

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022**

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tanmiah Food Company, a Saudi Joint Stock Company (the "Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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").

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 are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF TANMIAH FOOD COMPANY (CONTINUED)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><u>Measurement and existence of biological assets</u></p> <p>As at December 31, 2022, the Group had biological assets, comprising breeder birds, hatchery eggs and broiler birds (the “biological assets”) with a carrying amount of SR 128.7 million.</p> <p>IAS 41 Agriculture requires biological assets to be measured at fair value less cost to sell. IAS 41 allows entities not to measure biological assets at fair value less costs to sell where quoted market prices are not available and alternative fair value measurements are determined to be clearly unreliable.</p> <p>Management measures the carrying amount of breeder birds by amortizing the total costs incurred during the rearing phase over the anticipated productive cycle due to the short rearing phase. There is no active market for breeder birds and no reliable fair value measurements have been identified.</p> <p>Hatchery eggs and broiler birds are valued at their fair value less cost to sell after considering various estimates relating to market prices of poultry at various points, estimated costs until the date of slaughter of birds, mortality rates, hatchability rates and processing loss.</p> <p>The assessment of the quantity of breeder and broiler birds at the reporting date requires management to make estimations based on the size of each broiler house and the average density per square meter.</p> <p>We considered this to be a key audit matter because of the significance of the carrying value of biological assets as at December 31, 2022 in the context of the consolidated financial statements and the significant management estimates made and judgments applied in assessing the carrying amount of biological assets.</p> <p>Refer to Note 3 of the consolidated financial statements for the accounting policy, Note 4 for the disclosure of critical accounting estimates and judgements and Note 14 for disclosures of other matters related to biological assets.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the biological assets life cycle and processes followed. • Assessed the controls over the measurement and existence of biological assets to determine if they had been appropriately designed and implemented • Tested the methodology used by the Group to determine the carrying amounts of broiler birds and assessed the inputs/assumption/estimates used by the Group including the production cycle, mortality rates, hatchability rates, process loss and market prices of poultry at various points by comparing them with actual historical outcomes and past trends of such inputs/assumptions/estimates. • We agreed the costs incurred related to breeder birds during the rearing phase to supporting documentation on a sample basis. • We assessed both the method of amortization and the period of amortization of the costs capitalized to breeder birds. • Agreed the results of management’s determination of the carrying amounts of the biological assets to the amounts reported in the consolidated financial statements. • Reperformed the mathematical accuracy of the calculations used to determine the carrying amounts of the biological assets. • With respect to the quantities of hatchery eggs, we visited a sample of hatchery and physically counted the number of eggs. • With respect to the quantities of breeder and boiler birds we visited a sample of poultry farms and assessed the key assumptions and methodology used to determine the number of birds on hand at the reporting date. • Assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF TANMIAH FOOD COMPANY (CONTINUED)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><u>Disposal of equity interest in subsidiaries</u></p> <p>On July 5, 2022, the Group entered into an agreement to sell an equity stake in each of the Group’s wholly owned subsidiaries, Agricultural Development Company (“ADC”) and Supreme Foods Processing Company (“SFPC”) for a total consideration of USD 75.4 million (equivalent to SR 282.9 million). This consideration was allocated to the disposal of each of these subsidiaries on a relative fair value basis.</p> <p>The Group has completed the completion conditions and accordingly, the Group recognised a gain of SR 74.0 million, net of transaction costs, on the disposal of a 15% non-controlling interest in ADC as part of shareholders’ equity and recognised a gain of SR 101.9 million, net of transaction costs, on the disposal of a 60% controlling interest in SFPC in profit or loss.</p> <p>The retained investment in SFPC, which has now been classified as an investment in an associate, was measured at fair value at the date of the disposal. This fair value is the deemed cost of the investment in associate at the date of disposal. The gain on disposal of SFPC was determined as the proceeds on the disposal less the carrying amount of the net assets derecognized plus the aforementioned deemed cost.</p> <p>The disposal of SFPC results in SFPC being a discontinued operation is considered to be a discontinued operation as it was a separate major line of business to the Group and operated in separate geographical area. Consequently, the Group has presented the results of SFPC separately in the statement of profit or loss and other comprehensive income as a discontinued operation and has restated the comparative information presented in this statement accordingly.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • We reviewed the sale purchase agreement (“SPA”) to obtain an understanding of the sale transaction and evaluated the completion of the conditions to conclude the SPA. • We determined if the disposal date of the equity stake had been correctly determined. • We assessed the controls over the disposal process and the determination of the gains recognized to determine if they had been appropriately designed and implemented. • We assessed the Group’s fair value working for SFPC as at the date of reclassification of the investment to an associate and, we involved our internal valuation specialists to assist in the review of the valuation methodology, the key underlying assumptions and the variables used. • We assessed the allocation of the total consideration received towards the disposal of equity interest in ADC and SFPC on a relative fair value basis. We involved our internal valuation specialist to ascertain the underlying valuation multiples used to allocate the total consideration to ADC and SFPC. • We analysed the nature, size and market in which SFPC operates in order to determine if management had correctly classified SFPC as a discontinued operation. • We recalculated the gains recognized on the disposals.

INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF TANMIAH FOOD COMPANY (CONTINUED)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><u>Disposal of equity interest in subsidiaries (continued)</u></p> <p>We considered this area as a key audit matter because of:</p> <ul style="list-style-type: none"> ✓ the estimates and judgements involved in determining the allocation of the consideration received to each equity stake disposed and the fair value used in determining the gain on disposal of the controlling interest in SFPC; ✓ the scale of the transaction and the judgement involved in the application of the requirements of IFRSs relating to discontinued operations. <p>Refer to Note 3 to the consolidated financial statements for the accounting policy on disposal of equity interests in consolidated subsidiaries, Note 4 for the disclosure of critical accounting estimates and judgements, Note 5 for disclosures relating to the discontinued operations and Note 11 for the disclosures relating to disposal of SFPC.</p>	<ul style="list-style-type: none"> • We recalculated the amounts presented as comparative information in the statement of profit or loss and other comprehensive income. • We assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on February 15, 2022.

Other Information

Management is responsible for the other information. The other information comprises information included in the Group’s 2022 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 do 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. If, based on the work we have performed, 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 IFRSs that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TANMIAH FOOD COMPANY (CONTINUED)**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)**

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

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

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 auditors' 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 judgement and maintain professional skepticism 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TANMIAH FOOD COMPANY (CONTINUED)**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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 matter. 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 the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Deloitte and Touche & Co.
Chartered Accountants




Mazen A. Al-Omari
License No. 480
February 16, 2023
25 Rajab, 1444H

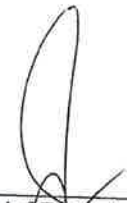



TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

ASSETS	Note	2022 SR	2021 SR
Non-current assets			
Property, plant and equipment	6	338,290,728	254,249,228
Right-of-use assets	7	348,711,825	236,694,369
Intangible assets	8	4,148,845	2,667,011
Financial assets at fair value through other comprehensive income	9	773,983	773,983
Investment in an associate	10	87,493,524	-
Total non-current assets		779,418,905	494,384,591
Current assets			
Inventories	13	288,202,232	213,996,555
Biological assets	14	128,748,293	87,611,058
Contract assets	15	11,358,204	4,100,209
Trade receivables and other debtors	16	197,882,300	217,274,506
Prepayments and other receivables	17	127,924,746	124,388,769
Cash and cash equivalents	18	267,048,085	185,891,241
Total current assets		1,021,163,860	833,262,338
TOTAL ASSETS		1,800,582,765	1,327,646,929
EQUITY AND LIABILITIES			
Equity			
Share capital	19	200,000,000	200,000,000
Statutory reserve	20	34,560,302	15,879,313
Other reserve	20	73,977,280	-
Retained earnings		305,832,956	140,323,346
Equity attributable to owners of the Company		614,370,538	356,202,659
Non-controlling interests	12	48,242,042	-
Total equity		662,612,580	356,202,659
Non-current liabilities			
Employee benefit obligations	21	86,252,675	98,755,351
Lease liabilities	7	264,323,720	151,092,645
Borrowings	22	40,593,000	27,384,992
Total non-current liabilities		391,169,395	277,232,988
Current liabilities			
Borrowings	22	267,835,956	295,765,461
Trade and other payables	23	240,740,585	194,475,477
Contract liabilities	15	287,848	751,837
Accrued and other liabilities	24	171,604,124	131,097,851
Lease liabilities	7	55,819,552	63,483,158
Provision for zakat and income tax	26	10,512,725	8,637,498
Total current liabilities		746,800,790	694,211,282
Total liabilities		1,137,970,185	971,444,270
TOTAL EQUITY AND LIABILITIES		1,800,582,765	1,327,646,929


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

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

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)


**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022**


	Note	2022 SR	2021 SR
CONTINUING OPERATIONS			
Revenue	27	1,727,041,745	1,209,567,731
Cost of sales	28	(1,306,853,067)	(977,750,068)
Gross profit		420,188,678	231,817,663
Selling and distribution expenses	29	(217,769,866)	(159,330,997)
General and administrative expenses	30	(88,888,704)	(61,443,750)
Impairment loss on financial assets	16	(3,525,000)	(1,335,000)
Share of results from an associate	10	284,324	-
Other income		3,364,327	661,443
Operating profit		113,653,759	10,369,359
Finance costs	31	(31,169,465)	(20,594,679)
Profit before zakat		82,484,294	(10,225,320)
Zakat and income tax	26	(7,618,394)	(5,155,061)
Profit for the year from continuing operations		74,865,900	(15,380,381)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	5	12,368,946	28,936,964
Gain on disposal of discontinued operations	11	101,927,470	-
Profit for the year		189,162,316	13,556,583
Other comprehensive income (loss) for the year			
<i>Items that will not be reclassified subsequently to profit or Loss:</i>			
Re-measurements of employee benefit obligations	21	8,419,155	(5,708,553)
Share of other comprehensive income of an associate	10	328,244	-
Total comprehensive income for the year		197,909,715	7,848,030

TANMLIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (CONTINUED)**
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 SR	2021 SR
Profit for the year attributable to:			
<u>Owners of the Company</u>			
Profit for the period from continuing operations		72,513,478	(15,380,381)
Profit for the period from discontinued operations		<u>114,296,416</u>	<u>28,936,964</u>
Profit for the period attributable to owners of the Company		<u>186,809,894</u>	<u>13,556,583</u>
<u>Non-controlling interests</u>			
Profit for the period from continuing operations		2,352,422	-
Profit for the period from discontinued operations		-	-
Profit for the period attributable to non-controlling interests		<u>2,352,422</u>	<u>-</u>
		<u>189,162,316</u>	<u>13,556,583</u>
Total comprehensive income for the year attributable to:			
<u>Owners of the Company</u>			
Profit for the period from continuing operations		79,982,097	(21,088,934)
Profit for the period from discontinued operations		<u>114,296,416</u>	<u>28,936,964</u>
Profit for the period attributable to owners of the Company		<u>194,278,513</u>	<u>7,848,030</u>
<u>Non-controlling interests</u>			
Profit for the period from continuing operations		3,631,202	-
Profit for the period from discontinued operations		-	-
Profit for the period attributable to non-controlling interests		<u>3,631,202</u>	<u>-</u>
		<u>197,909,715</u>	<u>7,848,030</u>
Earnings per share attributable to owners of the Company:			
From continuing operations			
Basic and diluted earnings per share	34	<u>3.63</u>	<u>(0.77)</u>
From continuing and discontinued operations			
Basic and diluted earnings per share	34	<u>9.34</u>	<u>0.68</u>


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer


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

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Share Capital SR	Statutory reserve SR	Other reserve SR	Retained earnings SR	Total shareholders' equity SR	Non- controlling interests SR	Total Equity SR
Balance at January 1, 2021	200,000,000	14,523,655	-	133,011,913	347,535,568	-	347,535,568
Profit for the year	-	-	-	13,556,583	13,556,583	-	13,556,583
Other comprehensive loss	-	-	-	(5,708,553)	(5,708,553)	-	(5,708,553)
Total comprehensive income for the year	-	-	-	7,848,030	7,848,030	-	7,848,030
Zakat reimbursed by the shareholder (Note 26)	-	-	-	819,061	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	-	356,202,659
Profit for the year	-	-	-	186,809,894	186,809,894	2,352,422	189,162,316
Other comprehensive income	-	-	-	7,468,619	7,468,619	1,278,780	8,747,399
Total comprehensive income for the year	-	-	-	194,278,513	194,278,513	3,631,202	197,909,715
Zakat reimbursed by the shareholder (Note 26)	-	-	-	110,221	110,221	-	110,221
Disposal of non-controlling interest in a subsidiary (note 1)	-	-	-	-	-	-	-
Dividend (note 36)	-	-	-	-	-	44,610,840	44,610,840
Gain on disposal of non-controlling interest in a subsidiary (note 1)	-	-	-	(10,198,135)	(10,198,135)	-	(10,198,135)
Transaction cost for disposal of non-controlling interest in a subsidiary (note 1)	-	-	80,350,601	-	80,350,601	-	80,350,601
Transfer to statutory reserve	-	18,680,989	(6,373,321)	-	(6,373,321)	-	(6,373,321)
Balance at December 31, 2022	200,000,000	34,560,302	73,977,280	305,832,956	614,370,538	48,242,042	662,612,580


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

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

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TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

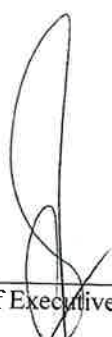
	2022 SR	2021 SR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before zakat	82,484,294	20,186,368*
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	21,443,992	23,196,845
Depreciation on right-of-use assets	84,681,628	70,740,508
Amortisation of intangible assets	510,594	560,494
Property, plant and equipment written-off	-	6,041
Impairment loss on financial assets	3,525,000	3,507,127
Provision for slow-moving inventories	3,085,571	5,759,010
Provision for employee benefit obligations	13,338,185	14,902,059
Net gain on disposal of property, plant and equipment	(30,202)	(5,736)
Loss on termination of lease contracts	280,276	100,259
Interest on lease liabilities	15,302,204	11,671,069
Other finance costs	15,867,261	14,705,429
Government subsidy accrued during the year	(57,835,053)	(49,870,724)
Share of profit from associate	(284,324)	-
<i>Changes in operating assets and liabilities:</i>		
Inventories	(147,536,359)	(80,757,894)
Trade receivables and other debtors	(87,570,937)	251,575,649
Biological assets	(41,137,235)	(5,378,100)
Contract assets	(7,257,995)	(2,130,821)
Prepayments and other receivables	32,436,260	9,403,618
Trade payables	92,275,417	34,423,592
Contract liabilities	(463,989)	751,837
Accrued and other liabilities	51,527,841	27,742,534
Cash generated from operations	74,642,429	351,089,164
Employee benefit obligations paid	(3,620,909)	(4,501,336)
Zakat paid	(4,171,280)	(7,083,549)
Finance costs paid	(13,906,928)	(14,963,112)
Net cash generated from operating activities	52,943,312	324,541,167
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of property, plant and equipment	(160,478,783)	(122,158,354)
Payments for purchases of intangibles	(2,020,395)	(1,625,321)
Proceeds from disposal of equity interest	282,945,727	-
Transaction cost	(4,737,764)	-
Proceeds from disposal of property, plant and equipment	33,580	11,455
Net cash generated from (used in) investing activities	115,742,365	(123,772,220)

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
Note	SR	SR
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(10,198,135)	-
Lease payments	(104,815,485)	(85,304,609)
Short-term borrowings, net	46,826,572	(70,359,883)
Proceeds from long-term borrowings	67,088,802	88,010,602
Repayments of long-term borrowings	(73,708,137)	(7,682,950)
Net cash used in financing activities	(74,806,383)	(75,336,840)
Net increase in cash and cash equivalents	93,879,294	125,432,107
Cash and cash equivalents disposed on the disposal of a subsidiary	(12,722,450)	-
Cash and cash equivalents at the beginning of the year	185,891,241	60,459,134
Cash and cash equivalents at the end of the year	267,048,085	185,891,241
Supplemental information for non-cash information		
Right-of-use assets written off due to termination of lease contracts	(2,476,630)	(3,274,189)
Lease liabilities written off due to termination of lease contracts	2,196,354	1,921,982
Addition to right-of-use assets and lease liabilities	235,555,502	110,978,877
Transfer of property, plant and equipment to a related party	(76,251)	-
Transaction cost to be paid	(9,693,122)	-
Receivable recognised from a lessor on termination of lease contracts	-	1,251,948
Employee benefit obligations transferred from a related party	65,707	90,871
Employee benefit obligations transferred to a related party	(280,117)	-
Profit before zakat from continuing operations		(10,225,320)
Profit before zakat from discontinued operations		30,411,688
*Profit before zakat		20,186,368


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

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

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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.

At December 31, 2022 and 2021, the Company’s share capital of SR 200 million consisted of 20 million issued and fully paid shares of SR 10 each.

The Company’s application with the Capital Market Authority (“CMA”) for the Initial Public Offering (IPO) of 30% of its share capital, 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.

The Group’s principal subsidiaries at December 31, 2022 and 2021 are set out below. The country of incorporation is also their principal place of business.

Subsidiary	Country of incorporation	Effective ownership at December 31, 2022	Effective ownership at December 31, 2021	Principal activities
Agricultural Development Company Limited (“ADC”)	Kingdom of Saudi Arabia	85%*	100%	Wholesale trading in poultry products and agricultural produce
Desert Hills Veterinary Services Company Limited (“DHV”)	Kingdom of Saudi Arabia	100%	100%	Wholesale and retail trading in machines and equipment in the field of animal care, animal shelters, animal feed, chicks and hatching eggs, veterinary lab equipment and medicines, along with marketing and import and export of related items.
Gulf Brand for Fast Foods Company (“GBFFC”)	Kingdom of Saudi Arabia	100%	100%	Restaurant outlets with related services
Supreme Foods Bahrain W.L.L. (“SFB”) **	Kingdom of Bahrain	85%*	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
Supreme Foods Processing Company Limited (“SFPC”)	Kingdom of Saudi Arabia	-*	100%	Manufacturing and preparation of various types of meat products.
Perfect Foods Factory LLC (“PFF”) **	United Arab Emirates (UAE)	-*	100%	Manufacturing and sale of meat and poultry products

*Effective November 1, 2022, the effective ownership of ADC and SFB has reduced to 85% and effective ownership of SFPC and PFF has been reduced to 40%.

**PFF is a wholly owned subsidiary of SFPC and SFB is a wholly owned subsidiary of ADC.

1. CORPORATE INFORMATION (CONTINUED)

On July 5, 2022, the Group entered into an agreement with a US based company Tyson International Holding Company, a wholly owned subsidiary of Tyson Foods, Inc., a company listed in the New York Stock Exchange ("Tyson") and agreed to sell an equity stake in each of the Group's wholly owned subsidiaries, Agricultural Development Company ("ADC") and Supreme Foods Processing Company ("SFPC") for a consideration of USD 75.4 million (equivalent to SR 282.9 million), subject to any customary purchase price adjustments made in light of the completion accounts under the Sale and Purchase Agreement (SPA). The transaction was subject to the approval of regulatory authorities in the Kingdom of Saudi Arabia. The agreement was also subject to certain completion conditions to be completed before the long stop date (December 5, 2022) under the SPA which includes the approval from the various regulatory authorities in the Kingdom of Saudi Arabia. The Group has completed the completion conditions and management has announced the completion of the transaction on the Tadawul stock exchange on November 2, 2022.

The Group recognised a gain of SR 73.98 million on the sale of interest in ADC, net of transaction costs, in the equity (note 12). The Group also recognised a gain of SR 101.93 million, net of transaction costs on the sale of interest in SFPC which is recognised in the consolidated statement of profit or loss and other comprehensive income (note 11).

The transaction and the strategic partnership to be formed between the Group and Tyson is being entered into as part of the Group's ongoing efforts to meet the growing global demand for protein products. After the transaction, the Group will maintain an 85% ownership in ADC and a 40% ownership in SFPC. Effective November 1, 2022 the ownership has been changed and the legal formalities associated with the amendment of Articles of Association and commercial registration have been completed. The Group by virtue of its contractual right to appoint two out of the five directors to the board of directors in SFPC has assessed significant influence and classified SFPC as an associate (note 10).

During the year, the Group has applied the requirements of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations and accordingly has disclosed the consolidated financial statements as per the disclosure requirements of IFRS 5. The comparative financial information in the consolidated statement of profit or loss and other comprehensive income and its related notes have been reclassified to match the current year presentation.

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

New and amended IFRS applied with no material effect on the consolidated financial statements

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements.

- **Amendments to IFRS 3 Business Combinations Reference to the Conceptual Framework:**
The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

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

New and amended IFRS applied with no material effect on the consolidated financial statements (continued)

- Amendments to IAS 16 Property, Plant and Equipment related to proceeds before intended use:
The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts-Cost of Fulfilling a Contract:
The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle: The Annual Improvements include amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

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

New and revised standards issued but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 Insurance contracts – effective from January 1, 2023.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective date not yet decided.
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Noncurrent – effective from January 1, 2023.
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies – effective from January 1, 2023.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates – effective from January 1, 2023.
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective from January 1, 2023.

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

New and revised standards issued but not yet effective (continued)

The Directors do not expect that the adoption of the above Standards will have a material impact on the Group's consolidated financial statements in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis Of Preparation

This 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.

This 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

This consolidated financial statements are presented in Saudi Riyals ("SR"), 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 SFB is Bahraini Dinars. The presentation currency of the Group is Saudi Riyals unless otherwise stated.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies adopted are set out below.

Going concern

The directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries) made up to December 31 each year. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses 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 listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All significant intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss on disposal is recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Discontinued operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after zakat and income tax from discontinued operations in the consolidated statement of profit or loss and other comprehensive income. Additional disclosures are provided in Note 5. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in consolidated statement of profit or loss and other comprehensive income in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

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 recognized 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 recognized 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

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 recognized 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 recognized this gives rise to a contract liability.

Sale of goods

Revenue from sale of goods is recognized 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 recognized at that point in time. Credit invoices are usually payable within 30 – 90 days. Invoice is generated and recognized 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 recognized for the items sold.

Construction of poultry farms

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

For contracts that permit the customer to return an item, under IFRS 15 revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized 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".

Restaurant revenue

Revenue is recognized upon rendering of services and based on billings for meals and other services rendered to guests and are stated net of discount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Group and the lease does not benefit from a guarantee from the Group.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as lessee (continued)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a separate component of equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a separate component of equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognized in other comprehensive income.

Government grants

Grants from the government are recognised at fair value which represents amounts receivable from the Government where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The Group receives government grants on the basis of production volume and dressed weight of broiler chickens. Note 17 provides further information on how the group accounts for government grants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

Retirement benefit costs and termination benefits

For defined retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement.

Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Retirement benefits

Retirement benefits made to funded defined contribution plans in respect of its Saudi employees, are expensed when incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat and taxes

Zakat and income tax

The Group is subject to the Regulations of the General Authority of Zakat, Tax and Customs Authority (“ZATCA”) in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accrual basis. In the financial statements of wholly owned subsidiaries, zakat is provided as an expense and included in the statement of profit and loss and other comprehensive income, while in the financial statements of companies with foreign participation, zakat and income tax are included in the statement of profit and loss and other comprehensive income. Zakat is computed on the zakat base, while income tax is computed on adjusted net income which is not exempt from tax. Any difference in the accrual is recorded when the final assessment is approved, at which time the provision is cleared. The zakat charge in the consolidated financial statements represents the zakat for the Company and its subsidiaries. The income tax and zakat charge, assessable on the minority shareholders, is included as part of non-controlling interests.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and the laws) that have been enacted or substantively enacted by the end of the reporting period.

Value added tax

Expenses and assets are recognized net of the amount of value added tax (“VAT”), except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the ZATCA is included as part of receivables or payables in the statement of financial position.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any, except freehold land and capital work in progress, which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognized 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Disposal of asset is recognized when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of profit or loss and other comprehensive income.

Depreciation is charged to the statement of profit or loss and other comprehensive income using the straight-line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month in which the asset is available for use and on disposals up to the month of disposal. Depreciation method, useful lives and residual values are reviewed annually.

The following useful lives are used in the calculation of depreciation:

	<u>Useful life in years</u>
Buildings	20 – 30
Leasehold improvements	3 – 6.67
Machinery and equipment	4 – 15
Motor vehicles	4 – 6.67
Furniture and fixtures	6.67

Capital work-in-progress is stated at cost less impairment losses, if any, and is not depreciated until the asset is brought into commercial operations and available for intended use.

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

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 amortization 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

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 recognized in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets, consists of computer software and franchise fees, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis as follows:

	<u>Useful life</u>
Software	10 years
Franchise fees	5 – 20 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognized in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in consolidated statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realizable value. 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 recognized 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 recognized value and all losses of inventories shall be recognized 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 recognized value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Biological assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Biological assets (conitnued)

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 recognized as Level 3 fair values based on the inputs to the valuation techniques used. Cost to sell includes all cost that would be necessary to sell the broilers.

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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Classification of financial liabilities

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

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

Offsetting financial assets and liabilities

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

Reclassifications

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

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

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

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

Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Equity instruments (continued)

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

De-recognition

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

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

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

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Financial guarantee contracts

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33 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.

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.

Trade payables

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

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 Financial Instruments policy for a description of the Group's impairment policies.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that, period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, which are described in note 3, management has the following critical judgment that has the most significant effect on the amounts recognized in the consolidated financial statements.

Disclosure relating to discontinued operations

As described in note 1, the Group has entered into an agreement with a US based company Tyson International Holding Company and agreed to sell the controlling interest in SFPC, the Group's wholly owned subsidiary. Accordingly, the Group has applied the requirements of IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations to treat disposal of SFPC as the operations of SFPC represent a major line of operation and is material to the Group and operates in a different geographical segment.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 14 for the significant assumptions taken and limitations encountered in determining the fair value of the broiler birds and hatchery eggs.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

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.

Long-term assumptions for employees' benefits

Post-employment defined benefits, end-of-service benefits and indemnity payments represent obligations that will be settled in the future and require assumptions to project obligations and fair values of plan assets, if any. Management is required to make further assumptions regarding variables such as discount rates, rate of salary increase, mortality rates and employment turnover. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employee defined benefit costs incurred.

The discount rate is set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant assumptions are required to be made when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Property and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Property and equipment (continued)

The management tests annually whether property and equipment have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

5. DISCONTINUED OPERATIONS

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

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

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	Period ended October 31, 2022 SR	Year ended December 31, 2021 SR
Revenue	324,235,793	350,662,254
Expenses	(308,751,104)	(320,250,566)
Profit for the year	15,484,689	30,411,688
Zakat expense (note 26)	(3,115,743)	(1,474,724)
Profit for the year from discontinued operations	12,368,946	28,936,964
Gain on disposal of discontinued operations	101,927,470	-
Net gain attributable to discontinued operations (profit and gain attributable to owners of the Company)	114,296,416	28,936,964

During the year, SFPC contributed SR 22.1 million (2021: SR 2.2 million) to the Group's net operating cash flows, paid SR 26.0 million (2021: SR 6.1 million) in respect of investing activities and contributed SR 1.4 million (paid 2021: SR 5.0 million) in respect of financing activities.

Gain on disposal of discontinued operations include a gain of SR 69.0 million, net of transaction costs arose on the disposal of 60% interest in SFPC, being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net assets and a gain of SR 32.9 million resulting from fair valuing the remaining interest 40% in SFPC (refer note 11).

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6. PROPERTY, PLANT AND EQUIPMENT

	Land SR	Buildings SR	Leasehold improvements SR	Machinery and equipment SR	Motor Vehicles SR	Furniture and fixtures SR	Capital work-in- progress SR	Total SR
Cost								
At January 1, 2021	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
Additions	1,098,825	26,443	314,711	14,292,684	-	527,369	144,218,751	160,478,783
Transfer from related party	-	-	-	137,456	-	-	-	137,456
Transfer to related party	-	-	-	(92,593)	-	-	-	(92,593)
Transfers	-	17,181,779	24,963,962	62,438,526	-	1,280,445	(105,864,712)	-
Disposal of a subsidiary	-	(45,306,136)	(6,448,728)	(107,728,746)	(1,411,111)	(1,394,628)	(283,972)	(162,573,321)
Disposals	-	-	-	(79,774)	-	-	-	(79,774)
At December 31, 2022	46,733,837	68,653,073	45,527,692	229,877,526	17,900,794	3,860,354	130,617,144	543,170,420
Accumulated depreciation								
At January 1, 2021	-	(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)
Depreciation charge	-	(1,562,316)	(2,368,799)	(17,312,005)	-	(200,872)	-	(21,443,992)
Transfer from related party	-	-	-	(137,456)	-	-	-	(137,456)
Transfer to related party	-	-	-	16,342	-	-	-	16,342
Disposal of a subsidiary	-	22,034,911	1,171,263	82,293,026	1,273,762	886,697	-	107,659,659
Disposals	-	-	-	76,396	-	-	-	76,396
At December 31, 2022	-	(40,261,594)	(19,641,868)	(125,099,110)	(17,900,794)	(1,976,326)	-	(204,879,692)
Net book value								
At December 31, 2022	46,733,837	28,391,479	25,885,824	104,778,416	-	1,884,028	130,617,144	338,290,728
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

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capital work-in-progress represents costs incurred on construction of feed mill, expansion of the current capacity of the processing plant and hatchery expansion.

Depreciation charge for the year has been allocated as follows:

	Note	2022 SR	2021 SR
Cost of sales	28	16,374,889	13,112,493
Selling and distribution expenses	29	4,577,966	2,764,805
General and administrative expenses	30	491,137	369,748
Portion for discontinued operations	5	-	6,949,799
		21,443,992	23,196,845

7. LEASES

The Group leases various accommodations, warehouses, buildings, poultry processing plants, farms, vehicles and offices. Rental contracts are typically made for fixed periods of 2 to 45 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At December 31, 2022 and 2021, the Group did not have any lease contracts classified as right-of-use asset that are variable in nature. As at December 31, 2022 and 2021 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.

Right-of-use assets:

	Vehicles SR	Building SR	Total SR
<u>2022</u>			
Cost			
At January 1, 2022	103,731,400	303,697,063	407,428,463
Additions	40,694,092	194,861,410	235,555,502
Disposal of a subsidiary	-	(50,847,949)	(50,847,949)
Write off	(6,721,616)	(1,454,283)	(8,175,899)
At December 31, 2022	137,703,876	446,256,241	583,960,117
Accumulated depreciation			
At January 1, 2022	(43,348,741)	(127,385,353)	(170,734,094)
Depreciation for the year	(27,422,485)	(57,259,143)	(84,681,628)
Disposal of a subsidiary	-	14,468,161	14,468,161
Write off	4,609,222	1,090,047	5,699,269
At December 31, 2022	(66,162,004)	(169,086,288)	(235,248,292)
Net book value			
At December 31, 2022	71,541,872	277,169,953	348,711,825

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7. LEASES (CONTINUED)

Right-of-use assets (continued):

	Vehicles SR	Building SR	Total SR
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	<u>103,731,400</u>	<u>303,697,063</u>	<u>407,428,463</u>
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	<u>(43,348,741)</u>	<u>(127,385,353)</u>	<u>(170,734,094)</u>
Net book value			
At December 31, 2021	<u>60,382,659</u>	<u>176,311,710</u>	<u>236,694,369</u>

Lease liabilities:

	2022 SR	2021 SR
At January 1	214,575,803	179,152,448
Additions	235,555,502	110,978,877
Write off	(2,196,354)	(1,921,982)
Disposal of a subsidiary	(38,278,398)	-
Lease payments	(104,815,485)	(85,304,609)
	304,841,068	202,904,734
Interest *	15,302,204	11,671,069
At December 31	<u>320,143,272</u>	<u>214,575,803</u>

*The interest on lease liability for the year 2021 consists of SR 1,890,733 pertaining to discontinued operations.

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

	2022 SR	2021 SR
Current	55,819,552	63,483,158
Non-current	264,323,720	151,092,645
	<u>320,143,272</u>	<u>214,575,803</u>

Maturity analysis:

	2022 SR	2021 SR
Not later than one year	55,819,552	63,483,158
Later than 1 year and not later than 5 years	121,791,786	77,102,609
Later than 5 years	142,531,934	73,990,036
	<u>320,143,272</u>	<u>214,575,803</u>

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7. LEASES (CONTINUED)

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

	Note	2022 SR	2021 SR
Cost of sales	28	57,216,160	45,308,228
Selling and distribution expenses	29	24,623,951	16,985,141
General and administrative expenses	30	2,841,517	1,478,916
Portion for discontinued operations	5	-	6,968,223
		84,681,628	70,740,508

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 SR 0.28 million (2021: net loss of SR 0.1 million) was realised in the consolidated statement of comprehensive income.

The Group enters in short term leases for certain properties and the expense recognised in the consolidated statement of profit or loss and other comprehensive income amounts to SR 22.24 million (2021:SR 12.28 million) (notes 28, 29 and 30).

8. INTANGIBLE ASSETS

	Computer Software SR	Franchise fees SR	Total SR
Cost			
At January 1, 2021	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
Additions	330,426	1,689,969	2,020,395
Disposal of a subsidiary	(1,875,747)	-	(1,875,747)
At December 31, 2022	13,049,106	3,315,290	16,364,396
Accumulated amortisation			
At January 1, 2021	(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)
Amortisation charge	(291,206)	(219,388)	(510,594)
Disposal of a subsidiary	1,847,780	-	1,847,780
At December 31, 2022	(11,982,619)	(232,932)	(12,215,551)
Net book value			
At December 31, 2022	1,066,487	3,082,358	4,148,845
At December 31, 2021	1,055,234	1,611,777	2,667,011

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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.

Equity investments at fair value through other comprehensive income

	2022 SR	2021 SR
<i>Unlisted securities:</i>		
Alexandria Copenhagen Company	<u>773,983</u>	<u>773,983</u>

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.

Fair value and risk exposure

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

10. INVESTMENT IN AN ASSOCIATE

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

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

	2022 SR
Carrying value of investment in SFPC on November 1, 2022	53,952,083
Goodwill	<u>32,928,873</u>
Fair value of 40% investment in SFPC at date of transaction	<u>86,880,956</u>

Movements in investment in associates is as follows:

	2022 SR
Fair value of the residual interest upon disposal of investment in subsidiary transferred to investment in associate (note 11)	86,880,956
Share in income	284,324
Share of other comprehensive income	<u>328,244</u>
Balance at December 31	<u>87,493,524</u>

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10. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Summarized financial information in respect of the Group's associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements.

SFPC

	2022
	SR
Current assets	<u>210,664,973</u>
Non-current assets	<u>146,764,038</u>
Current liabilities	<u>148,387,913</u>
Non- current liabilities	<u>73,137,772</u>
	2022
	SR
Revenue for the period	<u>61,845,429</u>
Profit before zakat for the period	<u>458,879</u>
Profit after zakat for the period	<u>559,651</u>
Other comprehensive income for the period	<u>820,610</u>
Total comprehensive income for the period	<u>1,380,261</u>
Group's share of total comprehensive income for the period	<u>612,568</u>

Reconciliation of the above summarized financial information to the carrying amount of the interest in SFPC recognized in the consolidated financial statements is presented below:

	2022
	SR
Net assets of the associate, gross of income tax, net of zakat	<u>136,159,698</u>
Proportion of the Group's ownership interest	<u>40%</u>
Share of the Group's interest	<u>54,564,651</u>
Goodwill	<u>32,928,873</u>
Carrying amount of the Group's interest in the associate as at December 31, 2022	<u>87,493,524</u>

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11. DISPOSAL OF A SUBSIDIARY

As referred to in note 5, effective November 1, 2022 the Group disposed of its interest in SFPC and lost control of the subsidiary. The details of the consolidated assets and liabilities of SFPC and its subsidiary (PFF) at the date of disposal were as follows:

	<u>SR</u>
Property, plant and equipment	73,745,822
Right-of-use assets	29,502,615
Intangible assets	17,788
Inventories	109,850,867
Trade and other receivables	77,232,949
Prepaid expenses and other assets	32,660,212
Cash and cash equivalents	<u>9,988,250</u>
Total assets	332,998,503
Bank borrowings	(65,868,175)
Employee defined benefit liabilities	(15,638,542)
Lease liabilities	(31,219,334)
Trade payables	(59,389,162)
Accrued and other liabilities	(22,850,232)
Zakat payable	<u>(3,152,851)</u>
Net assets disposed off	134,880,207
Consideration received	157,984,285
Fair value of the residual interest in SFPC (40%)	86,880,956
Transaction costs allocated towards sale of interest in SFPC	<u>(8,057,564)</u>
	236,807,677
Carrying value of the net assets	<u>(134,880,207)</u>
Gain on disposal	101,927,470
Portion of gain attributable to sale of 60% interest, net of transaction cost	68,998,597
Portion of gain attributable to measuring the investment retained in SFPC at its fair value	32,928,873

The portion of the gain attributable to measuring the investment retained in SFPC at its fair value at the date when control is lost.

	<u>SR</u>
Fair value of the remaining interest as at October 31, 2022	86,880,956
Less: Net assets of the remaining interest retained in SFPC (40%)	<u>53,952,083</u>
Portion of gain attributable to measuring the investment retained in SFPC at its fair value	32,928,873

There were no disposals of subsidiaries made in 2021.

The impact of SFPC on the Group's results in the current and prior years and the gain on disposal is included in the profit for the year from discontinued operations (note 5).

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12. NON-CONTROLLING INTERESTS

As stated in note 1, effective November 1, 2022 the Group disposed of non-controlling interest in ADC to the extent of 15% and recorded the gain in the equity, net of transaction cost in lines with the accounting policy stated in note 3 and the non-controlling interest in the consolidated financial statements.

	2022
	SR
Consideration received	124,961,442
Net assets of ADC to the extent of 15%	(44,610,840)
Transaction costs allocated towards sale of interest in ADC	(6,373,322)
Gain on disposal	73,977,280
Non-controlling interest recognized in the consolidated financial statements	44,610,840

Details of non-wholly owned subsidiaries that have material non-controlling interests:

<u>Name of subsidiary</u>	<u>Profit allocated to non-controlling interests</u>		<u>Accumulated non-controlling interests</u>	
	2022 SR	2021 SR	2022 SR	2021 SR
Agricultural Development Company Limited	3,631,202	-	48,242,042	-
	3,631,202	-	48,242,042	-

Agricultural Development Company Limited:

	2022
	SR
Revenue	1,500,576,094
Expenses	(1,426,550,477)
Profit for the year attributable to the owner of the Group	71,673,195
Profit for the year attributable to the non-controlling interest	2,352,422
Other comprehensive income for the year attributable to the owner of the Group	7,246,417
Other comprehensive income for the year attributable to the non-controlling interest	1,278,780
Total comprehensive income attributable to owner of the Group	78,919,612
Dividends paid to NCI	-
Total comprehensive income attributable to non-controlling interest	3,631,202
Net cash inflow from operating activities	90,242,957
Net cash outflow from investing activities	(123,066,463)
Net cash outflow from financing activities	(39,338,157)
Net cash outflow	(72,161,663)

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13. INVENTORIES

	2022 SR	2021 SR
Raw materials	163,300,062	127,636,326
Poultry meats and other food items	46,219,457	22,728,798
Finished goods	-	19,353,260
Animal health products	41,231,021	12,801,141
Packaging materials	14,273,143	13,722,745
Spare parts	13,339,378	12,033,956
Equipment for sale	8,456,029	6,933,771
Goods-in-transit	-	1,284,606
Other	9,470,214	5,507,720
	296,289,304	222,002,323
Less: provision for slow-moving inventories	(8,087,072)	(8,005,768)
	288,202,232	213,996,555

Amounts of inventories recognised as expense during the year are disclosed in Note 28.

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

	2022 SR	2021 SR
Opening balance	8,005,768	6,822,908
Provision for the year*	3,085,571	5,759,010
Disposal of a subsidiary	(1,361,595)	-
Write-offs	(1,642,672)	(4,576,150)
Closing balance	8,087,072	8,005,768

*The provision for the year 2021 consists of SR 879,391 pertaining to discontinued operations.

14. BIOLOGICAL ASSETS

	2022 SR	2021 SR
Opening balance	87,611,058	82,232,958
Additions	999,915,775	716,435,902
Amortisation	(76,766,885)	(61,979,597)
Transfers to inventories	(882,011,655)	(649,078,205)
Closing balance	128,748,293	87,611,058
<i>Categories of biological assets:</i>		
Breeder birds – rearing & production	73,843,673	45,517,325
Hatchery eggs	24,573,902	11,780,734
Broiler birds	30,330,718	30,312,999
	128,748,293	87,611,058

As at December 31, 2022, the Group had 11.0 million broiler birds (2021: 11.6 million broiler birds). Further, 121.6 million broiler birds were slaughtered during the year ended December 31, 2022 (2021: 106.4 million broiler birds were slaughtered).

As at December 31, 2022 the Group had 1.5 million breeder birds and 20.0 million hatchery eggs (2021: 0.9 million breeder birds and 8.3 million hatchery eggs).

14. 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 - Sales price of fully-grown bird less cost to sell.	The estimated fair value would increase/ (decrease) if: -Mortality was lower / (higher). -Average weight of birds higher/ (lower) -Selling price of fully-grown bird less cost to sell was higher/ (lower).
Hatchery eggs	The valuation model considers the actual selling price less cost to sell [including the additional cost required to bring the eggs as ready to sell (i.e. overhead and vaccine cost)].	-Hatchability of the eggs	The estimated fair value would increase/ (decrease) if the hatchability was higher / (lower).

The Group's finance department includes a team that performs valuations of the Group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the 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.
- Hatchability rate of the eggs have been determined based on the historical rate and environmental factors.
- 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.

15. ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

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

	2022	2021
	SR	SR
Contract assets relating to the construction of poultry farms	11,358,204	4,100,209
Contract liabilities relating to the construction of poultry farms	287,848	751,837

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

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16. TRADE RECEIVABLES AND OTHER DEBTORS

	Note	2022 SR	2021 SR
Trade receivables		173,586,415	228,278,582
Due from related parties	25	36,723,600	3,963,055
		210,310,015	232,241,637
Less: provision for impairment of trade receivables		(12,427,715)	(14,967,131)
		197,882,300	217,274,506

Due from related parties as at December 31, 2022 comprises of trade receivables amounting to SR 33.0 million (2021: SR 2.0 million) and other receivables amounting to SR 3.7 million (2021: SR 1.9 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, 2022, five largest customers accounted for 27% (2021: 33%) 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, 2022 and 2021 are not subject to enforcement activity.

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

	2022 SR	2021 SR
Opening balance	14,967,131	11,763,628
Additions*	3,525,000	3,507,127
Disposal of a subsidiary	(6,010,099)	-
Write-offs	(54,317)	(303,624)
Closing balance	12,427,715	14,967,131

*The provision for the year 2021 consists of SR 2,172,127 pertaining to discontinued operations.

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

December 31, 2022	Weighted average loss rate	Gross carrying amount SR	Loss Allowance SR
Current (not past due)	0.07%	100,189,932	67,082
1-90 days past due	0.12%	46,401,389	57,927
91-180 days past due	1.00%	5,788,301	58,019
181-270 days past due	1.63%	3,970,597	64,913
271-360 days past due	8.39%	341,587	28,665
More than 360 days past due	54.40%	10,403,219	5,659,719
Specific provision	100.00%	6,491,390	6,491,390
	7.16%	173,586,415	12,427,715

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16. TRADE RECEIVABLES AND OTHER DEBTORS (CONTINUED)

December 31, 2021	Weighted average loss rate	Gross Carrying Amount SR	Loss Allowance SR
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

17. PREPAYMENTS AND OTHER RECEIVABLES

	2022 SR	2021 SR
Advances to suppliers	74,304,710	71,872,104
Prepaid expenses	39,349,080	29,392,947
Other receivables	2,752,000	8,241,140
Employee receivables	3,806,310	6,994,959
Government subsidy receivable	7,712,646	7,887,619
	127,924,746	124,388,769

Government subsidy, employee receivables and other receivables are generally settled within 12 months from the reporting date. Hence, their carrying amount is considered to be the same as fair value.

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

	2022 SR	2021 SR
Opening balance	7,887,619	11,892,836
Additions	57,835,053	49,870,724
Collections	(58,010,026)	(53,875,941)
Closing balance	7,712,646	7,887,619

18. CASH AND CASH EQUIVALENTS

	2022 SR	2021 SR
Cash at banks	254,062,357	176,662,400
Cash in hand	12,985,728	9,228,841
	267,048,085	185,891,241

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.

19. SHARE CAPITAL

At December 31, 2022 and 2021, 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..

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20. RESERVES

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.

Other reserve

The gain resulting from disposal of share in subsidiary where in the Group continues to exercise control over the respective subsidiary are booked in this reserve.

21. 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.

	2022 SR	2021 SR
Opening balance	98,755,351	82,555,204
Current service cost	13,271,040	13,367,488
Interest cost	67,145	1,534,571
Employee benefit obligations transferred from a related party	65,707	90,871
Employee benefit obligations transferred to a related party	(280,117)	-
Actuarial (gain) loss on the obligation	(8,419,155)	5,708,553
Transfer on disposal of a subsidiary	(13,586,387)	-
Benefits paid	(3,620,909)	(4,501,336)
Closing balance	<u>86,252,675</u>	<u>98,755,351</u>

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

	2022 SR	2021 SR
Current service cost	13,271,040	13,367,488
Interest cost	67,145	1,534,571
Total amount recognised in consolidated profit or loss*	13,338,185	14,902,059
Effect of changes in actuarial assumptions	(8,419,155)	5,708,553
Total amount recognised in consolidated statement of comprehensive income	<u>4,919,030</u>	<u>20,610,612</u>

*The current service cost and interest cost for the year 2021 consists of SR 2,116,515 and SR 151,444 pertaining to discontinued operations.

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

	2022 SR	2021 SR
Discount rate	4.35%	1.78%
Future salary increase rate	3.85%	2.50%

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21. EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

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

	2022	2021
	SR	SR
0.5% increase in discount rate	3,057,621	5,016,573
0.5% decrease in discount rate	(3,140,955)	(4,771,695)

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

	2022	2021
	SR	SR
0.5% increase in salary escalation rate	(2,545,058)	(4,779,115)
0.5% decrease in salary escalation rate	2,527,665	5,072,477

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

	2022	2021
	SR	SR
1 – 5 years	53,950,234	33,886,536
Over 5 years	59,281,167	39,377,004

22. BORROWINGS

	2022	2021
	SR	SR
<i>Non-current</i>		
Long-term bank loan	73,708,317	80,327,652
Less: Current portion of long-term bank loan	(33,115,317)	(52,942,660)
	40,593,000	27,384,992
<i>Current</i>		
Short-term bank loans	231,299,604	240,963,734
Current portion of long-term bank loan	33,115,317	52,942,660
Interest payable	3,421,035	1,859,067
	267,835,956	295,765,461

Borrowings consist of floating rate loans denominated in the following currencies:

	2022	2021
	SR	SR
Saudi Riyal	255,305,480	321,291,386
USD	9,109,441	-
Euro	40,593,000	-
	305,007,921	321,291,386

The Group has short-term loan facilities from commercial banks of SR 1,105 million (2021: SR 631 million). The unused balance of these facilities as at December 31, 2022 amounted to SR 519 million (2021: SR 242 million). These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") and London Interbank Offered Rate ("LIBOR"). Short-term facilities are collateralised by promissory notes signed by the borrowing entities of the Group and cross and corporate guarantees from the entities of the Group. The short-term loan contain certain financial covenants to be complied with during the term of the loan and as at December 31, 2022 the Group companies are in compliant with the financial covenants.

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22. BORROWINGS (CONTINUED)

The Group has obtained medium-term loan facilities from local commercial banks of SR 33 million (2021: 148 million). The unused balance of these facilities as at December 31, 2022 amounted to Nil (2021: SR 37 million).

During the year, the Group obtained a long-term facility of EURO 48 million (SR 191.5 million) through its subsidiary for the purpose of building a new plant. The loan carries commission charge at EURIBOR plus 1.75% and the repayment in semi annual equal instalments amounting to EURO 3.4 million which will start from 2025 over a period of seven years. As at December 31, 2022 the Group has drawn EURO 10.5 million (SR 40.6 million) of the total facility amount. The loan agreement contains certain financial covenants to be complied with during the term of the loan and as at December 31, 2022 the Group companies are in compliant with the financial covenants.

During the year, the Group obtained an interest-free loan of SR 150 million from the Agricultural Development Fund (“ADF”). The loan is repayable in full within one year period, accordingly management assessed that the fair value of the loan approximates the carrying value of the loan. As at December 31, 2022 the loan is fully drawn by the Group.

The average interest rates during the year ended December 31, 2022 on these facilities varied between 1.7% - 8.0% per annum (2021: 1.7% - 5.3% 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 aggregate maturities of the total loan facilities are summarized as follows:

	2022 SR	2021 SR
less than 1 year	264,414,921	293,906,394
1 – 2 years	-	27,384,992
More than 2 years	40,593,000	-
	<u>305,007,921</u>	<u>321,291,386</u>

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

23. TRADE AND OTHER PAYABLES

	2022 SR	2021 SR
Trade payables	184,228,448	148,150,306
Notes payable	56,019,238	42,615,245
Due to related parties	25 492,899	3,709,926
	<u>240,740,585</u>	<u>194,475,477</u>

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.

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24. ACCRUED AND OTHER LIABILITIES

	2022 SR	2021 SR
Accrued employee related costs	86,004,118	60,252,096
Accrued expenses	69,502,143	54,500,555
Utilities payable	5,518,674	5,127,392
Advances from customers	5,782,594	3,261,691
Others	4,796,595	7,956,117
	171,604,124	131,097,851

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.

25. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is a member of an affiliated group of companies, which are directly or indirectly controlled by Al Dabbagh Group Holding Company (“ADGHC”), the ultimate majority shareholder.

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

Name of related party	Nature of relationship
ADGHC	Ultimate Parent
National Scientific Company Limited (NSCL)	Affiliate
Saed International for Istiqdam Company (SAED)	Affiliate
Advanced Petroleum Services Limited (APSL)	Affiliate
Qeemah and Dukan for Groceries Limited (Dukan)	Affiliate
Petromin Corporation (Petromin)	Affiliate
Supreme Food Processing Company and its subsidiary	Associate
National Fuel Limited Company	Affiliate
Petrolube Oil Company	Affiliate

Affiliates are entities which are directly or indirectly controlled or under significant influence of ADGHC. During the year ended December 31, 2022 and 2021, 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:

Related party transactions

	2022 SR	2021 SR
Transaction with affiliate		
Sales to an affiliate	(12,950,799)	(12,391,111)
Employee costs paid to an affiliate	696,464	2,929,544
Rent	500,000	-
Payments on behalf of parent and affiliate	1,816,089	4,769,237
Purchases from affiliates	321,709	635,322
Employee benefit obligations transferred to a related party	(280,117)	-
Employee benefit obligations transferred from a related Party	65,707	90,871
Transaction with associate		
Sales to an associate	(3,143,926)	-
Management fees	2,511,140	-
Rent	71,265	-
Others	9,925	-

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25. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Key management personnel compensation

	2022 SR	2021 SR
Remuneration	15,818,199	13,501,802
Provision for employee benefit obligations	1,192,143	2,628,339

At December 31, 2022, payable balance of key management personnel compensation is SR 1 million (2021: SR 1.1 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.

Related party balances

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

Due from related parties (Note 16)

	2022 SR	2021 SR
SFPC	29,404,424	-
ADGHC*	3,744,752	1,928,663
Dukan	3,439,766	1,899,734
NSCL	102,454	102,454
APSL	32,204	32,204
	36,723,600	3,963,055

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

Due to related parties (Note 23)

	2022 SR	2021 SR
PFF	435,640	-
SAED	53,996	-
Petromin	3,263	3,709,926
	492,899	3,709,926

26. ZAKAT AND INCOME TAX

Components of zakat base

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

The principal elements of the zakat base are as follows:

	2022 SR	2021 SR
Non-current assets	779,418,905	494,384,591
Non-current liabilities	391,169,395	277,232,988
Opening shareholders' equity	356,202,659	347,535,568
Dividends paid	10,198,135	-
Government subsidy	7,712,646	7,887,619
Net income before zakat	199,896,453	20,186,368

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26. ZAKAT AND INCOME TAX (CONTINUED)

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

Movement in provision for zakat

	2022 SR	2021 SR
Opening balance	8,637,498	9,910,323
Provision for the year	8,997,973	6,629,785
Payment of zakat reimbursed by the shareholder	(110,221)	(819,061)
Reversal of provision	(1,818,435)	-
Payment	(4,171,280)	(7,083,549)
Disposal of a subsidiary	(1,461,666)	-
Closing balance	<u>10,073,869</u>	<u>8,637,498</u>

Movement in provision for income tax

	2022 SR	2021 SR
Provision for the year	<u>438,856</u>	-
Closing balance	<u>438,856</u>	-

The charge for the year for zakat and income tax is as follows:

	2022 SR	2021 SR
Zakat		
in respect of current year	8,997,973	5,741,602
in respect of prior year(s)	(1,818,435)	888,183
Income tax		
in respect of current year	<u>438,856</u>	-
Total zakat and income tax recognized in the current year*	<u>7,618,394</u>	<u>6,629,785</u>

* The zakat charge for the year 2021 consists of SR 1,474,724 pertaining to discontinued operations and the zakat charge for the year 2022 includes SR 2.5 million relating to the gain on disposal of discontinued operations.

Deferred tax balances

Deferred tax adjustment has not been recognised in the current year as the impact is not material to the consolidated financial statements.

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, 2022, such reimbursement amounted to SR 0.1 million (2021: SR 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 the ZATCA to file a consolidated zakat declaration and has accordingly accrued zakat for such years on a consolidated basis. In 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 years.

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26. ZAKAT AND INCOME TAX (CONTINUED)

Status of final assessments (continued)

In 2021, the Company had received the zakat assessment for assessment year 2015 with an additional zakat liability of SR 1.1 million. The Company had filed an appeal with the General Secretariat of Tax Committee (“GSTC”) against such assessment and the Group management expects the assessment to be set aside in the favour of the Company. Accordingly, no provision has been recorded in the consolidated financial statements as at December 31, 2022. Further during the year, the Company received the zakat assessment for assessment year 2016 with an additional zakat liability of SR 0.03 million. The Company has made the payment under protest and recharged to ADGHC as per the agreement between the Company and ADGHC.

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

During the year, TFC entered a partnership with Tyson foods, and ADC and SFPC are no longer 100% owned by TFC. As a result, the Company filed an application with the ZATCA to deconsolidate ZAKAT grouping, which was accepted, and each entity will file zakat on a stand-alone basis for the year 2022.

In 2021, the ZATCA finalized ADC’s zakat assessments for the assessment years 2016 and 2017 by assessing additional liability of SR 0.4 million and SR 0.2 million, respectively which ADC has paid under protest in 2021 and recharged to ADGHC as per the agreement between the Company and ADGHC. No other assessment has yet been issued for ADC.

In 2020, SFPC had received zakat assessment for assessment years 2015 through 2018 with an additional zakat liability of SR 4.1 million. SFPC had filed an appeal with the GSTC against such assessments and expects these assessments to be set aside in favour of SFPC. Management of the Group believes that the provision recorded against such assessment in the consolidated financial statements as at December 31, 2022, is adequate for any potential outflow as a result of finalization of the appeal with GSTC.

In 2020, DHV had received zakat assessment for assessment years 2017 and 2018 with an additional zakat liability of SR 0.5 million and SR 0.2 million, respectively. DHV had filed an appeal with GSTC against such assessments. During the year, the GSTC has finalized the zakat assessment of DHV for the year 2018 by assessing additional zakat liability of SR 0.08 million which the company has settled. The Company has made the payment under protest and recharged to ADGHC as per the agreement between the Company and ADGHC.

27. REVENUE

The Group derives its revenue at a point in time from sale of products to the customers and from contracts with customers for the transfer of goods and services over time. This is consistent with the revenue information that is disclosed for each reportable segment (see note 35).

	2022	2021
	SR	SR
At a point in time (food and agricultural products) *	1,700,057,858	1,190,332,439
Over the period of time (construction of poultry farms) *	26,983,887	19,235,292
	<u>1,727,041,745</u>	<u>1,209,567,731</u>

* Refer note 35 for additional disaggregation of revenue by different geography.

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28. COST OF SALES

	Note	2022 SR	2021 SR
Materials consumed		825,868,928	607,383,175
Employee related costs		268,826,201	198,839,335
Depreciation on right-of-use assets	7	57,216,160	45,308,228
Transport and travel		49,503,069	40,639,867
Utilities		34,007,629	25,007,460
Depreciation on property, plant and equipment	6	16,374,889	13,112,493
External processing charges		6,787,460	12,377,414
Repairs and maintenance		9,026,781	7,824,123
Rent		15,997,461	6,664,631
Others		23,244,489	20,593,342
		1,306,853,067	977,750,068

29. SELLING AND DISTRIBUTION EXPENSES

	Note	2022 SR	2021 SR
Employee related costs		95,973,645	70,227,888
Transport and travel		34,328,800	27,888,584
Depreciation on right-of-use assets	7	24,623,951	16,985,141
Sales commission		19,439,052	13,007,638
Advertising and sales promotion		20,553,407	13,872,329
Rent		3,678,370	3,953,108
Depreciation on property, plant and equipment	6	4,577,966	2,764,805
Others		14,594,675	10,631,504
		217,769,866	159,330,997

30. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2022 SR	2021 SR
Employee related costs		57,766,722	44,150,673
Directors' remuneration		1,280,296	562,815
Professional fees		10,349,870	4,695,843
IT infrastructure cost		3,012,301	2,319,124
Depreciation on right-of-use assets	7	2,841,517	1,478,916
Transport and travel		3,615,253	933,773
Rent		2,559,274	1,660,906
Depreciation on property, plant and equipment	6	491,137	369,748
Others		6,972,334	5,271,952
		88,888,704	61,443,750

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31. FINANCE COSTS

	Note	2022 SR	2021 SR
Interest on lease liabilities	7	15,302,204	9,780,336
Interest on borrowings		12,603,183	7,812,299
Others		3,264,078	3,002,044
		<u>31,169,465</u>	<u>20,594,679</u>

Others mainly includes bank charges.

32. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies

At December 31, the Group had the following commitments:

	2022 SR	2021 SR
Capital commitments	<u>144,802,044</u>	<u>39,453,842</u>

At December 31, the Group had the following contingencies:

	2022 SR	2021 SR
Letters of credit	<u>278,478,297</u>	<u>173,610,569</u>
Letters of guarantee	<u>2,793,438</u>	<u>5,683,588</u>

The Group had the following share of contingencies and commitments in an associate

	2022 SR	2021 SR
Capital commitments	<u>6,530,938</u>	-
Letters of credit	<u>1,302,083</u>	-
Letters of guarantee	<u>119,458</u>	-

Short-term leases

The short-term lease commitments as of December 31, 2022 amount to SR 1.0 million (2021: SR 0.6 million).

33. FINANCIAL INSTRUMENTS

Fair value measurement of financial instruments

a) Recognised fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Fair value hierarchy

	December 31, 2022					
	FVOCI SR	Amortised cost SR	Total SR	Level 1 SR	Level 2 SR	Level 3 SR
Financial assets						
Unlisted equity securities	773,983	-	773,983	-	-	773,983
Trade receivables and other debtors	-	197,882,300	197,882,300	-	-	-
Contract assets	-	11,358,204	11,358,204	-	-	-
Cash and cash equivalents	-	267,048,085	267,048,085	-	-	-
Government subsidy, employee and other receivables	-	14,270,956	14,270,956	-	-	-
Total financial assets	773,983	490,559,545	491,333,528	-	-	773,983
	December 31, 2021					
	FVOCI SR	Amortised Cost SR	Total SR	Level 1 SR	Level 2 SR	Level 3 SR
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

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

33. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

b) Fair value hierarchy (continued)

Financial liabilities includes borrowings, trade payables, contract liabilities, accrued and other liabilities and lease liabilities. All financial liabilities as of December 31, 2022 and 2021 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.

Risk management framework

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

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

The 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. 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)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Risk management framework (continued)

a) Credit risk

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

Credit risk refers to the risk that a counterparty including related parties will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties including related parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are set in accordance with limits set by the management. Refer to Note 16 for concentration of credit risk on trade receivables.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased

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.

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

	2022	2021
	SR	SR
Cash at banks	254,062,357	176,662,400
Trade receivables and other debtors, net – third parties	161,158,700	213,311,451
Trade receivables and other debtors – related parties	36,723,600	3,963,055
Contract asset	11,358,204	4,100,209
Government subsidy, employee and other receivables (included within prepayments and other receivables)	14,270,956	23,123,718
	477,573,817	421,160,833

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.

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.

33. FINANCIAL INSTRUMENTS (CONTINUED)

Risk management framework (continued)

a) Credit risk (continued)

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The 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.

Refer Note 16 for the impairment losses on financial assets recognised in the consolidated statement of profit or loss and other comprehensive income.

b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Within 12 months	More than 12 months	Total	Carrying amount
December 31, 2022				
Borrowings	267,455,693	47,148,114	314,603,807	305,007,921
Trade and other payables	240,740,585	-	240,740,585	240,740,585
Lease liabilities	83,818,545	304,704,254	388,522,799	320,143,272
Accrued and other liabilities	165,821,530	-	165,821,530	165,821,530
	757,836,353	351,852,368	1,109,688,721	1,031,713,308
	Within 12 months	More than 12 months	Total	Carrying amount
December 31, 2021				
Borrowings	296,478,075	28,138,079	324,616,154	321,291,386
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	127,836,160
	693,256,786	219,077,626	912,334,412	858,178,826

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 22 for unused credit facilities and Note 18 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.

33. FINANCIAL INSTRUMENTS (CONTINUED)

Risk management framework (continued)

c) Market risk

Market risk is the risk that changes in market prices, such as commission rates, equity prices and foreign currency exchange rates may affect the Group's income. 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. The Group is exposed to market risk, in the form of commission rate risk and foreign currency risk as described below. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured

i) Currency risk

The Group undertakes transactions denominated in foreign currencies principally in Saudi Riyals, United Arab Emirates Dirhams, Bahraini Dinars, Euros and United States Dollars; consequently, exposures to exchange rate fluctuations arise. As a result, it is subject to foreign exchange currency risk due to exchange rate movements, which will affect the Group's transaction costs and its financial assets and liabilities.

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 monitored by the management. The net Group's major foreign currency denominated financial assets and financial liabilities, which give rise to foreign exchange risk as at:

	2022	2021
	SR	SR
<i>Financial liabilities</i>		
Borrowings (currency EUR)	40,593,000	-

The Group's financial assets and liabilities will increase / decrease by SR 0.41 million if the Euro currency appreciates / depreciates by 1%.

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:

	2022	2021
	SR	SR
Financial liabilities, principally borrowings	305,007,921	321,291,386

33. FINANCIAL INSTRUMENTS (CONTINUED)

Risk management framework (continued)

c) Market risk (continued)

ii) Interest rate risk (continued)

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

	2022	2021
	SR	SR
Interest rate-increases by 100 basis points	(311,695)	(205,947)
Interest rate-decreases by 100 basis points	311,695	205,947

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 its 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 SR 614.3 million at December 31, 2022 (2021: SR 356.2 million) attributable to the owners of the Company. 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.

	2022	2021
	SR	SR
Borrowings	308,428,956	323,150,453
Lease liabilities	320,143,272	214,575,803
Less: cash and cash equivalents	(267,048,085)	(185,891,241)
Net debt (A)	361,524,143	351,835,015
Shareholders' equity (B)	614,370,538	356,202,659
Total capital (A+B)	975,894,681	708,037,674
Gearing ratio (A / (A+B))	37%	50%

33. FINANCIAL INSTRUMENTS (CONTINUED)

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.

34. EARNINGS PER SHARE

Earnings per share have been calculated by dividing the net profit attributable to the owners of the Company by the weighted average number of shares outstanding during the year. As the Group does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

	2022	2021
	SR	SR
From continuing operations		
Net profit attributable to the owners of the Company	186,809,894	13,556,583
Adjustment to exclude gain for the year from discontinued operations	(114,296,416)	(28,936,964)
Net profit attributable to the owners of the Company from continuing operations for the purpose of basic and diluted earnings per share.	72,513,478	(15,380,381)
Weighted average number of shares	20,000,000	20,000,000
Basic and diluted earnings per share (SR per share)	3.63	(0.77)
From discontinued operations		
Basic and diluted earnings per share (SR per share)	5.71	1.45
From continuing and discontinued operations		
Basic and diluted earnings per share (SR per share)	9.34	0.68

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

35. 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:

	Food and agriculture			Construction of poultry farms		
	Kingdom of Saudi Arabia	United Arab Emirates	Kingdom of Bahrain	Other GCC countries	Kingdom of Saudi Arabia	Total
For the year ended December 31, 2022						
Revenue from external customers						
<i>Timing of revenue recognition</i>						
At a point in time	1,601,430,600	4,392,007	93,335,151	900,100	-	1,700,057,858
Over time	-	-	-	-	26,983,887	26,983,887
	1,601,430,600	4,392,007	93,335,151	900,100	26,983,887	1,727,041,745
For the year ended December 31, 2021						
Revenue from external customers						
<i>Timing of revenue recognition</i>						
At a point in time	1,092,468,334	10,989,664	86,874,441	-	-	1,190,332,439
Over time	-	-	-	-	19,235,292	19,235,292
	1,092,468,334	10,989,664	86,874,441	-	19,235,292	1,209,567,731

The revenue for the year ended December 31, 2022 from top five customers in the food and agriculture stream represents 13.31% of the Group's revenues (2021: 15.36%).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

35. SEGMENT REPORTING (CONTINUED)

	December 31, 2022			
	Kingdom of Saudi Arabia	United Arab Emirates	Kingdom of Bahrain	Total
Property, plant and equipment	337,899,512	-	391,216	338,290,728
Right-of-use assets	347,750,092	-	961,733	348,711,825
Intangible assets	4,072,336	-	76,509	4,148,845
Financial assets at FVOCI	773,983	-	-	773,983

	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

36. DIVIDENDS

On April 14, 2022, the shareholders in their meeting approved and distributed a cash dividend of SR 0.51 per share amounting to SR 10.2 million for the year ended December 31, 2021.

37. CASH FLOW INFORMATION

(a) Net debt

	2022 SR	2021 SR
Cash and cash equivalents	267,048,085	185,891,241
Lease liabilities	(320,143,272)	(214,575,803)
Borrowings	(308,428,956)	(323,150,453)
Net debt	(361,524,143)	(351,835,015)

Borrowings of the Group carry variable interest rates.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022

37. CASH FLOW INFORMATION (CONTINUED)

(b) Net debt reconciliation

	Cash and cash equivalents SR	Borrowings SR	Leases SR	Total SR
January 1, 2021	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)
Additions to leases	-	-	(235,555,502)	(235,555,502)
Interest on lease liabilities	-	-	(15,302,204)	(15,302,204)
Disposal of a subsidiary	(12,722,450)	56,889,067	38,278,398	82,445,015
Lease liabilities written off due to termination of lease contracts	-	-	2,196,354	2,196,354
Finance costs	-	(15,867,261)	-	(15,867,261)
Finance costs paid (presented as operating cash flows)	-	13,906,928	-	13,906,928
Cash flows	93,879,294	(40,207,237)	104,815,485	158,487,542
December 31, 2022	267,048,085	(308,428,956)	(320,143,272)	(361,524,143)

38. EVENTS AFTER THE REPORTING PERIOD

There were no events subsequent to 31 December 2022 and occurring before the date of the approval of the consolidated financial statements that are expected to have a significant impact on these consolidated financial statements.

39. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements of the year ended December 31, 2022 was approved for issuance by the Board of Directors of the Group on February 9, 2023 (18 Rajab 1444).