TANMIAH FOOD COMPANY
(A Saudi Joint Stock Company)

Consolidated Financial Statements
For the Year Ended December 31, 2021
And Independent Auditor's Report

TANMIAH FOOD COMPANY
(A Saudi Joint Stock Company)
Consolidated financial statements
For the year ended December 31, 2021

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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, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2021;
- 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.

Our audit approach

Overview

Key audit matter	• Carrying value of biological assets

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

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

Key audit matters

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

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Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Carrying value of biological assets As at December 31, 2021, the Group had biological assets, comprising breeder and broiler birds and hatchery eggs, with a carrying value of Saudi Riyals 87.6 million. IAS 41 "Agriculture" requires biological assets to be measured at fair value less cost to sell. Management of the Group measures the fair value of biological assets using the income approach which, using certain significant assumptions, calculates the present value of expected future cash flows from the Company's biological assets less cost to complete and sell. Furthermore, assessment of the quantity of breeder and broiler birds at the reporting date requires management to make estimations based on average age of the flock and average density per square meter. We considered this to be a key audit matter because of the significance of the carrying value of biological assets as at December 31, 2021 and because the assessment of the carrying value of biological assets requires significant estimations and judgments as mentioned above. *Refer to Note 4.13 to the accompanying consolidated financial statements for the accounting policy, Note 3.1 for the disclosure of critical accounting estimates and judgements and Note 11 for disclosures of other matters related to biological assets.*	Our audit procedures included the following: • Obtained understanding of the following processes followed by management in relation to the carrying value of biological assets at the reporting date: - fair valuation of biological assets; and - physical count of biological assets. • Tested the reasonableness of the methodology used by management in the fair valuation of the biological assets. This included assessing the appropriateness of the key assumptions applied by comparing them with actual historical outcomes of such assumptions, and the accuracy of the input data used in the valuation process by management. • Performed sensitivity analyses over key assumptions in the fair valuation model to assess the potential impact of a range of potential outcomes. • With respect to the quantities of biological assets at the reporting date: - selected a representative sample of count locations, observed and reperformed the physical count of biological assets as carried out by the management on a sample basis; and - testing the reasonableness of key assumptions used by management in calculating the quantities of biological assets as at the reporting date. This included assessing the appropriateness of the methodology and accuracy of the input data. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Independent auditor's report to the shareholders of Tanmiah Food Company (continued)

Other information

Management is responsible for the other information. The other information comprises information included in the Group's 2021 Board of Directors' report, (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the Group's 2021 Board of Directors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent auditor's report to the shareholders of Tanmiah Food Company (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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License Number 379

February 15, 2022

TANMIAH FOOD COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2021	As at December 31, 2020
Assets			
Non-current assets			
Property, plant and equipment	6	**254,249,228**	155,299,479
Right-of-use assets	7	**236,694,369**	199,730,189
Intangible assets	8	**2,667,011**	1,602,184
Financial assets at fair value through other comprehensive income	9	**773,983**	773,983
Total non-current assets		**494,384,591**	357,405,835
Current assets			
Inventories	10	**213,996,555**	138,997,671
Biological assets	11	**87,611,058**	82,232,958
Contract assets	12	**4,100,209**	1,969,388
Trade receivables and other debtors	13	**217,274,506**	472,357,282
Prepayments and other receivables	14	**124,388,769**	83,921,663
Cash and cash equivalents	15	**185,891,241**	60,459,134
Total current assets		**833,262,338**	839,938,096
Total assets		**1,327,646,929**	1,197,343,931
Equity and liabilities			
Equity			
Share capital	16	**200,000,000**	200,000,000
Statutory reserve	17	**15,879,313**	14,523,655
Retained earnings		**140,323,346**	133,011,913
Total equity		**356,202,659**	347,535,568
Liabilities			
Non-current liabilities			
Employee benefit obligations	18	**98,755,351**	82,555,204
Lease liabilities	7	**151,092,645**	124,023,286
Borrowings	19	**27,384,992**	-
Total non-current liabilities		**277,232,988**	206,578,490
Current liabilities			
Borrowings	19	**295,765,461**	313,440,367
Trade payables	20	**194,475,477**	161,394,704
Contract liabilities	12	**751,837**	-
Accrued and other liabilities	21	**131,097,851**	103,355,317
Lease liabilities	7	**63,483,158**	55,129,162
Provision for zakat	23	**8,637,498**	9,910,323
Total current liabilities		**694,211,282**	643,229,873
Total liabilities		**971,444,270**	849,808,363
Total equity and liabilities		**1,327,646,929**	1,197,343,931

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

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

TANMIAH FOOD COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2021	December 31, 2020
Revenue	24	**1,539,326,189**	1,211,932,954
Cost of sales	25	**(1,212,638,668)**	(902,287,666)
Gross profit		**326,687,521**	309,645,288
Selling and distribution expenses	26	**(188,984,933)**	(132,765,993)
General and administrative expenses	27	**(88,585,535)**	(66,281,106)
Impairment loss on financial assets	13	**(3,507,127)**	(4,405,605)
Other income		**952,940**	1,059,579
Operating profit		**46,562,866**	107,252,163
Finance costs	28	**(26,376,498)**	(25,719,671)
Profit before zakat		**20,186,368**	81,532,492
Zakat	23	**(6,629,785)**	(7,118,900)
Profit for the year		**13,556,583**	74,413,592
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Re-measurements of employee benefit obligations	18	**(5,708,553)**	(13,768,875)
Total comprehensive income for the year		**7,848,030**	60,644,717
Earnings per share attributable to owners of the Company:			
Basic and diluted earnings per share	31	**0.68**	3.72

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

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

TANMIAH FOOD COMPANY
(A Saudi 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, 2021	**200,000,000**	**14,523,655**	**133,011,913**	**347,535,568**
Profit for the year	-	-	13,556,583	13,556,583
Other comprehensive loss	-	-	(5,708,553)	(5,708,553)
Total comprehensive income for the year	-	-	7,848,030	7,848,030
Zakat reimbursed by the shareholder (Note 23)	-	-	819,061	819,061
Transfer	-	1,355,658	(1,355,658)	-
Balance at December 31, 2021	**200,000,000**	**15,879,313**	**140,323,346**	**356,202,659**
Balance at January 1, 2020	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, 2020	200,000,000	14,523,655	133,011,913	347,535,568

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

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

TANMIAH FOOD COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2021	December 31, 2020
Cash flows from operating activities			
Profit before zakat		**20,186,368**	81,532,492
Adjustments for:			
Depreciation on property, plant and equipment	6	**23,196,845**	21,093,964
Depreciation on right-of-use assets	7	**70,740,508**	54,517,938
Amortisation of intangible assets	8	**560,494**	542,559
Property, plant and equipment written-off	6	**6,041**	1,269
Impairment loss on financial assets	13	**3,507,127**	4,405,605
Provision for slow-moving inventories	10	**5,759,010**	3,214,630
Provision for employee benefit obligations	18	**14,902,059**	11,724,733
Net gain on disposal of property, plant and equipment		**(5,736)**	(113,811)
Loss / (gain) on termination of lease contracts	7	**100,259**	(994,747)
Interest on lease liabilities	7	**11,671,069**	10,712,655
Other finance costs	28	**14,705,429**	15,007,016
Government subsidy accrued during the year	14	**(49,870,724)**	(59,887,301)
Changes in operating assets and liabilities:			
Inventories		**(80,757,894)**	18,408,642
Trade receivables and other debtors		**251,575,649**	(46,132,982)
Biological assets		**(5,378,100)**	(25,191,802)
Contract assets		**(2,130,821)**	(369,441)
Prepayments and other receivables		**9,403,618**	46,367,372
Trade payables		**34,423,592**	15,810,888
Contract liabilities		**751,837**	-
Accrued and other liabilities		**27,742,534**	34,062,571
Cash generated from operations		**351,089,164**	184,712,250
Employee benefit obligations paid	18	**(4,501,336)**	(2,813,633)
Zakat paid	23	**(7,083,549)**	(5,200,328)
Finance costs paid		**(14,963,112)**	(15,609,400)
Net cash generated from operating activities		**324,541,167**	161,088,889
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	6	**(122,158,354)**	(38,511,126)
Payments for purchases of intangibles	8	**(1,625,321)**	(93,574)
Proceeds from disposal of property, plant and equipment		**11,455**	113,811
Net cash used in investing activities		**(123,772,220)**	(38,490,889)
Cash flows from financing activities			
Lease payments		**(85,304,609)**	(81,777,634)
Short-term borrowings		**(70,359,883)**	(4,280,062)
Proceeds from long-term borrowings		**88,010,602**	-
Repayments of long-term borrowings		**(7,682,950)**	-
Net cash used in financing activities		**(75,336,840)**	(86,057,696)

TANMIAH FOOD COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of cash flows (continued)
(All amounts in Saudi Riyals unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Net increase in cash and cash equivalents		**125,432,107**	36,540,304
Cash and cash equivalents at the beginning of the year		**60,459,134**	23,918,830
Cash and cash equivalents at the end of the year	15	**185,891,241**	60,459,134
Supplemental information for non-cash information			
Right-of-use assets written off due to termination of lease contracts	7	**(3,274,189)**	(3,182,086)
Lease liabilities written off due to termination of lease contracts	7	**1,921,982**	4,176,833
Receivable recognised from a lessor on termination of lease contracts	7	**1,251,948**	-
Reimbursement of zakat by the shareholder	23	**819,061**	-
Employee benefit obligations transferred from a related party	18	**90,871**	220,949
Employee benefit obligations transferred to a related party	18	-	(6,302,995)

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

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

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 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.

The Company's application with the Capital Market Authority ("CMA") for the Initial Public Offering (IPO) of 30% of its share capital, previously held by Al Dabbagh Group Holding Company ("ADGHC"), on the Saudi Stock Exchange (Tadawul) in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by CMA was approved and the Company's shares started trading on Tadawul on August 4, 2021. The Company has been categorised as a Saudi Joint Stock Company since then.

At December 31, 2021 and December 31, 2020, 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.

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 over last two years, the Group's management continues to proactively assess its impacts on its operations, specifically possible challenges posed by the outbreak of new variant - Omicron. The preventive measures taken by the Group in 2020 are still in effect including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, the Group's management believes that any new lockdown measures being reintroduced will not materially affect the underlying demand from the customers for the Group's products and forecast, since in last lockdown the operations remained largely unaffected as the food industry was exempted from the various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. Accordingly, the Group's management has considered the potential impacts of COVID-19 on the Group's operations and concluded that as of the date of approval of these consolidated financial statements, the COVID-19 pandemic has had no direct material impact on the Group's financial results and no significant changes are required to the judgements and key estimates used in the preparation of the Group's consolidated financial statements for the year ended December 31, 2021.

The Group continues to monitor the COVID-19 situation closely and at this time the Group management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2022 or beyond.

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 Chartered and Professional 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, 2021

The Group has applied the following standards and interpretations for the first time for the year ending December 31, 2021:

- Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39; and
- Covid-19-related Rent Concessions – Amendments to IFRS 16.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.3 Standards, interpretations and amendments issued but not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for December 31, 2021 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 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 Critical accounting estimates and judgments (continued)

3.2 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.

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 shareholders 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.

4 Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

(a) Subsidiaries

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.

(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.

4 Summary of significant accounting policies (continued)

4.2 Foreign currencies (continued)

(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.

4.3 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

<u>*Initial recognition*</u>

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.

4 Summary of significant accounting policies (continued)

4.4 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 – 30
Leasehold improvements	3 - 6.67
Machinery and equipment	4 – 15
Motor vehicles	4 - 6.67
Furniture and fixtures	6.67

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 Summary of significant accounting policies (continued)

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.

4.6 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 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 (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.

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.

4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

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. 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.

4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

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 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 Summary of significant accounting policies (continued)

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.

4.12 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 birds. 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 Zakat, Tax and Customs Authority (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 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.

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.

4 Summary of significant accounting policies (continued)

4.19 Leases (continued)

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 4.8 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 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 Subsidiaries

The Group's principal subsidiaries at December 31, 2021 and 2020 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 Subsidiaries (continued)

Subsidiary	**Country of incorporation**	**Effective ownership at December 31, 2021**	**Effective ownership at December 31, 2020**	**Principal activities**
Agricultural Development Company Limited ("ADC")	Kingdom of Saudi Arabia	**100%**	100%	Wholesale trading in poultry products and agricultural produce
Supreme Foods Processing Company Limited ("SFPC")	Kingdom of Saudi Arabia	**100%**	100%	Manufacturing and preparation of various types of meat products.
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.
Perfect Foods Factory LLC ("PFF")	United Arab Emirates (UAE)	**100%**	100%	Manufacturing and sale of meat and poultry products
Supreme Foods Bahrain W.L.L. ("SFB")	Kingdom of Bahrain	**100%**	100%	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
Gulf Brand for Fast Foods Company ("GBFFC")	Kingdom of Saudi Arabia	**100%**	-	Restaurant outlets with related services

During the year ended December 31, 2021, the Company has incorporated a subsidiary, GBFFC which commenced its operations in the month of December 2021.

(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, 2020	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, 2020	26,735,012	95,826,368	23,330,694	229,863,879	19,311,905	2,874,836	25,253,265	423,195,959
Additions	**18,900,000**	**8,304**	**400,109**	**19,558,137**	**-**	**382,997**	**82,908,807**	**122,158,354**
Write off	**-**	**-**	**-**	**(19,050)**	**-**	**-**	**-**	**(19,050)**
Transfers	**-**	**916,315**	**2,966,944**	**11,542,401**	**-**	**189,335**	**(15,614,995)**	**-**
Disposals	**-**	**-**	**-**	**(35,394)**	**-**	**-**	**-**	**(35,394)**
At December 31, 2021	**45,635,012**	**96,750,987**	**26,697,747**	**260,909,973**	**19,311,905**	**3,447,168**	**92,547,077**	**545,299,869**
Accumulated depreciation								
At January 1, 2020	-	(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, 2020	-	(58,115,728)	(16,265,891)	(171,907,303)	(19,085,940)	(2,521,618)	-	(267,896,480)
Depreciation charge	**-**	**(2,618,461)**	**(2,178,441)**	**(18,170,794)**	**(88,616)**	**(140,533)**	**-**	**(23,196,845)**
Write off	**-**	**-**	**-**	**13,009**	**-**	**-**	**-**	**13,009**
Disposals	**-**	**-**	**-**	**29,675**	**-**	**-**	**-**	**29,675**
At December 31, 2021	**-**	**(60,734,189)**	**(18,444,332)**	**(190,035,413)**	**(19,174,556)**	**(2,662,151)**	**-**	**(291,050,641)**
Net book value								
At December 31, 2020	26,735,012	37,710,640	7,064,803	57,956,576	225,965	353,218	25,253,265	155,299,479
At December 31, 2021	**45,635,012**	**36,016,798**	**8,253,415**	**70,874,560**	**137,349**	**785,017**	**92,547,077**	**254,249,228**

6.1 During the year ended December 31, 2021, the Group has issued a letter of undertaking to pledge two parcels of land held by ADC having a carrying value of Saudi Riyals 12.9 million and 0.8 million respectively, against borrowings taken from a commercial bank.

6.2 Capital work-in-progress represents costs incurred on construction of feed mill, expansion of the current capacity of the processing plant and tree plantation project which are expected to complete by 2022.

(All amounts in Saudi Riyals unless otherwise stated)

6 Property, plant and equipment (continued)

6.3 Depreciation charge for the year has been allocated as follows:

	Note	December 31, 2021	December 31, 2020
Cost of sales	25	**19,861,143**	18,731,132
Selling and distribution expenses	26	**2,918,194**	2,027,251
General and administrative expenses	27	**417,508**	335,581
		23,196,845	21,093,964

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, 2021 and 2020, the Group did not have any lease contracts classified as right-of-use asset that are variable in nature. As at December 31, 2021 and 2020 no lease contract 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) Right-of-use assets:

	Vehicles	Building	Total
2020			
Cost			
At January 1, 2020	47,188,077	187,948,103	235,136,180
Additions	20,242,480	49,438,527	69,681,007
Write off	-	(4,441,804)	(4,441,804)
At December 31, 2020	67,430,557	232,944,826	300,375,383
Accumulated depreciation			
At January 1, 2020	(10,711,359)	(36,675,615)	(47,386,974)
Depreciation for the year	(13,098,017)	(41,419,921)	(54,517,938)
Write off	-	1,259,718	1,259,718
At December 31, 2020	(23,809,376)	(76,835,818)	(100,645,194)
Net book value			
At December 31, 2020	43,621,181	156,109,008	199,730,189

(All amounts in Saudi Riyals unless otherwise stated)

7 **Leases** (continued)

(ii) Right-of-use assets (continued):

	Vehicles	Building	Total
2021			
Cost			
At January 1, 2021	**67,430,557**	**232,944,826**	**300,375,383**
Additions	**36,300,843**	**74,678,034**	**110,978,877**
Write off	**-**	**(3,925,797)**	**(3,925,797)**
At December 31, 2021	**103,731,400**	**303,697,063**	**407,428,463**
Accumulated depreciation			
At January 1, 2021	**(23,809,376)**	**(76,835,818)**	**(100,645,194)**
Depreciation for the year	**(19,539,365)**	**(51,201,143)**	**(70,740,508)**
Write off	**-**	**651,608**	**651,608**
At December 31, 2021	**(43,348,741)**	**(127,385,353)**	**(170,734,094)**
Net book value			
At December 31, 2021	**60,382,659**	**176,311,710**	**236,694,369**

(iii) Lease liabilities:

	2021	2020
At January 1	**179,152,448**	184,713,253
Additions	**110,978,877**	69,681,007
Write off	**(1,921,982)**	(4,176,833)
Lease payments	**(85,304,609)**	(81,777,634)
	202,904,734	168,439,793
Interest	**11,671,069**	10,712,655
At December 31	**214,575,803**	179,152,448

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

	December 31, 2021	December 31, 2020
Lease liabilities		
Current	**63,483,158**	55,129,162
Non-current	**151,092,645**	124,023,286
	214,575,803	179,152,448

During the year, the Group has terminated a few lease contracts and resultantly lease liabilities and right-of-use assets were written off and a net loss of Saudi Riyals 0.1 million (2020: net gain of Saudi Riyals 1.0 million) was realised in the consolidated statement of comprehensive income.

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

	Note	December 31, 2021	December 31, 2020
Cost of sales	25	**47,867,125**	40,600,846
Selling and distribution expenses	26	**21,394,467**	12,132,848
General and administrative expenses	27	**1,478,916**	1,784,244
		70,740,508	54,517,938

(All amounts in Saudi Riyals unless otherwise stated)

7 Leases (continued)

(v) Expense relating to short-term leases recognised in the consolidated statement of comprehensive income:

	December 31, 2021	December 31, 2020
Expense relating to short-term leases (included in cost of sales – Note 25, selling and distribution expenses – Note 26 and general and administrative expenses – Note 27)	**14,545,256**	14,827,757

8 Intangible assets

	Computer software	Area development fee	Total
Cost			
At January 1, 2020	13,831,840	-	13,831,840
Transfer from property, plant and equipment	669,013	-	669,013
Additions	93,574	-	93,574
At December 31, 2020	**14,594,427**	**-**	**14,594,427**
Additions	**-**	**1,625,321**	**1,625,321**
At December 31, 2021	**14,594,427**	**1,625,321**	**16,219,748**
Accumulated amortisation			
At January 1, 2020	(12,449,684)	-	(12,449,684)
Amortisation charge	(542,559)	-	(542,559)
At December 31, 2020	**(12,992,243)**	**-**	**(12,992,243)**
Amortisation charge	**(546,950)**	**(13,544)**	**(560,494)**
At December 31, 2021	**(13,539,193)**	**(13,544)**	**(13,552,737)**
Net book value			
At December 31, 2020	1,602,184	-	1,602,184
At December 31, 2021	**1,055,234**	**1,611,777**	**2,667,011**

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, 2021	December 31, 2020
Unlisted securities:		
Alexandria Copenhagen Company	**773,983**	773,983

Alexandria Copenhagen Company is a closed joint stock company registered under commercial registration number 11638 in Alexandria, Egypt. The Company is principally engaged in the production of dairy and meat products which includes raising livestock.

9.3 Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 30.

(All amounts in Saudi Riyals unless otherwise stated)

10 Inventories

	December 31, 2021	December 31, 2020
Raw materials	**127,636,326**	55,080,699
Poultry meats and other food items	**22,728,798**	19,777,310
Finished goods	**19,353,260**	17,531,797
Animal health products	**12,801,141**	15,204,345
Packaging materials	**13,722,745**	12,170,293
Spare parts	**12,033,956**	10,347,237
Equipment for sale	**6,933,771**	5,492,862
Goods-in-transit	**1,284,606**	3,803,952
Other	**5,507,720**	6,412,084
	222,002,323	145,820,579
Less: provision for slow-moving inventories	**(8,005,768)**	(6,822,908)
	213,996,555	138,997,671

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, 2021	December 31, 2020
Opening balance	**6,822,908**	5,243,589
Additions	**5,759,010**	3,214,630
Write-offs	**(4,576,150)**	(1,635,311)
Closing balance	**8,005,768**	6,822,908

11 Biological assets

	December 31, 2021	December 31, 2020
Opening balance	**82,232,958**	57,041,156
Additions	**716,435,902**	690,645,776
Amortisation	**(61,979,597)**	(49,499,234)
Transfers to inventories	**(649,078,205)**	(615,954,740)
Closing balance	**87,611,058**	82,232,958

Categories of biological assets:

Breeder birds – rearing & production	**45,517,325**	43,509,076
Hatchery eggs	**11,780,734**	13,882,403
Broiler birds	**30,312,999**	24,841,479
	87,611,058	82,232,958

As at December 31, 2021, the Group had 11.6 million broiler birds (December 31, 2020: 10.8 million broiler birds). Further, 106.4 million broiler birds were slaughtered during the year ended December 31, 2021 (December 31, 2020: 88.6 million broiler birds were slaughtered).

As at December 31, 2021 the Group had 0.9 million breeder birds and 8.3 million hatchery eggs (December 31, 2020: 1.1 million breeder birds and 13.4 million hatchery eggs).

11 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).

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 Group Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every three months.

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

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

- The broilers birds 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 of broiler bird 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, 2021	**December 31, 2020**
Contract assets relating to the construction of poultry farms	**4,100,209**	1,969,388
Contract liabilities relating to the construction of poultry farms	**751,837**	-

Contracts for construction of poultry farm are for a period of one year or less and are billed based on work performed.

(All amounts in Saudi Riyals unless otherwise stated)

13 Trade receivables and other debtors

	Note	December 31, 2021	December 31, 2020
Trade receivables		**228,278,582**	173,992,231
Due from related parties	22	**3,963,055**	310,128,679
		232,241,637	484,120,910
Less: provision for impairment of trade receivables and other debtors		**(14,967,131)**	(11,763,628)
		217,274,506	472,357,282

Due from related parties as at December 31, 2021 comprises of trade receivables amounting to Saudi Riyals 2 million (December 31, 2020: Saudi Riyals 284.5 million) and other receivables amounting to Saudi Riyals 1.9 million (December 31, 2020: Saudi Riyals 25.6 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, 2021, five largest customers accounted for 33% (December 31, 2020: 44%) 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, 2021 and 2020 are not subject to enforcement activity.

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

	December 31, 2021	December 31, 2020
Opening balance	**11,763,628**	7,759,728
Additions	**3,507,127**	4,405,605
Write-offs	**(303,624)**	(401,705)
Closing balance	**14,967,131**	11,763,628

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, 2021	December 31, 2020
Advances to suppliers	**71,872,104**	35,589,022
Prepaid expenses	**29,392,947**	24,013,661
Other receivables	**8,241,140**	7,845,214
Employee receivables	**6,994,959**	4,580,930
Government subsidy receivable	**7,887,619**	11,892,836
	124,388,769	83,921,663

(All amounts in Saudi Riyals unless otherwise stated)

14 Prepayments and other receivables (continued)

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.

During the year ended December 31, 2020, the mechanism for government subsidy was revised resultantly, since then, the Group has claimed government subsidy amount on the production of broiler birds. Previously, such government subsidy was allowed to be claimed on the import of feeds for its biological assets.

Movement in government subsidy receivable during the year is as follows:

	December 31, 2021	December 31, 2020
Opening balance	**11,892,836**	18,962,577
Additions	**49,870,724**	59,887,301
Collections	**(53,875,941)**	(66,957,042)
Closing balance	**7,887,619**	11,892,836

15 Cash and cash equivalents

	December 31, 2021	December 31, 2020
Cash at banks	**176,662,400**	55,809,239
Cash in hand	**9,228,841**	4,649,895
	185,891,241	60,459,134

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 estimated to be the same as their fair value.

16 Share capital

At December 31, 2021 and December 31, 2020, the Company's share capital of Saudi Riyals 200 million consisted of 20 million issued and fully paid shares of Saudi Riyals 10 each. Also, see Note 1.

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.

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, 2021	December 31, 2020
Opening balance		**82,555,204**	65,957,275
Current service cost		**13,367,488**	9,665,942
Interest cost		**1,534,571**	2,058,791
Employee benefit obligations transferred from a related party	22	**90,871**	220,949
Employee benefit obligations transferred to a related party	22	**-**	(6,302,995)
Actuarial loss on the obligation		**5,708,553**	13,768,875
Benefits paid		**(4,501,336)**	(2,813,633)
Closing balance		**98,755,351**	82,555,204

(All amounts in Saudi Riyals unless otherwise stated)

18 Employee benefit obligations (continued)

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

	December 31, 2021	December 31, 2020
Current service cost	**13,367,488**	9,665,942
Interest cost	**1,534,571**	2,058,791
Total amount recognised in consolidated profit or loss	**14,902,059**	11,724,733
Effect of changes in actuarial assumptions	**5,708,553**	13,768,875
Total amount recognised in consolidated statement of comprehensive income	**20,610,612**	25,493,608

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

	December 31, 2021	December 31, 2020
Discount rate	**1.78%**	2.00%
Future salary increase rate	**2.50%**	2.50%

A reasonable possible change in the discount rate will result in (decrease) or increase in the profit as follows:

	December 31, 2021	December 31, 2020
0.5% increase in discount rate	**5,016,573**	3,964,323
0.5% decrease in discount rate	**(4,771,695)**	(4,157,105)

A reasonable possible change in the salary growth rate will result in (decrease) or increase in the profit as follows:

	December 31, 2021	December 31, 2020
0.5% increase in salary escalation rate	**(4,779,115)**	(4,324,127)
0.5% decrease in salary escalation rate	**5,072,477**	4,154,217

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

	December 31, 2021	December 31, 2020
1 - 5 years	**33,886,536**	30,348,581
Over 5 years	**326,689,060**	273,097,931

19 Borrowings

	December 31, 2021	December 31, 2020
Non-current		
Long-term bank loan	**80,327,652**	-
Less: Current portion of long-term bank loan	**(52,942,660)**	-
	27,384,992	-
Current		
Short-term bank loans	**240,963,734**	311,323,617
Current portion of long-term bank loan	**52,942,660**	-
Interest payable	**1,859,067**	2,116,750
	295,765,461	313,440,367

(All amounts in Saudi Riyals unless otherwise stated)

19 Borrowings (continued)

The Group has short-term loan facilities from commercial banks of Saudi Riyals 631 million (December 31, 2020: Saudi Riyals 583 million). Also, during the year ended, the Group obtained long-term loan facilities from commercial banks of Saudi Riyals 148 million (December 31, 2020: Nil). The unused balance of these facilities as at December 31, 2021 amounted to Saudi Riyals 242 million and Saudi Riyals 37 million respectively (December 31, 2020: Saudi Riyals 234 million and Nil). These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR"). Short-term facilities are collaterised by promissory notes signed by the borrowing entities of the Group, and by corporate guarantees by ADGHC, and cross and corporate guarantees from the entities of the Group. Long-term facilities are secured by a letter of undertaking to pledge two parcels of land held by ADC. The average interest rates during the year ended December 31, 2021 on these facilities varied between 1.7% - 5.3% per annum (December 31, 2020: 3.2 % - 5.9% per annum).

Management assessed that fair value of short-term bank loans is approximately equal to their carrying amounts due to the short-term maturities and interest payable on those borrowings being at current market rates. Fair value of long-term borrowings is approximately equal to their carrying amounts as they are subject to interest at market rates.

The finance costs recognised as expense on the above borrowings have been disclosed in Note 28.

20 Trade payables

	Note	December 31, 2021	December 31, 2020
Trade payables		**190,765,551**	161,394,704
Due to a related party	22	**3,709,926**	-
		194,475,477	161,394,704

Trade payables are unsecured and are usually paid within 3 to 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, 2021	December 31, 2020
Accrued employee related costs	**60,252,096**	44,645,348
Accrued expenses	**54,500,555**	45,494,011
Utilities payable	**5,127,392**	4,145,500
Advances from customers	**3,261,691**	1,703,034
Others	**7,956,117**	7,367,424
	131,097,851	103,355,317

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.

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.

(All amounts in Saudi Riyals unless otherwise stated)

22 Related party transactions and balances (continued)

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
National Scientific Company Limited (NSCL)	Affiliate
Saed International for Istiqdam Company (SAED Istiqdam)	Affiliate
Advanced Petroleum Services Limited (APSL)	Affiliate
Qeemah and Dukan for Groceries Limited (Dukan)	Affiliate
Petromin Corporation (Petromin)	Affiliate

Affiliates are entities which are directly or indirectly controlled or under significant influence of ADGHC. During the year ended December 31, 2021 and 2020, 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 between affiliates and 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, 2021	December 31, 2020
Sales to an affiliate		**12,391,111**	26,355,905
Employee costs paid to an affiliate		**2,929,544**	3,211,761
Payments on behalf of parent and affiliate		**4,769,237**	14,438,339
Purchases from affiliates		**635,322**	-
Employee benefit obligations transferred to a related party	18	**-**	6,302,995
Employee benefit obligations transferred from a related party	18	**90,871**	220,949

22.2 Key management personnel compensation

	December 31, 2021	December 31, 2020
Remuneration	**13,501,802**	14,472,382
Provision for employee benefit obligations	**2,628,339**	480,110

At December 31, 2021, payable balance of key management personnel compensation is Saudi Riyals 1.1 million (December 31, 2020: Saudi Riyals 0.7 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.

22.3 Related party balances

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

(i) Due from related parties (Note 13)

	December 31, 2021	December 31, 2020
ADGHC*	**1,928,663**	25,625,485
Dukan	**1,899,734**	284,470,920
NSCL	**102,454**	29,596
APSL	**32,204**	2,678
	3,963,055	310,128,679

*This balance relates to the IPO related expenses paid by the Group on behalf of ADGHC, Ultimate Parent.

(All amounts in Saudi Riyals unless otherwise stated)

22 Related party transactions and balances (continued)

22.3 Related party balances (continued)

(ii) Due to a related party (Note 20)

	December 31, 2021	**December 31, 2020**
Petromin	**3,709,926**	-

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, right-of-use assets, intangible assets and government subsidy.

23.2 Movement in provision for zakat

	December 31, 2021	**December 31, 2020**
Opening balance	**9,910,323**	7,991,751
Provision for the year	**6,629,785**	7,118,900
Payment of zakat reimbursed by the shareholder	**(819,061)**	-
Payment	**(7,083,549)**	(5,200,328)
Closing balance	**8,637,498**	9,910,323

23.3 Status of final assessments

The Company and its subsidiaries registered in the Kingdom of Saudi Arabia file the zakat declaration on a consolidated basis in accordance with the regulations of the Zakat, Tax and Customs Authority (the "ZATCA").

During 2019, the Company entered into an agreement with ADGHC, whereby all liabilities relating to additional zakat assessments up to the year ended December 31, 2018 will be reimbursed to the Company by ADGHC. During the year ended December 31, 2021, such reimbursement amounted to Saudi Riyals 0.8 million which was credited to retained earnings, being a transaction with owners in their capacity as owners, with a corresponding impact as a receivables from ADGHC.

The Company has finalised its zakat assessments with the ZATCA up to 2010. From 2011 to 2013, the Company obtained approval from ZATCA to file a consolidated zakat declaration and has accordingly accrued zakat for such years on a consolidated basis. During 2014, due to the transfer of its shares in ADC, DHV and SFPC, the Company's effective shareholding in such subsidiaries became less than 100% and therefore, the Company filed an unconsolidated zakat return for the years ended 2014 through 2018 while ADC, DHV, and SFPC filed separate zakat returns for the such.

ZATCA has finalized the zakat assessment of ADC for the year 2015 by assessing additional liability of Saudi Riyals 0.2 million which the Company has paid under protest and recharged to ADGHC as per the undertaking between the Company and ADGHC. During September 2021, ZATCA finalized ADC's zakat assessments for the years 2016 and 2017 by assessing additional liability of Saudi Riyals 0.4 million and Saudi Riyals 0.2 million, respectively which the Company has paid under protest and recharged to ADGHC as per the undertaking between the Company and ADGHC. No other assessment has yet been issued for ADC.

23 Zakat matters (continued)

23.3 Status of final assessments (continued)

SFPC has received final zakat assessments for the years 2015 through 2018 with an additional zakat liability of Saudi Riyals 4.1 million. SFPC has filed an appeal with the General Secretariat of Tax Committees ("GSTC") against such assessments and expects these assessments to be set aside in the favor of SFPC. Management of the Group believes that the provision recorded against such assessment in the consolidated financial statements as at December 31, 2021, is adequate for any potential outflow as a result of finalization of the appeal with GSTC.

DHV has received final zakat assessments for the years 2017 and 2018 with an additional zakat liability of Saudi Riyals 0.5 million and Saudi Riyals 0.2 million, respectively. DHV has filed an appeal with GSTC against such assessments and the Group management expects these assessments to be set aside in the favor of DHV.

The Company has received the final zakat assessment for 2015 with an additional zakat liability of Saudi Riyals 1.1 million. The Company has filed an appeal with GSTC against such assessment and the Group management expects the assessment to be set aside in the favor of the Company. Accordingly, no provision has been recorded in the consolidated financial statements as at December 31, 2021.

During 2019, the Company regained 100% effective shareholding in ADC, SFPC and DHV and after obtaining the approval of ZATCA, reverted to filing the Group's zakat return on a consolidated basis for the years 2019 and 2020. Final assessments for such years are currently pending with ZATCA.

(All amounts in Saudi Riyals unless otherwise stated)

24 Revenue

	Food and agriculture				Construction of poultry farms	
For the year ended December 31, 2021	**Kingdom of Saudi Arabia**	**United Arab Emirates**	**Bahrain**	**Other GCC countries**	**Kingdom of Saudi Arabia**	**Total**
Revenue from external customers						
Timing of revenue recognition						
At a point in time	**1,288,005,120**	**90,857,871**	**88,953,112**	**52,274,794**	**-**	**1,520,090,897**
Over time	**-**	**-**	**-**	**-**	**19,235,292**	**19,235,292**
	1,288,005,120	**90,857,871**	**88,953,112**	**52,274,794**	**19,235,292**	**1,539,326,189**

	Food and agriculture				Construction of poultry farms	
For the year ended December 31, 2020	**Kingdom of Saudi Arabia**	**United Arab Emirates**	**Bahrain**	**Other GCC countries**	**Kingdom of Saudi Arabia**	**Total**
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

During the year ended December 31, 2021, revenue from top five customers represents 17% of the Group's revenues (2020: 27%).

(All amounts in Saudi Riyals unless otherwise stated)

25 Cost of sales

	Note	December 31, 2021	December 31, 2020
Materials consumed		**776,252,709**	532,242,997
Employee related costs		**236,604,685**	204,203,093
Depreciation on right-of-use assets	7	**47,867,125**	40,600,846
Transport and travel		**42,807,770**	40,236,808
Utilities		**32,266,942**	27,801,606
Depreciation on property, plant and equipment	6	**19,861,143**	18,731,132
External processing charges		**12,377,414**	1,694,944
Repairs and maintenance		**9,979,986**	8,350,136
Rent		**8,098,927**	10,804,893
Insurance		**2,214,538**	2,502,979
Amortisation		**223,040**	50,284
Other		**24,084,389**	15,067,948
		1,212,638,668	902,287,666

26 Selling and distribution expenses

	Note	December 31, 2021	December 31, 2020
Employee related costs		**84,565,940**	61,770,709
Transport and travel		**33,081,888**	25,930,773
Depreciation on right-of-use assets	7	**21,394,467**	12,132,848
Sales commission		**14,586,044**	11,769,519
Advertising and sales promotion		**14,348,719**	3,122,208
Rent		**4,785,423**	3,965,622
Depreciation on property, plant and equipment	6	**2,918,194**	2,027,251
Utilities		**2,741,067**	2,312,812
Insurance		**1,037,816**	1,273,432
Repairs and maintenance		**1,017,069**	859,353
Other		**8,508,306**	7,601,466
		188,984,933	132,765,993

27 General and administrative expenses

	Note	December 31, 2021	December 31, 2020
Employee related costs		**71,020,588**	54,693,142
Professional fees		**5,001,859**	3,313,225
IT infrastructure cost		**2,319,124**	1,213,885
Rent		**1,660,906**	57,242
Depreciation on right-of-use assets	7	**1,478,916**	1,784,244
Transport and travel		**1,311,426**	1,248,320
Utilities		**1,069,111**	733,796
Depreciation on property, plant and equipment	6	**417,508**	335,581
Amortisation of intangible assets		**336,734**	365,060
Other		**3,969,363**	2,536,611
		88,585,535	66,281,106

(All amounts in Saudi Riyals unless otherwise stated)

28 Finance costs

	Note	December 31, 2021	December 31, 2020
Interest on lease liabilities	7	**11,671,069**	10,712,655
Interest on borrowings		**9,584,626**	11,421,660
Others		**5,120,803**	3,585,356
		26,376,498	25,719,671

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, 2021 was approximately Saudi Riyals 39.5 million (December 31, 2020: Saudi Riyals 15.9 million).

- The banks issued guarantees on behalf of the Group amounting to Saudi Riyals 5.7 million (December 31, 2020: Saudi Riyals 7.7 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 173.6 million and Saudi Riyals 12.4 million, respectively (December 31, 2020: Saudi Riyals 29.8 million and 1.7 million respectively).

29.2 Short-term leases

The short-term lease commitments as of December 31, 2021 amount to Saudi Riyals 0.6 million (2020: Saudi Riyals 2.0 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.

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).

(All amounts in Saudi Riyals unless otherwise stated)

30 Financial instruments (continued)

30.1 Fair value measurement of financial instruments (continued)

b) Fair value hierarchy

	December 31, 2021					
	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	**-**	**217,274,506**	**217,274,506**	**-**	**-**	**-**
Contract assets	**-**	**4,100,209**	**4,100,209**	**-**	**-**	**-**
Cash and cash equivalents	**-**	**185,891,241**	**185,891,241**	**-**	**-**	**-**
Government subsidy, employee and other receivables	**-**	**23,123,718**	**23,123,718**	**-**	**-**	**-**
Total financial assets	**773,983**	**430,389,674**	**431,163,657**	**-**	**-**	**773,983**

	December 31, 2020					
	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 and cash equivalents	-	60,459,134	60,459,134	-	-	-
Government subsidy, employee and other receivables	-	24,318,980	24,318,980	-	-	-
Total financial assets	773,983	559,104,784	559,878,767	-	-	773,983

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

Financial liabilities includes borrowings, trade payables, contract liabilities, accrued and other liabilities and lease liabilities. All financial liabilities as of December 31, 2021 and December 31, 2020 are measured at amortised cost. The carrying values of the financial liabilities under amortised cost approximate their fair values.

c) Valuation technique

For unlisted securities discounted cash flow analysis is used to determine the fair value.

d) 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:

- expected 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.

(All amounts in Saudi Riyals unless otherwise stated)

30 Financial instruments (continued)

30.2 Risk management framework (continued)

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 audit committee 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 audit committee. There are no changes to the Group's risk management policies during the year or 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 directly recognised in the consolidated statement of comprehensive income.

- Impairment of financial assets

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

	December 31, 2021	December 31, 2020
Cash at banks	**176,662,400**	55,809,239
Trade receivables and other debtors, net – third parties	**213,311,451**	162,228,603
Trade receivables and other debtors – related parties	**3,963,055**	310,128,679
Contract asset	**4,100,209**	1,969,388
Government subsidy, employee and other receivables (included within prepayments and other receivables)	**23,123,718**	24,318,980
	421,160,833	554,454,889

The Group uses the forward-looking 'expected credit loss' (ECL) model to measure the impairment loss on financial assets. 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.

(All amounts in Saudi Riyals unless otherwise stated)

30 Financial instruments (continued)

30.2 Risk management framework (continued)

a) Credit risk (continued)

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 majority 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, 2021	**December 31, 2020**
Impairment loss on trade receivables and other debtors	**3,507,127**	4,405,605

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

December 31, 2021	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Current (not past due)	**0.04%**	**141,570,315**	**56,152**
1–90 days past due	**0.09%**	**57,157,903**	**51,096**
91–180 days past due	**0.43%**	**3,884,217**	**16,811**
181–270 days past due	**2.60%**	**1,711,640**	**44,508**
271–360 days past due	**6.60%**	**2,624,898**	**173,241**
More than 360 days past due	**27.60%**	**9,259,790**	**2,555,504**
Specific provision	**100.00%**	**12,069,819**	**12,069,819**
	6.56%	**228,278,582**	**14,967,131**

December 31, 2020	**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

30 Financial instruments (continued)

30.2 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 overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows as of December 31, 2021 and 2020 are:

	Within 12 months	More than 12 months	Total	Carrying amount
December 31, 2021				
Borrowings	**353,349,278**	**27,588,972**	**380,938,250**	**323,150,453**
Trade payables	**194,475,477**	**-**	**194,475,477**	**194,475,477**
Lease liabilities	**74,467,074**	**190,939,547**	**265,406,621**	**214,575,803**
Accrued and other liabilities	**127,836,160**	**-**	**127,836,160**	**131,097,851**
	750,127,989	**218,528,519**	**968,656,508**	**863,299,584**

	Within 12 months	More than 12 months	Total	Carrying amount
December 31, 2020				
Borrowings	317,005,751	-	317,005,751	313,440,367
Trade payables	161,394,704	-	161,394,704	161,394,704
Lease liabilities	71,547,862	153,911,161	225,459,023	179,152,448
Accrued and other liabilities	101,652,283	-	101,652,283	103,355,317
	651,600,600	153,911,161	805,511,761	757,342,836

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 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.

(All amounts in Saudi Riyals unless otherwise stated)

30 Financial instruments (continued)

30.2 Risk management framework (continued)

ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value 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, 2021	December 31, 2020
Financial liabilities, principally borrowings	**321,291,386**	311,323,617

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 zakat, through the impact of floating rate borrowings:

	December 31, 2021	December 31, 2020
Interest rate-increases by 100 basis points	**(263,765)**	(257,197)
Interest rate-decreases by 100 basis points	**263,765**	257,197

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. 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 356.2 million at December 31, 2021 (December 31, 2020: Saudi Riyals 347.5 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, 2021	December 31, 2020
Borrowings	**323,150,453**	313,440,367
Lease liabilities	**214,575,803**	179,152,448
Less: cash and cash equivalents	**(185,891,241)**	(60,459,134)
Net debt (A)	**351,835,015**	432,133,681
Shareholders' equity (B)	**356,202,659**	347,535,568
Total capital (A+B)	**708,037,674**	779,669,249
Gearing ratio (A / (A+B))	**50%**	55%

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

	December 31, 2021	**December 31, 2020**
Profit for the year	**13,556,583**	74,413,592
Weighted average number of shares	**20,000,000**	20,000,000
Basic and diluted earnings per share (Saudi Riyals per share)	**0.68**	3.72

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. However, the Group operates in the following geographical areas:

	December 31, 2021			
	Kingdom of Saudi Arabia	**United Arab Emirates**	**Kingdom of Bahrain**	**Total**
Property, plant and equipment	**215,604,640**	**38,523,048**	**121,540**	**254,249,228**
Right-of-use assets	**216,742,430**	**18,711,004**	**1,240,935**	**236,694,369**
Intangible assets	**2,639,044**	**27,967**	**-**	**2,667,011**
Financial assets at FVOCI	**773,983**	**-**	**-**	**773,983**

	December 31, 2020			
	Kingdom of Saudi Arabia	**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

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, 2021 and 2020.

(All amounts in Saudi Riyals unless otherwise stated)

33 Cash flow information

(a) Net debt

	December 31, 2021	December 31, 2020
Cash and cash equivalents	**185,891,241**	60,459,134
Lease liabilities	**(214,575,803)**	(179,152,448)
Borrowings	**(323,150,453)**	(313,440,367)
Net debt	**(351,835,015)**	(432,133,681)

Borrowings of the Group carry variable interest rates.

(b) Net debt reconciliation

	Cash and cash equivalents	Borrowings	Leases	Total
January 1, 2020	23,918,830	(318,322,813)	(184,713,253)	(479,117,236)
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
Finance costs	-	(15,007,016)	-	(15,007,016)
Finance costs paid (presented as operating cash flows)	-	15,609,400	-	15,609,400
Cash flows	36,540,304	4,280,062	81,777,634	122,598,000
December 31, 2020	**60,459,134**	**(313,440,367)**	**(179,152,448)**	**(432,133,681)**
Additions to Leases	**-**	**-**	**(110,978,877)**	**(110,978,877)**
Interest on lease liabilities	**-**	**-**	**(11,671,069)**	**(11,671,069)**
Lease liabilities written off due to termination of lease contracts	**-**	**-**	**1,921,982**	**1,921,982**
Finance costs	**-**	**(14,705,429)**	**-**	**(14,705,429)**
Finance costs paid (presented as operating cash flows)	**-**	**14,963,112**	**-**	**14,963,112**
Cash flows	**125,432,107**	**(9,967,769)**	**85,304,609**	**200,768,947**
December 31, 2021	**185,891,241**	**(323,150,453)**	**(214,575,803)**	**(351,835,015)**

34 Approval of financial statements

These consolidated financial statements of the year ended December 31, 2021 was approved for issuance by the Board of Directors of the Group on Rajab 12, 1443 (February 13, 2022).