

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED) AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTHS AND SIX MONTHS PERIOD
ENDED JUNE 30, 2023**

TANMLAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders of
Tanmiah Food Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Tanmiah Food Company, a Saudi Joint Stock Company (the "Company") and its subsidiaries (together the "Group") as at June 30, 2023, and the related interim condensed consolidated interim statement of profit or loss and other comprehensive income for the three months and six months period then ended and the interim condensed consolidated statements of changes in equity and cash flows for the six months period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated condensed financial information in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Deloitte and Touche & Co
Chartered Accountants



Mazen A. Al Omari
License No 480
26 Muharram 1445H
August 13, 2023



TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2023**

	Notes	For the three months period ended June 30,		For the six months period ended June 30,	
		2023 SR	2022 SR	2023 SR	2022 SR
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
CONTINUING OPERATIONS					
Revenue	15	498,657,726	436,103,281	983,137,477	776,722,926
Cost of sales		(392,713,766)	(326,864,908)	(757,243,434)	(597,058,641)
Gross profit		105,943,960	109,238,373	225,894,043	179,664,285
Selling and distribution expenses		(63,152,640)	(54,853,054)	(123,013,791)	(103,433,432)
General and administrative expenses		(23,605,805)	(25,728,370)	(49,385,489)	(49,558,074)
Impairment loss on financial assets		(1,350,000)	(525,000)	(3,450,000)	(825,000)
Other income		3,644,130	4,693,034	7,881,669	9,538,605
Share in net results of an associate	7	(1,044,767)	-	(1,453,686)	-
Operating profit		20,434,878	32,824,983	56,472,746	35,386,384
Finance costs		(5,187,419)	(6,811,098)	(13,634,512)	(11,489,445)
Profit before zakat		15,247,459	26,013,885	42,838,234	23,896,939
Zakat and income tax		(2,060,105)	(642,678)	(5,144,469)	(1,097,977)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		13,187,354	25,371,207	37,693,765	22,798,962
DISCONTINUED OPERATIONS					
Profit for the period from discontinued operations	1	-	4,828,341	-	8,942,568
PROFIT FOR THE PERIOD		13,187,354	30,199,548	37,693,765	31,741,530
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Re-measurements of employee benefit obligations		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		13,187,354	30,199,548	37,693,765	31,741,530

The accompanying notes form an integral part of these interim condensed consolidated financial information

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2023**

Notes	For the three months period ended June 30,		For the six months period ended June 30,		
	2023 SR	2022 SR	2023 SR	2022 SR	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Profit for the period and total comprehensive income for the period attributable to:					
<u>Owners of the Company</u>					
Profit for the period from continuing operations	11,412,766	25,371,207	32,400,449	22,798,962	
Profit for the period from discontinued operations	-	4,828,341	-	8,942,568	
Profit for the period attributable to owners of the Company	11,412,766	30,199,548	32,400,449	31,741,530	
<u>Non-controlling interests</u>					
Profit for the period from continuing operations	1,774,588	-	5,293,316	-	
	13,187,354	30,199,548	37,693,765	31,741,530	
Earnings per share attributable to owners of the Company:					
From continuing operations					
Basic and diluted earnings per share	14	0.57	1.27	1.62	1.14
From continuing and discontinued operations					
Basic and diluted earnings per share	14	0.57	1.51	1.62	1.59


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

The accompanying notes form an integral part of these interim condensed consolidated financial information

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2023

		June 30, 2023	December 31, 2022
	Notes	SR	SR
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	392,458,401	338,290,728
Right-of-use assets	6	414,045,682	348,711,825
Intangible assets		6,591,995	4,148,845
Financial assets at fair value through other comprehensive income		773,983	773,983
Investment in an associate	7	86,039,838	87,493,524
Total non-current assets		899,909,899	779,418,905
Current assets			
Biological assets	9	134,740,770	128,748,293
Inventories	8	292,574,887	288,202,232
Contract assets		16,400,376	11,358,204
Prepayments and other receivables		150,370,633	127,924,746
Trade receivables and other debtors		228,778,915	197,882,300
Cash and cash equivalents		285,034,247	267,048,085
Total current assets		1,107,899,828	1,021,163,860
TOTAL ASSETS		2,007,809,727	1,800,582,765
EQUITY AND LIABILITIES			
Equity			
Share capital	1	200,000,000	200,000,000
Statutory reserve		34,560,302	34,560,302
Other reserve		73,977,280	73,977,280
Retained earnings		268,412,955	305,832,956
Equity attributable to owners of the Company		576,950,537	614,370,538
Non-controlling interests		53,535,358	48,242,042
Total equity		630,485,895	662,612,580
Non-current liabilities			
Employee benefit obligations		94,412,072	86,252,675
Lease liabilities	6	334,030,157	264,323,720
Borrowings	10	61,543,000	40,593,000
Total non-current liabilities		489,985,229	391,169,395
Current liabilities			
Borrowings	10	387,954,563	267,835,956
Trade payables, accruals and other liabilities		433,499,141	412,632,557
Lease liabilities	6	58,889,989	55,819,552
Provision for zakat and income tax	11	6,994,910	10,512,725
Total current liabilities		887,338,603	746,800,790
Total liabilities		1,377,323,832	1,137,970,185
TOTAL EQUITY AND LIABILITIES		2,007,809,727	1,800,582,765


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

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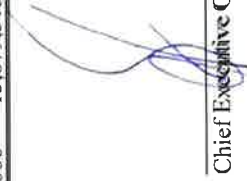
TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023**

	Share capital SR	Statutory reserve SR	Other reserve SR	Retained earnings SR	Total shareholders' equity SR	Non controlling interest SR	Total SR
Balance at January 1, 2023 (audited)	200,000,000	34,560,302	73,977,280	305,832,956	614,370,538	48,242,042	662,612,580
Net profit for the period	-	-	-	32,400,449	32,400,449	5,293,316	37,693,765
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	32,400,449	32,400,449	5,293,316	37,693,765
Dividend distribution (note 16)	-	-	-	(69,820,450)	(69,820,450)	-	(69,820,450)
Balance at June 30, 2023 (unaudited)	200,000,000	34,560,302	73,977,280	268,412,955	576,950,537	53,535,358	630,485,895
Balance at January 1, 2022 (audited)	200,000,000	15,879,313	-	140,323,346	356,202,659	-	356,202,659
Net profit for the period	-	-	-	31,741,530	31,741,530	-	31,741,530
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	31,741,530	31,741,530	-	31,741,530
Dividend distribution (note 16)	-	-	-	(10,198,135)	(10,198,135)	-	(10,198,135)
Zakat reimbursed by the shareholder	-	-	-	27,590	27,590	-	27,590
Balance at June 30, 2022 (unaudited)	200,000,000	15,879,313	-	161,894,331	377,773,644	-	377,773,644



Chairman of the Board of Directors



Chief Executive Officer



Chief Financial Officer

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TANMIAH FOOD COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

	Note	June 30, 2023 SR	June 30, 2022 SR
		(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and income tax from continuing operations		42,838,234	23,896,939
Profit before zakat and income tax from discontinued operations	1	-	11,749,681
		42,838,234	35,646,620
Adjustments for:			
Depreciation on property, plant and equipment	5	16,524,126	13,081,070
Depreciation on right-of-use assets	6	45,849,422	42,928,437
Amortisation of intangible assets		331,260	306,043
Impairment loss on financial assets		3,450,000	1,145,000
Provision for slow-moving inventories	8	4,507,887	2,668,257
Net (gain) loss on disposal of property, plant and equipment		(28,500)	2,553
Share of loss from an associate	7	1,453,686	-
Provision for employee benefit obligations		9,878,388	9,114,895
Government subsidy accrued		(41,755,892)	(20,812,195)
(Gain) loss on termination of lease contracts	6	(207,802)	281,361
Finance costs		4,292,444	6,888,554
Interest on lease liabilities	6	9,342,068	7,484,170
Changes in operating assets and liabilities:			
Biological assets		(5,992,477)	(29,517,349)
Inventories		(8,880,542)	(77,936,105)
Contract assets		(5,042,172)	343,546
Prepayments and other receivables		(20,420,154)	(22,225,277)
Trade receivables and other debtors		(34,346,615)	(17,849,672)
Government subsidy received		39,730,159	19,594,449
Trade payable, accruals and other liabilities		17,519,002	90,124,526
Cash generated from operations		79,042,522	61,268,883
Employee benefit obligations paid		(1,718,991)	(2,361,633)
Zakat and income tax paid		(8,662,284)	(5,595,838)
Finance costs paid		(4,365,897)	(5,994,051)
Net cash generated from operating activities		64,295,350	47,317,361
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment	5	(71,454,309)	(40,617,435)
Proceeds from disposal of property, plant and equipment		28,510	5,812
Payments for additions to intangible assets		(2,011,910)	(1,392,788)
Net cash used in investing activities		(73,437,709)	(42,004,411)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments	6	(47,540,671)	(53,232,378)
Short term borrowings		156,654,959	12,714,651
Proceeds from long-term borrowings		20,950,000	26,495,802
Repayment of long-term borrowings		(33,115,317)	(42,275,029)
Dividends paid	16	(69,820,450)	(10,198,135)
Net cash generated from (used in) financing activities		27,128,521	(66,495,089)
Net increase (decrease) in cash and cash equivalents		17,986,162	(61,182,139)
Cash and cash equivalents at the beginning of the period		267,048,085	185,891,241
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		285,034,247	124,709,102

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023

	Note	Six-month period ended	
		June 30, 2023 SR (unaudited)	June 30, 2022 SR (unaudited)
<u>Supplemental non-cash information:</u>			
Employee termination benefits transferred from accrued and other liabilities		-	973,160
Addition to right-of-use asset and lease liabilities	6	121,462,915	163,961,051
Reimbursement of zakat by the shareholder		-	27,590
Lease liabilities written off due to termination of lease contracts	6	10,487,438	2,635,899
Right-of-use assets written off due to termination of lease contracts	6	(10,279,636)	(2,917,260)

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Chairman of the Board of Directors



Chief Executive Officer



Chief Financial Officer

The accompanying notes form an integral part of these interim condensed consolidated financial information

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2023**

1. CORPORATE INFORMATION

Tanmiah Food Company (the “Company”) is a Saudi Joint Stock Company registered under commercial registration number 1010087483. The Company’s head office is located at P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia. The Company and its various subsidiaries (collectively the “Group”) are registered in the Kingdom of Saudi Arabia as well as in United Arab Emirates (“UAE”) and in the Kingdom of Bahrain (“Bahrain”).

The Group is principally engaged in food and agriculture business which include manufacturing, wholesale and retail trading in foodstuff, preparation of animal and poultry feeds for commercial purposes, construction of poultry farms, retail and wholesale trading in poultry equipment and restaurant outlets with related services.

At June 30, 2023 and December 31, 2022, the Company’s share capital of SR 200 million consisted of 20 million issued and fully paid shares of SR 10 each.

The Group’s principal subsidiaries and associate at June 30, 2023 and December 31, 2022 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 June 30, 2023	Effective ownership at December 31, 2022	Principal activities
Agricultural Development Company Limited (“ADC”)	Kingdom of Saudi Arabia	85%	85%	Wholesale trading in poultry products and agricultural produce
Desert Hills Veterinary Services Company Limited (“DHV”)	Kingdom of 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.
Gulf Brand for Fast Foods Company (“GBFFC”)	Kingdom of Saudi Arabia	100%	100%	Restaurant outlets with related services
Supreme Foods Bahrain W.L.L. (“SFB”)	Kingdom of Bahrain	85%*	85%	General trading
Al Tanmiah International General Trading L.L.C (Formerly Dabbagh International (UAE) (L.L.C))	United Arab Emirates (UAE)	100%	100%	Dormant company
Tanmiah Restaurants for Fast Food Company	Kingdom of Saudi Arabia	100%	-	Restaurants with buffets (cafeterias), fast food activities, activities for serving meals only, etc.

* SFB is a wholly owned subsidiary of ADC.

In February 2023 the Group has entered into a memorandum of understanding through one of its subsidiaries (DHV) with an international group in Europe to establish a joint venture for developing and operating poultry breeding facilities and will also include the establishment of a greenfield hatchery in the Kingdom of Saudi Arabia.

In March 2023, the Group received additional subsidy amounting to SR 15.29 million in relation to the import of feed material. The Group has recognised the subsidy amount in the interim condensed consolidated statement of comprehensive income under cost of sales in lines with the accounting policy mentioned in the consolidated financial statements as at December 31, 2022.

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(CONTINUED)
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2023

1. CORPORATE INFORMATION (CONTINUED)

In 2022, the Group had entered into an agreement with a US based company Tyson International Holding Company, a wholly owned subsidiary of Tyson Foods, Inc., a company listed in the New York Stock Exchange (“Tyson”) and agreed to sell equity stakes in each of the Group’s wholly owned subsidiaries, Agricultural Development Company (“ADC”) and Supreme Foods Processing Company (“SFPC”). The Group had completed the completion conditions under the Sale Purchase Agreement (SPA) and management had announced the completion of the transaction on the Tadawul stock exchange on November 2, 2022. The Group maintained 85% ownership in ADC and 40% ownership in SFPC. Effective November 1, 2022 the Group by virtue of its contractual right to appoint two out of the five directors to the board of directors in SFPC assessed significant influence and classified SFPC as an associate.

<u>Associate/ Subsidiary</u>	<u>Country of incorporation</u>	<u>Effective ownership at June 30, 2023</u>	<u>Effective ownership at June 30, 2022</u>	<u>Principal activities</u>
Supreme Foods Processing Company Limited (“SFPC”)	Kingdom of Saudi Arabia	40%	100%	Manufacturing and preparation of various types of meat products.
Perfect Foods Factory LLC (“PFF”) *	United Arab Emirates (UAE)	40%	100%	Manufacturing and sale of meat and poultry products

* PFF is a wholly owned subsidiary of SFPC.

The results of the discontinued operations for SFPC, which have been included in the comparative statement of comprehensive income for the period ended June 30, 2022 including inter-company transaction of SR 12.1 million for revenue and cost of sales were as follows:

	Period ended June 30, 2022 SR (unaudited)
Revenue	201,282,259
Expenses	<u>(189,532,578)</u>
Profit for the period	11,749,681
Zakat expense	<u>(2,807,113)</u>
Profit for the period from discontinued operations	<u>8,942,568</u>

During the period June 30, 2022, SFPC and its subsidiary PFF contributed SR 8.56 million to the Group’s net operating cash flows, paid SR 1.85 million in respect of investing activities and paid SR 0.96 million in respect of financing activities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(CONTINUED)
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim condensed consolidated financial information of the Group are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

This interim condensed consolidated financial information of the Group has been prepared in compliance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as endorsed by Saudi Organisation for Certified Public Accountants (SOCPA) and the requirements of the laws and regulations in Saudi Arabia.

This interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2022. IAS 34 states that the interim condensed consolidated financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than IFRS requires in annual financial statements.

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

This interim condensed consolidated financial information has been prepared on a historical cost basis, except for the following material items in the interim condensed 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, are measured at fair value.
- Equity investments at fair value through other comprehensive income ("FVOCI") are measured at fair value.

This interim condensed consolidated financial information is presented in Saudi Riyals (SR), which is the functional currency of all the Group entities except for Supreme Food Bahrain. The functional currency of Supreme Food Bahrain is Bahraini Dinar. The presentation currency of the Group is SR. This interim condensed consolidated financial information has been rounded-off to nearest SR, unless otherwise stated.

The activities of the Group are evenly spread throughout the year, therefore there is no seasonal or cyclical changes that affect the Group's operations.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New and amended standards adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of new standards, interpretations and amendments as of January 1, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(CONTINUED)
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2023

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

New and amended standards adopted by the Group (continued)

The following amendment applies for the first time in 2023, but do not have an impact on the interim condensed consolidated financial information of the Group:

- IFRS 17 Insurance contracts - effective from January 1, 2023
- Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent - effective from January 1, 2023
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies - effective from January 1, 2023
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates - effective from January 1, 2023
- Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction - effective from January 1, 2023

There has been no material impact on the interim condensed consolidated financial information of the Group upon adoption of the above amended standards.

New and amended standards not effective and not yet adopted by the Group

At the date of the interim condensed consolidated financial information, the following other standards, amendments and interpretations have not been effective and have not been early adopted by the Group:

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - effective date not yet decided
- Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback - effective from January 1, 2024

Management anticipates that the application of the above amendments in future periods will have no material impact on the interim condensed consolidated financial information of the Group in the period of initial application.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Preparation of the Group's interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period were the same as those described in the latest annual consolidated financial statements. The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group.

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(CONTINUED)
FOR THE THREE MONTHS AND SIX MONTHS PERIOD ENDED JUNE 30, 2023

5. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2023	December 31, 2022
	SR	SR
	(Unaudited)	(Audited)
Net book value at the beginning of the period / year	338,290,728	254,249,228
Additions	71,454,309	160,478,783
Disposal of a subsidiary (note 1)	-	(54,913,662)
Depreciation for the period/ year	(16,524,126)	(21,443,992)
Transfers	(762,500)	(76,251)
Disposals	(10)	(3,378)
Carrying value at the end of the period/ year	392,458,401	338,290,728

The additions during the six month period ended June 30, 2023 amounting to SR 71.5 million (December 31, 2022: SR 160.5 million), mainly represent additions to capital work-in-progress for construction of feed mill, expansion of the current capacity of the processing plant, hatchery expansion, restaurant expansion and office premises.

6. LEASES

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.

Right-of-use assets:

	June 30, 2023	December 31, 2022
	SR	SR
	(Unaudited)	(Audited)
Net book value at the beginning of the period / year	348,711,825	236,694,369
Additions	121,462,915	235,555,502
Disposal of a subsidiary (note 1)	-	(36,379,788)
Depreciation for the period/ year	(45,849,422)	(84,681,628)
Write off	(10,279,636)	(2,476,630)
Carrying value at the end of the period/ year	414,045,682	348,711,825

Lease Liabilities:

	June 30, 2023	December 31, 2022
	SR	SR
	(Unaudited)	(Audited)
At beginning of period / year	320,143,272	214,575,803
Additions	121,462,915	235,555,502
Write off	(10,487,438)	(2,196,354)
Interest	9,342,068	15,302,204
Disposal of a subsidiary (note 1)	-	(38,278,398)
Lease payments	(47,540,671)	(104,815,485)
At end of period / year	392,920,146	320,143,272

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6. LEASES (CONTINUED)

Lease liabilities are presented in the condensed consolidated interim statement of financial position as follows:

	June 30, 2023 SR	December 31, 2022 SR
	(Unaudited)	(Audited)
Lease liabilities		
Current	58,889,989	55,819,552
Non-current	334,030,157	264,323,720
	392,920,146	320,143,272

During the six-month period ended June 30, 2023, the Group has terminated a certain lease contracts and resultantly lease liabilities and right-of-use assets were written off and a net gain of SR 0.2 million (June 30, 2022: net loss of SR 0.3 million), was realised in the condensed consolidated interim statement of comprehensive income.

7. INVESTMENT IN AN ASSOCIATE

As stated in note 1, the Group entered into an agreement with Tyson to sell an equity stake in the Group's wholly owned subsidiary, Supreme Foods Processing Company ("SFPC"). The Group has completed the conditions of the SPA and management has announced the completion of the transaction on the Tadawul stock exchange on November 2, 2022.

After the transaction, the Group maintains a 40% ownership in SFPC. Effective November 1, 2022, the ownership has been changed and the legal formalities associated with the amendment of Articles of Association and commercial registration have been completed. The Group by virtue of its contractual right to appoint two out of the five directors to the board of directors has been assessed as significant influence in SFPC and classified it as an associate.

	June 30, 2023 SR	December 31, 2022 SR
	(Unaudited)	(Audited)
Opening balance	87,493,524	-
Fair value of the residual interest upon disposal of investment in subsidiary transferred to investment in associate	-	86,880,956
Share in (loss) income for the period/ year	(1,453,686)	284,324
Share in other comprehensive income	-	328,244
	86,039,838	87,493,524

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8. INVENTORIES

	June 30, 2023 SR	December 31, 2022 SR
	(Unaudited)	(Audited)
Raw materials	146,512,735	163,300,062
Poultry meats and other food stuff	55,515,472	46,219,457
Animal health products	39,642,149	41,231,021
Packaging materials	14,731,632	14,273,143
Spare parts	17,428,026	13,339,378
Equipment for sale	18,556,077	8,456,029
Other	12,578,848	9,470,214
	304,964,939	296,289,304
Less: provision for slow-moving inventories	(12,390,052)	(8,087,072)
	292,574,887	288,202,232

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

	June 30, 2023 SR	December 31, 2022 SR
	(Unaudited)	(Audited)
Opening balance	8,087,072	8,005,768
Additions during the period / year	4,507,887	3,085,571
Disposal of a subsidiary	-	(1,361,595)
Write-offs during the period / year	(204,907)	(1,642,672)
	12,390,052	8,087,072

9. BIOLOGICAL ASSETS

	June 30, 2023 SR	December 31, 2022 SR
	(Unaudited)	(Audited)
Broiler birds	37,204,249	30,330,718
Breeder birds – rearing & production	72,008,534	73,843,673
Hatchery eggs	25,527,987	24,573,902
	134,740,770	128,748,293

As at June 30, 2023, the Group had 12.8 million broiler birds (December 31, 2022: 11.0 million broiler birds). Further, 69.5 million broiler birds were slaughtered during the period ended June 30, 2023 (period ended June 30, 2022: 57.1 million broiler birds were slaughtered).

As at June 30, 2023 the Group had 1.5 million breeder birds and 20.3 million hatchery eggs (December 31, 2022: 1.5 million breeder birds and 20.0 million hatchery eggs).

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9. BIOLOGICAL ASSETS (CONTINUED)

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 - Processing loss - 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). -Processing loss was lower/ (higher) -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).

10. BORROWINGS

	June 30, 2023 SR	December 31, 2022 SR
	(Unaudited)	(Audited)
<i>Non-current</i>		
Long-term bank loan	61,543,000	73,708,317
Less: Current portion of medium-term bank loan	-	(33,115,317)
	61,543,000	40,593,000
<i>Current</i>		
Short-term bank loans	87,954,563	81,299,604
Short-term loan from Agricultural Development Fund ("ADF")	300,000,000	150,000,000
Current portion of medium-term bank loan	-	33,115,317
Interest payable*	-	3,421,035
	387,954,563	267,835,956

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10. BORROWINGS (CONTINUED)

* Interest payable for the six-months period ended June 30, 2023 has been classified under trade payables, accruals and other liabilities.

The Group has a long-term facility of EURO 48 million (SR 191.5 million) through its subsidiary for the purpose of building a new plant. The loan carries commission charge at EURIBOR plus 1.75% and the repayment in semi-annual equal instalments amounting to EURO 3.4 million which will start from 2025 over a period of seven years. As at June 30, 2023, the Group has drawn EURO 15.5 million (SR 61.5 million) of the total facility amount. The loan agreement contains certain financial covenants to be complied with during the term of the loan and as at June 30, 2023 the subsidiary is compliant with the financial covenants.

The short-term loan facilities from commercial banks bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") and Secured Overnight Financing Rate ("SOFR"). Short-term facilities are collateralised by promissory notes signed by the borrowing entities of the Group and cross and corporate guarantees from the entities of the Group. The short-term loan contain certain financial covenants to be complied with during the term of the loan and as at June 30, 2023 the Group companies are in compliant with the financial covenants.

In 2022, the Group obtained and fully drawn down an interest-free loan of SR 150 million from the ADF and obtained another interest-free loan of SR 150 million during the six-month period ended June 30, 2023 which has been drawn as at June 30, 2023. The loans are repayable in full within one year period, accordingly management assessed that the fair value of the loan approximates the carrying value of the loan.

The Group has settled the medium-term loan facilities of SR 33.1 million during the period ended June 30, 2023.

The average interest rates during the six-months period ended June 30, 2023 on the interest bearing facilities varied between 4.8% to 9.5% per annum (December 31, 2022: 1.7% to 8.0 % per annum).

11. ZAKAT AND INCOME TAX

The Company and its subsidiaries registered in Kingdom of Saudi Arabia file zakat declarations on unconsolidated basis. In 2022, as a result of adding a new foreign shareholder in ADC their income is subject to zakat and income tax.

The Zakat is based on the interim condensed financial information of the Group. The movement in Group's zakat provision is as follows:

	June 30, 2023	December 31, 2022
	SR	SR
	(Unaudited)	(Audited)
Opening balance	10,073,869	8,637,498
Provision for the period / year	2,792,215	8,997,973
Provision for prior year	783,183	-
Payment of zakat reimbursed by the shareholder	-	(110,221)
Reversal of provision	-	(1,818,435)
Payment	(8,232,706)	(4,171,280)
Disposal of a subsidiary	-	(1,461,666)
Closing balance	5,416,561	10,073,869

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11. ZAKAT AND INCOME TAX (CONTINUED)

The movement in Group's income tax provision is as follows:

	June 30, 2023 SR	December 31, 2022 SR
	(Unaudited)	(Audited)
Opening balance	438,856	-
Provision for the period / year	1,578,348	438,856
Reversal for prior year	(9,277)	-
Payment	(429,578)	-
Closing balance	1,578,349	438,856
Zakat and income tax payable	6,994,910	10,512,725

Deferred tax balances

Deferred tax adjustment has not been recognised in six months period ended June 30, 2023 and year ended December 31, 2022 as the impact is not material to the interim condensed consolidated financial information.

Status of final assessments

In 2019, Al Dabbagh Group Holding Company ("ADGHC"), the ultimate parent, had given a letter of undertaking whereby all liabilities related to additional zakat assessment up to the date of the Company being listed in Saudi Stock Exchange (Tadawul) which is on August 4, 2021 will be reimbursed to the Company by ADGHC.

In 2019, the Company obtained the approval from the ZATCA to file consolidated zakat return for the Company and its subsidiaries ADC, SFPC and DHV. The Company has finalised its zakat assessment with the ZATCA up to 2010. The Company has filed its consolidated zakat returns upto 2021 and filed its unconsolidated zakat return for the year 2022 as its subsidiaries are not 100% owned.

Various assessments with additional zakat claimed by the ZATCA have been received by the Company and its subsidiaries for the years 2015 to 2018, have either been objected or paid under protest by the Company and its subsidiaries. The total amount of additional zakat claimed by the ZATCA objected and paid under protest amounted to SR 5.7 million and SR 0.71 million respectively.

12. 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 parent.

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

<u>Name of related party</u>	<u>Nature of relationship</u>
ADGHC	Ultimate parent
National Scientific Company Limited ("NSCL")	Affiliate
Saed International for Istiqdam Company ("SAED")	Affiliate
Aldukan Limited Company ("Dukan")	Affiliate
Petromin Corporation ("Petromin")	Affiliate
Advanced Petroleum Services Limited ("APSL")	Affiliate
National Fuel Limited Company ("NFLC")	Affiliate
Petrolube Oil Company ("POC")	Affiliate
National Transportation Solutions Company	Affiliate
Supreme Foods Processing Company ("SFPC") and subsidiary	Associate

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12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

During the six-month periods ended June 30, 2023 and 2022, a number of transactions were carried out in the ordinary course of business with the affiliated companies, which are based on prices and contractual terms that are mutually agreed by management of the Group. The aggregate values of such transactions with affiliated companies are mentioned as follows:

Other related party transactions

	Six-months period ended	
	June 30, 2023	June 30, 2022
	SR	SR
	(Unaudited)	(Unaudited)
Sales to an affiliate	(3,615,430)	(7,804,472)
Sales to an associate	(8,319,862)	-
Payments on behalf of ultimate Parent	833,842	1,222,652
Rent cost to affiliates	636,882	287,500
Employee cost paid to an affiliate	190,136	432,602
Purchases of goods and services from affiliates	138,248	152,453
Purchases from an associate	1,712,700	-
Management fees charged to an associate	7,159,428	-
Others	215,708	-

Transactions with key management personnel

	Six-months period ended	
	June 30, 2023	June 30, 2022
	SR	SR
	(Unaudited)	(Unaudited)
Remuneration	8,485,170	8,116,325
Provision for employee benefit obligations	731,334	578,726
	9,216,504	8,695,051

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.

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12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related party balances

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

Due from related parties

	June 30, 2023 SR	December 31, 2022 SR
	(Unaudited)	(Audited)
SFPC	39,976,885	29,404,424
ADGHC	4,578,594	3,744,752
Dukan	4,354,417	3,439,766
NSCL	102,454	102,454
APSL	32,204	32,204
	49,044,554	36,723,600

Due to related parties

	June 30, 2023 SR	December 31, 2022 SR
	(Unaudited)	(Audited)
PFF	1,989,594	435,640
SAED	11,798	53,996
Petromin	3,263	3,263
	2,004,655	492,899

13. COMMITMENTS

Commitments

The capital expenditure contracted by the Group but not incurred until June 30, 2023 was SR 111.3 million (December 31, 2022: SR 144.8 million).

Bank guarantees issued amounting to SR 2.6 million (December 31, 2022: SR 2.8 million). The Group also has letters of credit issued on its behalf in the normal course of business amounting to SR 267.7 million (December 31, 2022: SR 278.5 million).

The group had share of letters of credit and letters of guarantees in an associate amounting to SR 0.05 million and SR 0.4 million (December 31, 2022: SR 1.3 million and SR 0.1 million) and capital commitment of SR 0.3 million (December 31, 2022: SR 6.5 million).

Short-term leases

The short-term lease commitments as of June 30, 2023 amount to SR 0.2 million (December 31, 2022: SR 1.0 million).

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14. 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 period. As the Group does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	Three-months period ended		Six-months period ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	SR	SR	SR	SR
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net profit attributable to owners of the Company	11,412,766	30,199,548	32,400,449	31,741,530
Adjustment to exclude gain for the period from discontinued operations	-	(4,828,341)	-	(8,942,568)
Net profit attributable to the owners of the Company from continuing operations for the purpose of basic and diluted earnings per share.	11,412,766	25,371,207	32,400,449	22,798,962
Weighted average number of Shares	20,000,000	20,000,000	20,000,000	20,000,000
From continuing operations				
Basic and diluted earnings per (Saudi Riyals per share) share	0.57	1.27	1.62	1.14
From discontinued operations				
Basic and diluted earnings per share (SR per share)	-	0.24	-	0.45
From continuing and discontinued operations				
Basic and diluted earnings per share (SR per share)	0.57	1.51	1.62	1.59

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15. SEGMENT AND GEOGRAPHICAL INFORMATION

The Group operates principally in a single business segment of Food and Agriculture 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. However, the Group operates in the following geographical areas:

	Poultry, food and agriculture										
	Three-months period ended June 30, 2023 (Unaudited)				Six-months period ended June 30, 2023 (Unaudited)						
	Kingdom of Saudi Arabia SR	United Arab Emirates SR	Bahrain SR	Other GCC countries SR	Total SR	Kingdom of Saudi Arabia SR	United Arab Emirates SR	Bahrain SR	Other GCC countries SR	Total SR	
Revenue from external customers											
<i>Timing of revenue recognition</i>											
At a point in time	465,416,441	-	24,347,590	-	489,764,031	920,584,970	-	51,271,287	390,045	972,246,302	
Over time	8,893,695	-	-	-	8,893,695	10,891,175	-	-	-	10,891,175	
	474,310,136	-	24,347,590	-	498,657,726	931,476,145	-	51,271,287	390,045	983,137,477	
	Poultry, food and agriculture										
	Three-months period ended June 30, 2022 (Unaudited)				Six-months period ended June 30, 2022 (Unaudited)						
	Kingdom of Saudi Arabia SR	United Arab Emirates SR	Bahrain SR	Other GCC countries SR	Total SR	Kingdom of Saudi Arabia SR	United Arab Emirates SR	Bahrain SR	Other GCC countries SR	Total SR	
Revenue from external customers											
<i>Timing of revenue recognition</i>											
At a point in time	409,869,425	261,441	25,015,329	-	435,146,195	721,524,249	3,843,237	46,636,073	607,600	772,611,159	
Over time	957,086	-	-	-	957,086	4,111,767	-	-	-	4,111,767	
	410,826,511	261,441	25,015,329	-	436,103,281	725,636,016	3,843,237	46,636,073	607,600	776,722,926	

The associate operates in the Kingdom of Saudi Arabia and United Arab Emirates.

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15. SEGMENT AND GEOGRAPHICAL INFORMATION (CONTINUED)

	June 30, 2023 (Unaudited)		
	Kingdom of Saudi Arabia SR	Kingdom of Bahrain SR	Total SR
Property, plant and equipment	392,088,694	369,707	392,458,401
Right-of-use assets	412,735,383	1,310,299	414,045,682
Intangible assets	6,519,554	72,441	6,591,995
Financial assets at FVOCI	773,983	-	773,983
	December 31, 2022 (Audited)		
	Kingdom of Saudi Arabia SR	Kingdom of Bahrain SR	Total SR
Property, plant and equipment	337,899,512	391,216	338,290,728
Right-of-use assets	347,750,092	961,733	348,711,825
Intangible assets	4,072,336	76,509	4,148,845
Financial assets at FVOCI	773,983	-	773,983

16. DIVIDENDS

On April 26, 2023, the shareholders in their meeting approved and distributed a cash dividend of SR 3.5 per share amounting to SR 69.8 million for the fiscal year 2022 (2022: SR 10.2 million).

17. SUBSEQUENT EVENTS

There were no events subsequent to June 30, 2023 and occurring before the date of the approval of the interim condensed consolidated financial information by the Board of Directors that are expected to have a significant impact on this interim condensed consolidated financial information.

18. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These interim condensed consolidated financial information for the six-month period ended June 30, 2023 were approved for issuance by the Board of Directors of the Group on August 13, 2023.