term.
3	The Company	Hassan bin Ali Al-Saleh	Cordoba, Hofuf, Kingdom of Saudi Arabia (general warehouse)	0.20 acres (800 sqm.)	The annual rent amount is SAR 143,750	Five years from 5/17/14H (corresponding to 1 January 2021G). The term of lease is renewable only upon a written agreement between the parties.
4	ADC	Abdulrahman bin Abdullah bin Ali Al-Muaqbel	Al-Majmaah, Kingdom (Al-Muqbel-1 farm)	115.64 acres (468,000 sqm)	The annual rent amount is SAR 426,603.	Five years effective as of 26/10/1439H (corresponding to 10 July 2018G).
5	ADC	Abdulrahman bin Abdullah bin Ali Al-Muaqbel	Al-Majmaah, Kingdom (Al-Muqbel-2 farm)	115.64 acres (468,000 sqm)	The annual rent amount is SAR 433,500.	Five years commencing from 24/6/1440H (corresponding to 1 March 2019G). The term of lease is renewable only upon a written agreement between the parties.
6	ADC	Saad Abdulmohsin AlSahli	Al-Majmaah, Kingdom of Saudi Arabia (Saad-1 farm)	14 acres (56,600 sqm)	The annual rent amount is SAR 400,000.	Three years commencing from 20/11/1441H (corresponding to 23 July 2019G). The term of lease is renewable only upon a written agreement between the parties.
7	ADC	Saad Abdulmohsin AlSahli	Al-Majmaah, Kingdom of Saudi Arabia (Saad-2 farm)	2 acres (7,920 sqm)	The annual rent amount is SAR 400,000.	Three years effective as of the date the property is received, on 14/2/1442H (corresponding to 1 October 2020G).
8	ADC	Fozan Othman Al-Muhrij	South of Al-Majmaah, Kingdom of Saudi Arabia (Al-Majmaah farm)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 340,000.	Five years commencing from 29/6/1438H (corresponding to 28 March 2017G). The term of lease is renewable only upon a written agreement between the parties.
9	ADC	Suliman Mohammad AlHuqail	South of Al-Majmaah, west of Al-Hair Road, Kingdom of Saudi Arabia (Al-Huqail farm)	37.06 acres (150,000 sqm)	The annual rent amount is SAR 300,000.	11 years effective as of 12/3/1433H (corresponding to 4 February 2012G).

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
10	ADC	Naif Fayhan AlMutairi	North of Al-Majmaah, Kingdom of Saudi Arabia (Al-Mutairi farm)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 312,000 for the first five years, and SAR 612,000 for the next five years.	Ten years commencing from 14/8/1436H (corresponding to 1 June 2015G). The term of lease is renewable only upon a written notice from the Lessee to the Lessor six months prior to the expiry of any term.
11	ADC	Obaid Abdullah Al-Mutairi	North of Al-Majmaah, Kingdom of Saudi Arabia (Obaid farm)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 420,000.	Ten years commencing from 5/7/1436H (corresponding to 24 April 2015G). The term of lease is renewable only upon a written agreement between the parties.
12	ADC	Fawzan Othman Fawzan AlMahraj	West of Al-Majmaah, Al-Ruwaidah Al-Ammar Road, Riyadh, Kingdom of Saudi Arabia, (Al-Fawzan farm 1 and 2)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 450,000.	Five years commencing from 15/7/1439H (corresponding to 1 April 2018G). The term of lease is renewable only upon a written agreement between the parties.
13	ADC	Suliman Fahad Al-Aqeely	Al-Majmaah, Wrat Valley, Hotat Sudair, Kingdom of Saudi Arabia (Sudair farm)	18.78 acres (76,000 sqm)	The annual rent amount is SAR 578,000.	Five years commencing from 11/7/1438H (corresponding to 8 April 2017G). The term of lease is renewable only upon a written agreement between the parties.
14	ADC	Aqeel Anz AlMaimoni AlMutairi	Al-Majmaah, Kingdom of Saudi Arabia (Aqeel farm)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 350,000.	12 years commencing from 20/7/1436H (corresponding to 9 May 2015G). The term of lease is renewable only upon a written agreement between the parties.
15	ADC	Ibrahim Abdulrahman AlRuwaished	South of Al-Majmaah, Kingdom (Al-Hair farm)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 289,000.	Five years commencing from 13/6/1439H (corresponding to 1 March 2018G). The term of lease is renewable only upon a written agreement between the parties.
16	ADC	Mansour Ahmed Al-Askar	Al-Majmaah, Kingdom (Al-Ammar farm)	24.71 acres (100,000 sqm)	The annual rent amount is SAR 360,000.	Ten Hijri years commencing from 3/8/1435H (corresponding to 1 June 2014G). The term of lease is renewable only upon a written agreement between the parties.
17	ADC	Sultanah Othman AT-Thomiry	Al-Majmaah, Riyadh, Kingdom (Sultanah farm)	265.63 acres (1,075,000 sqm)	The annual rent amount is SAR 616,500.	Five years commencing from 5/6/1438H (corresponding to 4 March 2017G). The term of lease is renewable only upon a written agreement between the parties.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
18	ADC	Sultanah Othman AT-Thomiry	West of Merat, Riyadh, Kingdom (Sultanah-2 farm)	74.13 acres (300,000 sqm)	The annual rent amount is SAR 450,000.	Five years commencing from 20/11/1439H (corresponding to 2 August 2018G). The term of lease is renewable only upon a written agreement between the parties.
19	ADC	Saleh Mohammed Abdulaziz AlSaleem	Al-Washem, East of Merat, Kingdom (Merat 2 farm)	32.12 acres (130,000 sqm)	The annual rent amount is SAR 380,000.	Five years commencing from 6/2/1437H (corresponding to 18 November 2015G). The agreement shall automatically be renewed, unless either party notifies the other of its intent not to renew six months in advance.
20	ADC	Saud Mohammed Abdulaziz bin Saleem	Al-Majmaah, Kingdom (Merat 3 farm)	7.41 acres (30,000 sqm)	The annual rent amount is SAR 400,000.	Five years commencing from 2/6/1438H (corresponding to 1 March 2017G). The agreement shall be renewed automatically, unless either party notifies the other of its intent not to renew three months prior to its expiry.
21	ADC	Saad Abdullah Al-Sa'airi	Sudair, Kingdom (Al-Rifa farm)	22.55 acres (91,250 sqm)	The annual rent amount is SAR 484,500.	Five years commencing from 22/3/1440H (corresponding to 30 November 2018G). The term of lease is renewable only upon a written agreement between the parties.
22	ADC	AlReef AlArabia Poultry Est.	Al-Ghat, Kingdom (AlReef farm 1, 2, 3 and 4)	77.83 acres (315,000 sqm)	The annual rent amount is SAR 1,240,000.	Two years commencing from 28/8/1439H (corresponding to 14 May 2018G).[1] The term of lease is renewable only upon a written notice from the Lessee to the Lessor six months prior to the expiry of any term.
23	ADC	Muhammed Abdulrahman Abaneme	Al-Ghat, Kingdom (Abaneme farm)	14.57 acres (59,000 sqm)	The annual rent amount is SAR 400,000.	Five years commencing from 27/7/1438H (corresponding to 24 April 2017G). The term of lease is renewable only upon a written agreement between the parties.
24	ADC	Alqassab Poultry	Al-Ghat, Kingdom (AlGhat farm 1, 2, 3 and 4)	6.92 acres (28,000 m^2)	The annual rent amount is SAR 1,200,000.	Five years commencing from 2/2/1441H (corresponding to 1 October 2019G). The lease term is renewable by the tenant's written notice.

1 The agreement has expired and is under renewal by the Company.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
25	ADC	Aisha bint Jaza Masha'an AlOtaibi	Shaqra, Riyadh, Kingdom (Otaibi farm 1 and 2)	22.23 acres (90,000 sqm)	The annual rent amount is SAR 720,000.	Five years commencing from 15/11/1438H (corresponding to 7 August 2017G). The term of lease is renewable only upon a written agreement between the parties.
26	ADC	Abdullah Abdulrahman Alshuaami	Shaqra, Kingdom (Tariq farm)	37.06 acres (150,000 sqm)	The annual rent amount is SAR 394,200.	Five years commencing from 9/1/1438H (corresponding to 10 October 2016G). The agreement is subject to automatic renewal for an unlimited period, unless either party notifies the other of its intent not to renew at least three months prior to the expiry of the original term.
27	ADC	Muhammed Meghim Muhammed AlMizani AlMutairi	West of Shaqra, Kingdom (Al-Mizani 1 and 2)	56.83 acres (230,000 sqm)	The annual rent amount is SAR 984,000.	Five years commencing from 19/8/1442H (corresponding to 1 April 2021G). The term of lease is renewable only upon a written agreement between the parties.
28	ADC	Eisa Muhammed Al-Eisa	Shaqra, West of Merat, Riyadh, Kingdom (Matyaha farm)	148.26 acres (600,000 sqm)	The annual rent amount is SAR 414,000.	Three years commencing from 19/7/1439H (corresponding to 4 May 2018G)[2].
29	ADC	Eisa Muhammed Al-Eisa	Shaqra, Southeast of Al-Qassab, Kingdom (Eisa-1 farm)	22.84 acres (92,409 sqm)	The annual rent amount is SAR 427,500.	Five years commencing from 30/12/1437H (corresponding to 1 October 2016G).
30	ADC	Eisa Muhammed Al-Eisa	Shaqra, Southeast of Al-Qassab, Kingdom (Eisa-3 farm)	18.53 acres (75,000 sqm)	The annual rent amount is SAR 475,000.	Five years commencing from 25/8/1437H (corresponding to 1 June 2016G). The term of lease is renewable only upon a written notice from the Lessee to the Lessor six months prior to the expiry of any term.
31	ADC	Saud Mohammed bin Saleem	Shaqra, Northwest of Al-Qassab, Kingdom (AlQassab farm)	13.83 acres (56,000 sqm)	The annual rent amount is SAR 250,000.	Five years commencing from 14/4/1440H (corresponding to 27 December 2018G). The term of lease is renewable only upon a written agreement between the parties.
32	ADC	Fatin Muhammed Gabbashi	Thadiq, Riyadh, Kingdom (Gabbashi farm)	6.18 acres (25,000 sqm)	The annual rent amount is SAR 184,000.	Eight years commencing from 10/5/1436H (corresponding to 1 March 2015G). The term of lease is renewable only upon a written agreement between the parties.

2 The agreement has expired and is under renewal by the Company.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
33	ADC	Muhammad bin Abdulaziz bin Nasir Al-Muhsen	North of Thadiq, Riyadh, Kingdom (Muhsen-3 farm)	124.5 acres (499,787sqm)	The annual rent amount is SAR 290,000.	Six months commencing from 17/9/1439H (corresponding to 1 June 2018G).[3]
34	ADC	Muhammad bin Abdulaziz bin Nasir Al-Muhsen	North of Thadiq, Riyadh, Kingdom (Muhsen-6 farm)	19.12 acres (77,391 sqm)	The annual rent amount is SAR 325,800.	Five years effective as of one month after the property is received on 2/5/1438H (corresponding to 30 January 2017G).
35	ADC	Abdulaziz Mohammed AlSubaie	Northeast of Thadiq, Riyadh, Kingdom (AlAwad-1 farm)	768.74 acres (3,111,000 sqm)	The annual rent amount is SAR 250,000.	Five years commencing from 15/7/1439H (corresponding to 1 April 2018G). The term of lease is renewable only upon a written agreement between the parties.
36	ADC	Abdulaziz Mohammed AlSubaie	Northeast of Thadiq, Riyadh, Kingdom (AlAwad-2 farm)	1.01 acres (4,120 sqm)	The annual rent amount is SAR 250,000.	Five years commencing from 15/7/1439H (corresponding to 1 April 2018G). The term of lease is renewable only upon a written agreement between the parties.
37	ADC	Abdulmuhsin Saad Al-Sahli	Thadiq, Kingdom (Ismaeeliah farm)	16.5 acres (67,000 sqm)	The annual rent amount is SAR 456,000.	Five years commencing from 5/3/1440H (corresponding to 14 November 2018G). The term of lease is renewable only upon a written agreement between the parties.
38	ADC	Abdulmuhsin Saad Al-Sahli	Thadeq, Kingdom (Malham Farm)	12.4 acres (50,000 sqm)	The annual rent amount is SAR 330,000.	Five years effective as of one month after the property is received, noting that ADC has not received the property as of the date of this Prospectus. The term of lease is renewable only upon a written agreement between the parties.
39	ADC	Mohammad bin Sultan Al-Otaibi	Al-Dahna, Kingdom (Dahna-1 farm)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 378,000.	Five years commencing from 26/2/1438H (corresponding to 26 November 2016G).
40	ADC	Ahmed Abdulaziz bin Eid	Al-Dahna, Kingdom (Dahna3 farm)	66.71 acres (270,000 sqm)	The annual rent amount is SAR 405,000.	Five years commencing from 19/1/1438H (corresponding to 20 October 2016G). The agreement is subject to automatic renewal, unless either party notifies the other of its intent not to renew one year prior to the expiry of the agreement.

3 The agreement has expired and is under renewal by the Company.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
41	ADC	Bander Abdulaziz bin Eid	Al-Dahna, Kingdom (Dahna4 farm)	1,911 acres (7,732,000 sqm)	The annual rent amount is SAR 405,000.	Five years commencing from 1/2/1438H (corresponding to 1 November 2016G). The agreement is subject to automatic renewal, unless either party notifies the other of its intent not to renew one year prior to the expiry of the term.
42	ADC	Abdullah Moqhem Ibrahim Al-Moqhem	Al-Dahna, Kingdom (AlMoqhem 1 farm)	148.26 acres (600,000 sqm)	The annual rent amount is SAR 432,000.	Five years commencing from 2/3/1438H (corresponding to 1 December 2016G). The agreement is subject to automatic renewal, unless either party notifies the other of its intent not to renew at least three months prior to the expiry of the original term.
43	ADC	Abdullah Moqhem Ibrahim Al-Moqhem	Al-Dahna, Kingdom (AlMoqhem 2 farm)	23,682 acres (95,838,000 sqm)	The annual rent amount is SAR 576,000.	Five years commencing from 1/2/1438H (corresponding to 1 November 2016G).
44	ADC	Faris bin Shanouf Al-Subaie	Huraymila, Kingdom (Bakhtak (1) farm)	958 acres (3,875,000 sqm)	The annual rent amount is SAR 1,750,000.	Five years commencing from 14/4/1440H (corresponding to 21 December 2018G).
45	ADC	Bakhtak Contracting Company Ltd.	Huraymila, Kingdom (Bakhtak (2) farm).	958 acres (3,875,000 sqm)	The annual rent amount is SAR 350,000.	Five years commencing from 14/4/1440H (corresponding to 21 December 2018G).
46	ADC	Khalid Assaf AlOtaibi	Addwadmi, Kingdom (Onizii farm)	102.54 acres (415,000 sqm)	The annual rent amount is SAR 441,000.	Five years commencing from 10/12/1438H (corresponding to 1 September 2017G). The agreement is subject to automatic renewal, unless either notifies the other of its intent not to renew six months prior to the expiry of the term.
47	ADC	Saab Abdulaziz Al-Matroudi	South of AlMajmaah, Kingdom (Al-Matroudi farm)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 450,000.	Five years commencing from 10/3/1440H (corresponding to 19 November 2018G). The term of lease is renewable only upon a written agreement between the parties.
48	ADC	Al Murabba Investment Company	Al-Majmaah, Kingdom of Saudi Arabia (Al-Hamadah farm)	39.5 acres (160,000 sqm)	The annual rent amount is SAR 1,440,000.	One year commencing from 29/11/1440H (corresponding to 1 August 2019G). The agreement is subject to automatic renewal, unless either notifies the other of its intent not to renew three months prior to the expiry of the term.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
49	ADC	Mutab Mohammad Al-Huqail	South of Al-Majmaah, Kingdom (Andalus Farm)	2.31 acres (9,340 sqm)	The annual rent amount is SAR 480,000. The annual rent is to be paid in two equal instalments.	Five years effective as of the date the property is received, noting that ADC has not received the property as of the date of this Prospectus. The term of lease is renewable only upon a written agreement between the parties.
50	ADC	Al Murabba Investment Company	Southwest of Hajrat Al Shaab, Al Majmaah, Kingdom (Ghazwani Farm 1)	0.58 acres (2,340 sqm)	The annual rent amount is SAR 360,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	Two years from the date the property was handed over on 13/1/1442H (corresponding to 1 September 2020G). The term of lease is renewable only upon a written agreement between the parties.
51	ADC	Al Murabba Investment Company	Southwest of Hajrat Al Shaab, Al Majmaah, Kingdom (Ghazwani Farm 2)	0.58 acres (2,340 sqm)	The annual rent amount is SAR 360,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	Two years from the date the property was handed over on 13/1/1442H (corresponding to 1 September 2020G). The term of lease is renewable only upon a written agreement between the parties.
52	ADC	Al Murabba Investment Company	Sudair, Kingdom (Al-Rudaini Farm 1)	1.49 acres (6,048 sqm)	The annual rent amount is SAR 240,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	Two years from the date the property was handed over on 13/1/1442H (corresponding to 1 September 2020G). The term of lease is renewable only upon a written agreement between the parties.
53	ADC	Al Murabba Investment Company	Sudair, Kingdom (Al-Rudaini Farm 2)	1.49 acres (6,048 sqm)	The annual rent amount is SAR 240,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	Two years from the date the property was handed over on 13/1/1442H (corresponding to 1 September 2020G) The term of lease is renewable only upon a written agreement between the parties.
54	ADC	Al Murabba Investment Company	Southwest of Al Shaab, Al Majmaah, Kingdom (Al-Fuhaid Farm)	1.90 acres (7,700 sqm)	The annual rent amount is SAR 300,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	Two years from the date the property was handed over on 13/1/1442H (corresponding to 1 September 2020G). The term of lease is renewable only upon a written agreement between the parties.
55	ADC	Al Murabba Investment Company	West of Al Shaab, Al Majmaah, Kingdom (Al Jawda Farm)	2.21 acres (8,928 sqm)	The annual rent amount is SAR 240,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	Two years from the date the property was handed over on 13/1/1442H (corresponding to 1 September 2020G). The term of lease is renewable only upon a written agreement between the parties.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
56	ADC	Al Murabba Investment Company	West of Al Shaab, Sudair, Kingdom (Al Mutlaq Farm)	1.01 acres (4,080 sqm)	The annual rent amount is SAR 300,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	Two years from the date the property was handed over on 13/1/1442H (corresponding to 1 September 2020G). The term of lease is renewable only upon a written agreement between the parties.
57	ADC	Al Murabba Investment Company	South of Al Majmaah, Kingdom (Almajhid Farm)	2.22 acres (9,000 sqm)	The annual rent amount is SAR 360,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	One year and ten months from the date the property was handed over on 14/2/1442H (corresponding to 1 October 2020G) until 2/1/1444H (corresponding to 31 July 2022G). The term of lease is renewable only upon a written agreement between the parties.
58	ADC	Al Murabba Investment Company	Al Shaab, Al-Majmaah, Kingdom (Farah Farm)	1.39 acres (5,600 sqm)	The annual rent amount is SAR 240,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	One year and seven months from the date the property was handed over on 14/2/1442H (corresponding to 1 October 2020G) until 2/11/1444H (corresponding to 31 May 2022G). The term of lease is renewable only upon a written agreement between the parties.
59	ADC	Al Murabba Investment Company	Hotat Sudair, Al Majmaah, Kingdom (Mashari Farm)	2.05 acres (8,928 sqm)	The annual rent amount is SAR 360,000. The annual rent for the first year is to be paid in one instalment, and in four equal instalments for the next years.	Two years and four months from the date the property is handed over until 27/7/1444H (corresponding to 18 February 2023G), noting that ADC has not received the property as of the date of this Prospectus. The term of lease is renewable only upon a written agreement between the parties.
60	ADC	Al Manara Maintenance & Operation Company	Aflaj, Kingdom of Saudi Arabia (Al Murabaa Farm (1) and (2))	12.4 acres (50,400 sqm)	The annual rent amounts to SAR 150,000 per house, and the farm contains 36 houses.	Ten years effective as of 25/4/1440H (corresponding to 1 January 2019G) The term of lease is renewable only upon a written agreement between the parties.
61	ADC	Suleiman bin Ibrahem bin Saleem	West of Merat, Riyadh, Kingdom (Sulaeiman Bin Salem farm)	247 acres (1,000,000 sqm)	The annual rent amount is SAR 630,000.	Five years effective as of 4/5/1438H (corresponding to 1 February 2017G). The term of lease is renewable only upon a written notice from the Lessee to the Lessor six months prior to the expiry of any term.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
62	ADC	Suleiman bin Ibrahem bin Saleem	West of Merat, Riyadh, Kingdom (Sulaeiman Bin Salem (2) farm)	247 acres (1,000,000 sqm)	The annual rent amount is SAR 960,000.	Five years effective as of 3/7/1442H (corresponding to 15 February 2021G). The term of lease is renewable only upon a written agreement between the parties.
63	ADC	Abdulaziz Abdulmuhsin Saad Al-Sahli	North of Al-Dahna, Kingdom (Al-Sahli farm)	41.51 acres (168,000 sqm)	The annual rent is SAR 870,000.	Eight years commencing from 18/12/1436H (corresponding to 1 October 2015G). The term of lease is renewable only upon a written agreement between the parties.
64	ADC	Mohammad bin Sultan Al-Otaibi	Al-Dahna, Kingdom (Dahna-2 farm)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 384,300.	Five years commencing from 8/3/1438H (corresponding to 7 December 2016G). The agreement is subject to automatic renewal, unless either party notifies the other of its intent not to renew three months prior to the expiry of the term.
65	ADC	Abdulaziz Fahad Thonayan	Al-Dahna, Kingdom (Abdulaziz farm)	24.71 acres (100,000 sqm)	The annual rent amount is SAR 548,998.	Five years commencing from 17/4/1438H (corresponding to 15 January 2017G). The agreement is subject to automatic renewal at the discretion of the Lessee, unless either party notifies the other of its intent not to renew three months prior to the expiry of the term.
66	ADC	Hamoud Sultan Mohammad Al-Hlais Al-Otaibi	West of Al-Dahna, Shaqra, Kingdom (Sultan farm (1) and (2))	12.35 acres (50,000 sqm)	The annual rent amount is SAR 765,000.	Four years effective as of 10/3/1440H (corresponding to 18 November 2018G).
67	ADC	Saud Mohammed Abdulaziz bin Saleem	Shaqra, Kingdom (Shaqra farm)	197.68 acres (800,000 sqm)	The annual rent amount is SAR 480,000.	Five years commencing from 2/6/1438H (corresponding to 1 March 2017G). The agreement is subject to automatic renewal, unless either party notifies the other of its intent not to renew three months prior to the expiry of the term.
68	ADC	Saud Mohammed Abdulaziz bin Saleem	West of Shaqra, Kingdom (Saud farm)	59.79 acres (242,000 sqm)	The annual rent amount is SAR 1,206,000.	Ten years effective as of 10/8/1435H (corresponding to 9 June 2014G). The term of lease is renewable only upon a written agreement between the parties.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
69	ADC	Ahmad Muhammad Abdulaziz bin Saleem	West of Shaqra, Kingdom (Khozama farm)	54,892 acres (22,214,000 sqm)	The annual rent amount is SAR 960,000.	Ten years effective as of 16/6/1438H (corresponding to 15 March 2017G). The term of lease is renewable only upon a written notice from the Lessee to the Lessor six months prior to the expiry of any term.
70	ADC	Al-Mudah Poultry Company	Al-Aflaj, North of Lila, Kingdom (Al-Mudah farm)	24.71 acres (100,000 sqm)	The annual rent amount is SAR 800,000.	Five years commencing from 3/6/1438H (corresponding to 2 March 2017G). The term of lease is renewable only upon a written notice from the Lessee to the Lessor six months prior to the expiry of any term.
71	ADC	Abdulrazaq Abdullah Al-Hur	North of Hail, Kingdom (Tariyah 2 farm, Omar farm, Aya farm, Hadil Farm, Doha farm, and Hail hatchery)	494.21 acres (2000,000 sqm)	The annual rent amount is SAR 600,000.	Eight years effective as of 8/11/1436H (corresponding to 23 August 2015G). The term of lease is renewable only upon a written agreement between the parties.
72	ADC	Abdu Razak Abdullah Al Hur	Al-Shenan, Hail, Kingdom (Al-Tariyah farm)	5.55 acres (22,464 sqm)	The annual rent is SAR 1,400,000 for years 1 and 2, and SAR 1,500,000 for the remaining years.	Five years commencing from 17/9/1439H (corresponding to 1 June 2018G). The term of lease is renewable only upon a written agreement between the parties.
73	ADC	Muhammed Abdullah Basudan	East of Al-Kharj, North of Asphalt, Kingdom of Saudi Arabia (Basudan farm)	14.18 acres (57,400 sqm)	The annual rent amount is SAR 550,000.	Eight years effective as of 26/11/1435H (corresponding to 21 September 2014G). The term of lease is renewable only upon a written agreement between the parties.
74	ADC	Abdul Majeed bin Ahmed bin Saleh AlShehab	Al-Ahsa, Kingdom of Saudi Arabia (Shehab Hatchery)	550 acres (2,226,000 sqm)	The annual rent amounts to SAR 1,250,000, paid in four equal instalments.	Five years commencing from 24/6/1439H (corresponding to 11 March 2018G). The term of lease is renewable for an additional year upon the agreement of both parties.
75	ADC	Nasser Nasha AlQahtani for Poultry Est. Branch	Al-Ahsa, Kingdom (AlNashi farm)	12.35 acres (50,000 sqm)	The annual rent amount is SAR 750,000.	Three years effective as of 29/8/1439H (corresponding to 15 May 2018G). The agreement is renewable for an additional year upon the agreement of both parties.[4]
76	ADC	Bakhtak Contracting Company Ltd.	Southeast of Salboukh, Riyadh, Kingdom (Bakhtak Processing Factory)	5 acres (20,000 sqm)	The annual rent amount is SAR 1,500,000.	Five years commencing from 14/4/1440H (corresponding to 21 December 2018G). The term of lease is renewable only upon a written agreement between the parties.

4 The agreement has expired and is under renewal by the Company

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
77	ADC	Muhammad bin Abdulaziz bin Nasir Al-Muhsen	West of Shaqra and North of Makkah Road, Kingdom (Al-Muhsen Processing Factory)	7.41 acres (30,000 sqm)	The annual rent amount is SAR 4,500,000. The annual rent for the land adjacent to the slaughterhouse is SAR 500,000.	Ten years effective as of 23/3/1440H (corresponding to 1 December 2018G). The term of lease is renewable only upon a written agreement between the parties.
78	Agricultural Development Company	Al-Fayrouz Poultry Farm	Farm 251, Al Ajban, Abu Dhabi, UAE (Turquoise Processing Factory)	-[4]	The annual rent is AED 500,000.	Three years to be effective one month after the date the agreement was signed, 25/4/1441H (corresponding to 22 December 2019G) or the date the property was handed over, whichever is earlier.
79	ADC	Abdu Razak Abdullah Al Hur	Hail, Kingdom (Aryn (2) farm)	556 acres (2,250,000 sqm)	The annual rent amount is SAR 660,000.	Five years effective as of 13/10/1437H (corresponding to 18 July 2016G). The term of lease is renewable only upon a written agreement between the parties.
80	ADC	Abdu Razak Abdullah Al Hur	Hail, Kingdom (Aryn (3) farm)	556 acres (2,250,000 sqm)	The annual rent amount is SAR 660,000.	Five years commencing from 15/3/1439H (corresponding to 3 December 2017G). The term of lease is renewable only upon a written agreement between the parties.
81	ADC	Saudi Authority for Industrial Cities and Technology Zones (MODON)	Jeddah First Industrial City, Kingdom (ADC feed factory)	2.24 acres (9,086 sqm)	The annual rent amount is SAR 45,430.	16 years effective as of 23/7/1438H (corresponding to 19 April 2017G).
82	ADC	Qasim Muhammad AlTammar	Al-Hafuf, Kingdom (veterinary pharmacy)	0.03 acres (102 sqm)	The annual rent amount is SAR 19,000.	One year as of 13/1/1442H (corresponding to 1 September 2020G).
83	ADC	Mubarak Saad AlHarbi	Tabuk, Kingdom (veterinary pharmacy)	0.01 acres (40 sqm)	The annual rent amount is SAR 20,000.	Five years commencing from 1/1/1440H (corresponding to 11 September 2018G).
84	ADC	Fawzan Mohamed AlFawzan	Sulai, Riyadh, Kingdom (general warehouse)	0.32 acres (1,277 sqm)	The annual rent amount is SAR 150,000.	One year from 1/11/1439H (corresponding to 14 July 2018G). The agreement is subject to automatic renewal for five years unless either party notifies the other of its intent not to renew two months prior to the expiry of the term.
85	ADC	Al-Manara for Operation and Maintenance Company	Riyadh, Kingdom (AlManara Plant and warehouse)	1,013 acres (4,100 sqm.)	The annual rent for years 1, 2, 3, 4 and 5 is SAR 3,500,000. The annual rent for years 6, 7, 8, 9 and 10 is SAR 3,800,000. The annual rent for years 11, 12, 13, 14 and 15 is SAR 4,235,000.	15 years effective as of 28/10/1437H (corresponding to 2 August 2016G). The term of lease is renewable only upon a written agreement between the parties.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
86	ADC	Abaker Warehousing & Distribution Co. Ltd.	Nakhil District, Jeddah, Kingdom (cooling warehouse)	0.49 acres (2000 sqm)	The annual rent amounts to SAR 1,100,000. In the event that the contract is renewed by mutual agreement of the parties, the annual rent will amount to SAR 1,300,000.	Five years effective as of 10/7/1440H (corresponding to 17 March 2019G).
87	ADC	Omar Ahmed Almuhsin and his Partners for Commerce and General Contracting	Faiha District, Dammam, Kingdom (cooling warehouse)	0.09 (381 sqm)	The annual rent amount is SAR 450,000.	Five years commencing from 16/7/1436H (corresponding to 5 May 2015G) The parties agreed to extend the lease for one year with effect from 13/9/1441H (corresponding to 6 May 2020G)[5]. The agreement may be renewed for a similar term upon the agreement of both parties.
88	ADC	Mataq Aid Muhsen AlMurwani AlJehani	Madinah, Kingdom of Saudi Arabia (administrative office)	0.02 acres (74 sqm)	The annual rent amount is SAR 30,000.	One year effective as of 28/10/1441H (corresponding to 20 June 2020G). The agreement may be renewed upon the agreement of the parties.
89	ADC	Muhammad Ayed Al-Nakhish	Istanbul Street, Riyadh, Kingdom of Saudi Arabia (administrative office)	0.02 acres (100 sqm)	The annual rent amount is SAR 13,000.	One year commencing from 25/3/1440H (corresponding to 3 December 2018G). The agreement is subject to automatic renewal unless either party notifies the other of its intent not to renew two months prior to the expiry of the term.
90	ADC	Ahmed Ibrahim Almazroa	Al-Nuzha Neighbourhood, Riyadh, Kingdom (administrative office - Al-Habot Apartment)	A large apartment.[6]	The annual rent amount is SAR 12,000.	One year effective as of 1/9/1440H (corresponding to 6 May 2019G). The agreement is subject to automatic renewal unless either party notifies the other one month prior to the expiry of the term.
91	Agricultural Development Company	Muhammad Saad Al-Shahrani	Sebya, Jizan, Kingdom (warehouse)	0.15 acres (600 sqm)	The annual rent amount is SAR 92,000.	Five years commencing from 13/1/1442H (corresponding to 1 September 2020G). The term of lease is renewable only upon a written agreement between the parties.
92	Agricultural Development Company	Turki bin Omar Alaeddin	Zamazma warehouses, Makkah, Kingdom (warehouse)	0.46 acres (1,845 sqm)	The annual rent amount is SAR 160,000.	Five years commencing from 24/3/1442H (corresponding to 10 November 2020G). The term of lease is renewable only upon a written agreement between the parties.

5 The agreement has expired and is under renewal by the Company.
6 The area is not available.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
93	Agricultural Development Company	Mezzan Saudi Trading Co.	Sulai, Riyadh, Kingdom (warehouse)	0.60 acres (2,400 sqm)	The annual rent amount is SAR 2,025,000.	Five years commencing from 17/5/1442H (corresponding to 1 January 2021G). The agreement is subject to automatic renewal unless either party notifies the other one month prior to the expiry of the term.
94	Agricultural Development Company	Madaen Star Group	Omar Bin Abdulaziz Street, Riyadh, Kingdom (warehouse)	0.07 acres (283.7 sqm)	The annual rent amount is SAR 430,479.	One year commencing from 14/5/1442H (corresponding to 29 December 2020G).
95	Agricultural Development Company	Ibrahim bin Suleiman AlBazai	East of Tabuk, Kingdom (warehouse)	0.4 acres (1,584 sqm)	The annual rent amount is SAR 172,500.	Two years commencing from 3/2/1442H (corresponding to 20 September 2020G). The term of lease is renewable only upon a written agreement between the parties.
96	Agricultural Development Company	Mohammed bin Sultan Muhammad AlThubaiti	Al-Dahna, Kingdom (warehouse)	1.2 acres (4,800 sqm)	The annual rent amount is SAR 99,360.	One year commencing from 17/5/1442H (corresponding to 1 January 2021G). The term of lease is renewable only upon a written agreement between the parties.
97	Agricultural Development Company	Muhammad Yahya Hamad Al-Zamanan	Al-Monjem, Najran, Kingdom (warehouse)	Unavailable[7]	The annual rent amount is SAR 26,000	Five years starting from 7/6/1441H (corresponding to 1 February 2020G).
98	Desert Hills Veterinary Services Company	Abdu Razak Abdullah Al Hur	Hail, Kingdom (Aryn (1) farm)	1,111 acres (4,500,000 sqm)	The annual rent amount is SAR 660,000.	Ten years effective as of 7/1/1437H (corresponding to 20 October 2015G). The term of lease is renewable only upon a written agreement between the parties.
99	Desert Hills Veterinary Services Company	Fawzan Mohamed AlFawzan	Sulai, Riyadh, Kingdom (general warehouse)	0.21 acres (864 sqm)	The annual rent amount is SAR 70,000.	One year from 1/11/1439H (corresponding to 14 July 2018G). The agreement is subject to automatic renewal for five years unless either party notifies the other of its intent not to renew two months prior to the expiry of the term.
100	SFPC	Saudi Authority for Industrial Cities and Technology Zones (MODON)	First Industrial City, Jeddah, Kingdom of Saudi Arabia (Additional food processing plant)	0.93 acres (3,774 sqm)	The annual rent amount is SAR 18,870.	14 years effective as of 8/6/1438H (corresponding to 7 March 2017G).
101	SFPC	Saudi Authority for Industrial Cities and Technology Zones (MODON)	Second Industrial City, Riyadh, Kingdom of Saudi Arabia (Additional food processing plant	1.12 acres (4,518 sqm)	The annual rent amount is SAR 18,072.	20 years effective as of 9/5/1438H (corresponding to 6 February 2017G).

7 The area is not available.

	Lessee	Lessor	Location	Area (Square Meter)	Annual Rent	Lease Term
102	SFPC	Ramat Trading Co. Ltd.	First Industrial City, Jeddah, Kingdom of Saudi Arabia (Workers' accommodation')	Four floors including the ground floor.[8]	The annual rent amount is SAR 140,000. The total rent for the entire period is SAR 420,000, provided a first payment of SAR 210,000 shall be made, and then the remaining amount shall be paid in two instalments every six months in the first year of the lease.	Five years commencing from 7/6/1441H (corresponding to 1 February 2020G).
103	SFPC	Mohammed Abdulaziz AlHamoud	The New Industrial City, Riyadh, Kingdom of Saudi Arabia (labour accommodation)	Three floors and a separate room.[9]	The annual rent amount is SAR 260,000.	Three years effective as of 18/5/1439H (corresponding to 4 February 2018G).[10]
104	SFPC	Abdullah Saleh Hamad Alshaiby	The Second Industrial City, Riyadh, Kingdom of Saudi Arabia (general warehouse)	0.03 acres (125 sqm)	The annual rent amount is SAR 90,000.	One year commencing from 15/1/1440H (corresponding to 25 September 2018G). The agreement is subject to automatic renewal, unless the Lessee notifies the Lessor of its intent not to renew one month prior to the expiry of the term or the Lessor notifies the Lessee of its intent not to renew two months prior to the expiry of the term.
105	PFF	Dubai Industrial City LLC	Dubai Industrial City 3	6.88 acres (27,857 sqm)	The annual rent is AED 1,109,463.50. The rent increment is reviewed on a yearly basis in line with the market value declared by the Land Department.	45 years effective as of 15/6/1429H (corresponding to 19 June 2008G).
106	SFC - Bahrain	Mohammed bin Mubarak Al Khalifa	Office No. 656A, Sitra Building, Bldg 656, Road 3517, Block 335, Umm Al Hassam	Unavailable[11]	The monthly rent amounts to BD 500 for the first two years, and BD 400 as of 1 January 2021.	Two years and two months effective as of 26/5/1440H (corresponding to 1 February 2019G) to 8/8/1442H (corresponding to 31 March 2021G).[12]
107	SFC - Bahrain	Wasm Real Estate Company	Units No. 3094, 3094B, 3094T, 3094C, and 3094G; Complex 111; the border	Unavailable[13]	The monthly rent is BD 1,300.	Five years starting from 19/9/1442H (corresponding to 1 May 2021G).

8 The area is not available.
9 The area is not available.
10 The agreement has expired and is under renewal by the SFPC.
11 The area is not available.
12 The agreement has expired and Supreme Foods Group – Bahrain is working to transfer its offices and operations to the new site at Complex 111 at the border.
13 The area is not available.

FRESH POULTRY

FROZEN POULTRY

READY TO COOK

ADDED VALUE PRODUCTS

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