

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED) AND
INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2023**

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AND
INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Tanmiah Food Company, a Saudi Joint Stock Company (the "Company") and its subsidiaries (together the "Group") as at March 31, 2023, and the related interim condensed consolidated statement of comprehensive income for the three months period then ended and the interim condensed consolidated statements of changes in equity and cash flows for the three months period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated condensed financial information in accordance with International Accounting Standard ("IAS") 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte and Touche & Co
Chartered Accountants



Mazen A. Al Omari
License No 480
21 Shawwal, 1444H
May 11, 2023



TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023


	Notes	For the three months period ended March 31	
		2023 SR	2022 SR
		(unaudited)	(unaudited)
CONTINUING OPERATIONS			
Revenue	15	484,479,751	340,619,645
Cost of sales		(364,529,668)	(270,193,733)
Gross profit		119,950,083	70,425,912
Selling and distribution expenses		(59,861,151)	(48,580,378)
General and administrative expenses		(25,779,684)	(19,304,585)
Impairment loss on financial assets		(2,100,000)	(300,000)
Other income		4,237,539	320,452
Share in net results of an associate	7	(408,919)	-
Operating profit		36,037,868	2,561,401
Finance costs		(8,447,093)	(4,678,347)
Profit (loss) before zakat		27,590,775	(2,116,946)
Zakat and income tax		(3,084,364)	(455,299)
Profit (loss) for the period from continuing operations		24,506,411	(2,572,245)
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	1	-	4,114,227
PROFIT FOR THE PERIOD		24,506,411	1,541,982
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Re-measurements of employee benefit obligations		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		24,506,411	1,541,982

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

	For the three months period ended March 31	
	2023 SR	2022 SR
	(unaudited)	(unaudited)
Profit for the period attributable to:		
<u>Owners of the Company</u>		
Profit (loss) for the period from continuing operations	20,987,683	(2,572,245)
Profit for the period from discontinued operations	-	4,114,227
Profit for the period attributable to owners of the Company	<u>20,987,683</u>	<u>1,541,982</u>
<u>Non-controlling interests</u>		
Profit for the period from continuing operations	<u>3,518,728</u>	-
	<u>24,506,411</u>	<u>1,541,982</u>
Total comprehensive income for the period attributable to:		
<u>Owners of the Company</u>		
Total comprehensive income (loss) for the period from continuing operations	20,987,683	(2,572,245)
Total comprehensive income for the period from discontinued operations	-	4,114,227
Total comprehensive income for the period attributable to owners of the Company	<u>20,987,683</u>	<u>1,541,982</u>
<u>Non-controlling interests</u>		
Total comprehensive income for the period from continuing operations	<u>3,518,728</u>	-
	<u>24,506,411</u>	<u>1,541,982</u>
Earnings per share attributable to owners of the Company:		
From continuing operations		
Basic and diluted earnings per share	14 <u>1.05</u>	<u>(0.13)</u>
From continuing and discontinued operations		
Basic and diluted earnings per share	14 <u>1.05</u>	<u>0.08</u>


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer



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

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

		March 31, 2023	December 31, 2022
	Notes	SR	SR
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	367,595,794	338,290,728
Right-of-use assets	6	392,411,013	348,711,825
Intangible assets		4,946,757	4,148,845
Financial assets at fair value through other comprehensive income		773,983	773,983
Investment in an associate	7	87,084,605	87,493,524
Total non-current assets		852,812,152	779,418,905
Current assets			
Inventories	8	298,828,015	288,202,232
Biological assets	9	137,636,539	128,748,293
Contract assets		14,804,072	11,358,204
Trade receivables and other debtors		226,009,545	197,882,300
Prepayments and other receivables		132,935,645	127,924,746
Cash and cash equivalents		232,748,170	267,048,085
Total current assets		1,042,961,986	1,021,163,860
TOTAL ASSETS		1,895,774,138	1,800,582,765
EQUITY AND LIABILITIES			
Equity			
Share capital	1	200,000,000	200,000,000
Statutory reserve		34,560,302	34,560,302
Other reserve		73,977,280	73,977,280
Retained earnings		326,820,639	305,832,956
Equity attributable to owners of the Company		635,358,221	614,370,538
Non-controlling interests		51,760,770	48,242,042
Total equity		687,118,991	662,612,580
Non-current liabilities			
Employee benefit obligations		90,331,822	86,252,675
Lease liabilities	6	304,627,648	264,323,720
Borrowings	10	40,593,000	40,593,000
Total non-current liabilities		435,552,470	391,169,395
Current liabilities			
Borrowings	10	275,313,402	267,835,956
Trade payables, accruals and other liabilities		422,922,140	412,632,557
Lease liabilities	6	61,270,046	55,819,552
Provision for zakat and income tax	11	13,597,089	10,512,725
Total current liabilities		773,102,677	746,800,790
Total liabilities		1,208,655,147	1,137,970,185
TOTAL EQUITY AND LIABILITIES		1,895,774,138	1,800,582,765


Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

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

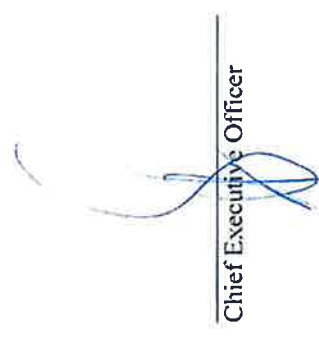
TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

	Share capital SR	Statutory reserve SR	Other reserve SR	Retained earnings SR	Total shareholders' equity SR	Non controlling interest SR	Total SR
Balance at January 1, 2023 (audited)	200,000,000	34,560,302	73,977,280	305,832,956	614,370,538	48,242,042	662,612,580
Net profit for the period	-	-	-	20,987,683	20,987,683	3,518,728	24,506,411
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	20,987,683	20,987,683	3,518,728	24,506,411
Balance at March 31, 2023 (unaudited)	200,000,000	34,560,302	73,977,280	326,820,639	635,358,221	51,760,770	687,118,991
Balance at January 1, 2022 (audited)	200,000,000	15,879,313	-	140,323,346	356,202,659	-	356,202,659
Net profit for the period	-	-	-	1,541,982	1,541,982	-	1,541,982
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,541,982	1,541,982	-	1,541,982
Balance at March 31, 2022(unaudited)	200,000,000	15,879,313	-	141,865,328	357,744,641	-	357,744,641

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Chairman of the Board of Directors


Chief Executive Officer


Chief Financial Officer

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

	Note	March 31, 2023 SR (unaudited)	March 31, 2022 SR (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat and income tax from continuing operations		27,590,775	(2,116,946)
Profit before zakat and income tax from discontinued operations		-	4,269,719
		<u>27,590,775</u>	<u>2,152,773</u>
Adjustments for:			
Depreciation on property, plant and equipment	5	7,940,175	6,301,608
Depreciation on right-of-use assets	6	22,102,373	20,094,234
Amortisation of intangible assets		141,838	162,910
Impairment loss on financial assets		2,100,000	300,000
Provision for slow-moving inventories	8	1,232,406	1,577,749
Net gain on disposal and of property, plant and equipment		(28,490)	(5,812)
Share of loss from an associate	7	408,919	-
Provision for employee benefit obligations		4,493,860	4,815,945
Government subsidy accrued		(26,681,743)	(7,461,368)
Finance costs		4,114,893	3,168,380
Gain on termination of lease contracts		-	(82,875)
Interest on lease liabilities	6	4,332,200	3,136,497
Changes in operating assets and liabilities:			
Inventories		(11,858,189)	(73,006,806)
Trade receivables and other debtors		(30,227,245)	4,162,969
Biological assets		(8,888,246)	(18,416,960)
Contract assets		(3,445,868)	(470,360)
Prepayments and other receivables		(4,616,287)	4,198,476
Government subsidy received		26,287,131	9,630,109
Trade payable, accruals and other liabilities		<u>6,554,052</u>	<u>27,577,916</u>
Cash generated from (used in) operations		21,552,554	(12,164,615)
Employee benefit obligations paid		(414,713)	(1,456,980)
Finance costs paid		<u>(3,800,397)</u>	<u>(3,185,411)</u>
Net cash generated from (used in) operating activities		<u>17,337,444</u>	<u>(16,807,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of property, plant and equipment	5	(37,245,251)	(19,363,376)
Proceeds from disposal of property, plant and equipment		28,500	5,812
Payments for additions to intangible assets		<u>(939,750)</u>	<u>(959,253)</u>
Net cash used in investing activities		<u>(38,156,501)</u>	<u>(20,316,817)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payments	6	(24,379,339)	(27,293,094)
Short term borrowings		44,013,798	(23,823,876)
Proceeds from long-term borrowings		-	19,940,095
Repayment of long-term borrowings	10	<u>(33,115,317)</u>	<u>(17,556,304)</u>
Net cash used in financing activities		<u>(13,480,858)</u>	<u>(48,733,179)</u>
Net decrease in cash and cash equivalents		(34,299,915)	(85,857,002)
Cash and cash equivalents at the beginning of the period		<u>267,048,085</u>	<u>185,891,241</u>
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		<u>232,748,170</u>	<u>100,034,239</u>

**TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

	Note	March 31, 2023 SR (unaudited)	March 31, 2022 SR (unaudited)
<u>Supplemental non-cash information:</u>			
Addition to right-of-use assets and lease liabilities	6	65,801,561	60,444,727
Employee termination benefits transferred from accrued and other liabilities		-	973,160
Lease liabilities written off due to termination of lease contracts		-	2,635,899
Right-of-use assets written off due to termination of lease contracts		-	(2,553,024)

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Chairman of the Board of Directors



Chief Executive Officer



Chief Financial Officer

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

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

1. CORPORATE INFORMATION

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

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

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

The Group’s principal subsidiaries and associate at March 31, 2023 and December 31, 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of business.

Subsidiary	Country of incorporation	Effective ownership at March 31, 2023	Effective ownership at December 31, 2022	Principal activities
Agricultural Development Company Limited (“ADC”)	Kingdom of Saudi Arabia	85%	85%	Wholesale trading in poultry products and agricultural produce
Desert Hills Veterinary Services Company Limited (“DHV”)	Kingdom of Saudi Arabia	100%	100%	Wholesale and retail trading in machines and equipment in the field of animal care, animal shelters, animal feed, chicks and hatching eggs, veterinary lab equipment and medicines, along with marketing and import and export of related items.
Gulf Brand for Fast Foods Company (“GBFFC”)	Kingdom of Saudi Arabia	100%	100%	Restaurant outlets with related services
Supreme Foods Bahrain W.L.L. (“SFB”) **	Kingdom of Bahrain	85%*	85%	General trading
Al Tanmiah International General Trading L.L.C (Formerly Dabbagh International (UAE) (L.L.C))	United Arab Emirates (UAE)	100%	100%	Dormant company

* SFB is a wholly owned subsidiary of ADC.

During the three-month period ended March 31, 2023 the Group has entered into a memorandum of understanding through one of its subsidiaries (DHV) with an international group in Europe to establish a joint venture for developing and operating poultry breeding facilities and will also include the establishment of a greenfield hatchery in the Kingdom of Saudi Arabia.

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

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

1. CORPORATE INFORMATION (CONTINUED)

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

<u>Associate/ Subsidiary</u>	<u>Country of incorporation</u>	<u>Effective ownership at March 31, 2023</u>	<u>Effective ownership at March 31, 2022</u>	<u>Principal activities</u>
Supreme Foods Processing Company Limited (“SFPC”)	Kingdom of Saudi Arabia	40%	100%	Manufacturing and preparation of various types of meat products.
Perfect Foods Factory LLC (“PFF”) **	United Arab Emirates (UAE)	40%	100%	Manufacturing and sale of meat and poultry products

* PFF is a wholly owned subsidiary of SFPC.

The results of the discontinued operations for SFPC, which have been included in the comparative statement of comprehensive income for the period ended March 31, 2022 including inter-company transaction of SR 6.7 million for revenue and cost of sales were as follows:

	Period ended March 31, 2022 SR (unaudited)
Revenue	101,395,086
Expenses	<u>(97,125,367)</u>
Profit for the period	4,269,719
Zakat expense	<u>(155,492)</u>
Profit for the period from discontinued operations	<u>4,114,227</u>

During the period March 31, 2022, SFPC and its subsidiary PFF contributed SR 5.82 million to the Group’s net operating cash flows, paid SR 0.93 million in respect of investing activities and paid SR 3.37 million in respect of financing activities.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

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

This interim condensed consolidated financial information has been prepared on a historical cost basis, except for the following material items in the interim condensed consolidated statement of financial position:

- The employee benefit obligation, which is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological assets, where fair value is reliably measurable, are measured at fair value.
- Equity investments at fair value through other comprehensive income (“FVOCI”) are measured at fair value.

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

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

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

New and amended standards adopted by the Group

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023**

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

New and amended standards adopted by the Group (continued)

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(CONTINUED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2023

5. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
Net book value at the beginning of the period / year	338,290,728	254,249,228
Additions	37,245,251	160,478,783
Disposal of a subsidiary (note 1)	-	(54,913,662)
Depreciation for the period/ year	(7,940,175)	(21,443,992)
Transfer to related party	-	(76,251)
Disposals	(10)	(3,378)
Carrying value at the end of the period/ year	367,595,794	338,290,728

The additions during the three months period ended March 31, 2023 amounting to SR 37.2 million (December 31, 2022: SR 160.5 million), mainly represent additions to capital work-in-progress for construction of feed mill, expansion of the current capacity of the processing plant, hatchery expansion and expansion of restaurant operations.

6. LEASES

The Group leases various accommodations, warehouses, buildings, poultry processing plants, farms, vehicles and offices. Rental contracts are typically made for fixed periods of 2 to 45 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Right-of-use assets:

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
Net book value at the beginning of the period / year	348,711,825	236,694,369
Additions	65,801,561	235,555,502
Disposal of a subsidiary (note 1)	-	(36,379,788)
Depreciation for the period/ year	(22,102,373)	(84,681,628)
Write off	-	(2,476,630)
Carrying value at the end of the period/ year	392,411,013	348,711,825

Lease Liabilities:

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
At beginning of period / year	320,143,272	214,575,803
Additions	65,801,561	235,555,502
Write off	-	(2,196,354)
Interest	4,332,200	15,302,204
Disposal of a subsidiary (note 1)	-	(38,278,398)
Lease payments	(24,379,339)	(104,815,485)
At end of period / year	365,897,694	320,143,272

TANMIAH FOOD COMPANY
(A SAUDI JOINT STOCK COMPANY)

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6. LEASES (CONTINUED)

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

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
Lease liabilities		
Current	61,270,046	55,819,552
Non-current	304,627,648	264,323,720
	365,897,694	320,143,272

In 2022, the Group had 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 was realised in the interim condensed consolidated statement of comprehensive income.

7. INVESTMENT IN AN ASSOCIATE

As stated in note 1, the Group entered into an agreement with Tyson to sell an equity stake in the Group's wholly owned subsidiary, Supreme Foods Processing Company ("SFPC"). The Group has completed the 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.

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
Opening balance	87,493,524	-
Fair value of the residual interest upon disposal of investment in subsidiary transferred to investment in associate	-	86,880,956
Share in (loss) income for the period/ year	(408,919)	284,324
Share in other comprehensive income	-	328,244
	87,084,605	87,493,524

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8. INVENTORIES

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
Raw materials	154,525,929	163,300,062
Poultry meats and other food stuff	52,044,777	46,219,457
Animal health products	46,245,721	41,231,021
Packaging materials	15,513,446	14,273,143
Spare parts	16,474,304	13,339,378
Equipment for sale	11,635,469	8,456,029
Goods-in-transit	81,497	-
Other	11,421,443	9,470,214
	307,942,586	296,289,304
Less: provision for slow-moving inventories	(9,114,571)	(8,087,072)
	298,828,015	288,202,232

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

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
Opening balance	8,087,072	8,005,768
Additions during the period / year	1,232,406	3,085,571
Disposal of a subsidiary	-	(1,361,595)
Write-offs during the period / year	(204,907)	(1,642,672)
	9,114,571	8,087,072

9. BIOLOGICAL ASSETS

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
Broiler birds	36,693,603	30,330,718
Breeder birds – rearing & production	77,996,460	73,843,673
Hatchery eggs	22,946,476	24,573,902
	137,636,539	128,748,293

As at March 31, 2023, the Group had 12.5 million broiler birds (December 31, 2022: 11.0 million broiler birds). Further, 34.0 million broiler birds were slaughtered during the period ended March 31, 2023 (period ended March 31, 2022: 26.6 million broiler birds were slaughtered).

As at March 31, 2023 the Group had 1.6 million breeder birds and 18.6 million hatchery eggs (December 31, 2022: 1.5 million breeder birds and 20.0 million hatchery eggs).

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9. BIOLOGICAL ASSETS (CONTINUED)

The fair value measurements for the broiler birds and hatchery eggs have been categorised as Level 3 in the fair value hierarchy based on the inputs to the valuation techniques used. Valuation techniques and significant unobservable inputs used for valuation of biological assets are as below:

Biological assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Live broiler birds	The valuation model considers the average weight of bird, mortality and the estimated selling price less cost to sell [including the additional cost required to bring the birds as ready to sell (i.e. feed cost, medicines and overheads)].	- Mortality of birds - Average weight of birds - Processing loss - Sales price of fully-grown bird less cost to sell.	The estimated fair value would increase/ (decrease) if: -Mortality was lower/ (higher). -Average weight of birds higher/ (lower). -Processing loss was lower/ (higher) -Selling price of fully-grown bird less cost to sell was higher/ (lower).
Hatchery eggs	The valuation model considers the actual selling price less cost to sell [including the additional cost required to bring the eggs as ready to sell (i.e. overhead and vaccine cost)].	- Hatchability of the eggs	The estimated fair value would increase/ (decrease) if the hatchability was higher/ (lower).

10. BORROWINGS

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
<i>Non-current</i>		
Long-term bank loan	40,593,000	73,708,317
Less: Current portion of medium-term bank loan	-	(33,115,317)
	40,593,000	40,593,000
<i>Current</i>		
Short-term bank loans	125,313,402	81,299,604
Short-term loan from Agricultural Development Fund ("ADF")	150,000,000	150,000,000
Current portion of long-term bank loan	-	33,115,317
Interest payable*	-	3,421,035
	275,313,402	267,835,956

* Interest payable for the three-month period ended March 31, 2023 has been classified under trade payables, accruals and other liabilities.

The Group has a long-term facility of EURO 48 million (SR 191.5 million) through its subsidiary for the purpose of building a new plant. The loan carries commission charge at EURIBOR plus 1.75% and the repayment in semi-annual equal instalments amounting to EURO 3.4 million which will start from 2025 over a period of seven years. As at March 31, 2023 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 March 31, 2023 the subsidiary is compliant with the financial covenants.

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10. BORROWINGS (CONTINUED)

The short-term loan facilities from commercial banks bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate (“SIBOR”) and Secured Overnight Financing Rate (“SOFR”). Short-term facilities are collateralised by promissory notes signed by the borrowing entities of the Group and cross and corporate guarantees from the entities of the Group. The short-term loan contain certain financial covenants to be complied with during the term of the loan and as at March 31, 2023 the Group companies are in compliant with the financial covenants.

In 2022, the Group obtained and fully drawn down an interest-free loan of SR 150 million from the ADF and obtained another interest-free loan of SR 150 million during the three-month period ended March 31, 2023 which was not drawn as at March 31, 2023. The loans are repayable in full within one year period, accordingly management assessed that the fair value of the loan approximates the carrying value of the loan.

The Group has settled the medium-term loan facilities of SR 33.1 million during the period ended March 31, 2023.

The average interest rates during the three-months period ended March 31, 2023 on these facilities varied between 4.2% to 8.9% per annum (December 31, 2022: 1.7% to 8.0 % per annum).

11. ZAKAT AND INCOME TAX

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

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

	March 31, 2023	December 31, 2022
	SR	SR
	(unaudited)	(audited)
Opening balance	10,073,869	8,637,498
Provision for the period / year	1,533,316	8,997,973
Provision for prior year	500,000	-
Payment of zakat reimbursed by the shareholder	-	(110,221)
Reversal of provision	-	(1,818,435)
Payment	-	(4,171,280)
Disposal of a subsidiary	-	(1,461,666)
Closing balance	12,107,185	10,073,869
Movement in provision for income tax		
	March 31, 2023	December 31, 2022
	SR	SR
	(unaudited)	(audited)
Opening balance	438,856	-
Provision for the period / year	1,051,048	438,856
Closing balance	1,489,904	438,856
Zakat and income tax payable	13,597,089	10,512,725

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11. ZAKAT (CONTINUED)

Deferred tax balances

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

Status of final assessments

During 2019, the Company entered into an agreement with Al Dabbagh Group Holding Company ("ADGHC"), ultimate parent, whereby all liabilities relating to additional zakat assessments up to the date of the Company being listed on the Saudi Stock Exchange (Tadawul) which is on August 4, 2021 will be reimbursed to the Company by ADGHC. In 2021, such reimbursement amounted to SR 0.8 million which was credited to retained earnings, being a transaction with owners in their capacity as owners, with a corresponding impact to 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. During 2014, due to the transfer of its shares in ADC, DHV and SFPC, the Company's effective shareholding in such subsidiaries became less than 100% and therefore, the Company filed an unconsolidated zakat return for the years ended 2014 through 2018 while ADC, DHV, and SFPC filed separate zakat returns for such years.

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 interim condensed consolidated financial information as at March 31, 2022. Further in 2022, 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.

In 2021, the ZATCA finalised 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 the favour of SFPC. Management of the Group believes that the provision recorded against such assessment in the interim condensed consolidated financial information as at March 31, 2023, 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. In 2022, the GSTC has finalised the zakat assessment of DHV for the year 2018 by assessing additional zakat liability of SR 0.083 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.

In 2022, due to change in ownership structure of ADC and SFPC, the Company's effective shareholding in such subsidiaries became less than 100%. No change occurred in shareholding for DHV and GBFFC. However, the management of the Company decided to cancel the consolidation request with the ZATCA and filed an unconsolidated zakat return for the year FY2022, while ADC, SFPC, DHV and GBFFC also filed separate zakat returns for the FY2022.

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12. RELATED PARTY TRANSACTIONS AND BALANCES

The Company is a member of an affiliated Group of companies, which are directly or indirectly controlled by ADGHC, the ultimate parent.

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

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

During the three-months periods ended March 31, 2023 and 2022, a number of transactions were carried out in the ordinary course of business with the affiliated companies, which are based on prices and contractual terms that are mutually agreed by management of the Group. The aggregate values of such transactions with affiliated companies are mentioned as follows:

Other related party transactions

	Three-months period ended	
	March 31, 2023 SR (Unaudited)	March 31, 2022 SR (Unaudited)
Sales to affiliates	(1,692,990)	(2,942,274)
Sales to an associate	(4,930,170)	-
Payments / adjustments on behalf of ultimate parent	592,698	573,074
Rent cost to affiliates	250,000	-
Employee cost paid for affiliates	127,962	432,602
Purchases from an associate	1,266,056	-
Management fees charged to an associate	3,766,710	-
Others	193,521	66,678

Transactions with key management personnel

	Three-months period ended	
	March 31, 2023 SR (Unaudited)	March 31, 2022 SR (Unaudited)
Remuneration	3,348,718	3,564,243
Provision for employee benefit obligations	324,290	351,337
	3,673,008	3,915,580

Key management personnel include the Board of Directors, Chief Executive Officer and heads of departments. Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

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12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related party balances

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

Due from related parties

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
SFPC	34,090,573	29,404,424
ADGHC	4,337,450	3,744,752
Dukan	3,654,350	3,439,766
NSCL	102,454	102,454
APSL	32,204	32,204
	42,217,031	36,723,600

Due to related parties

	March 31, 2023 SR (Unaudited)	December 31, 2022 SR (Audited)
PFF	1,192,165	435,640
SAED	11,798	53,996
Petromin	3,263	3,263
	1,207,226	492,899

13. COMMITMENTS

Commitments

The capital expenditure contracted by the Group but not incurred until March 31, 2023 was SR 128.8 million (December 31, 2022: SR 144.8 million).

Bank guarantees issued amounting to SR 2.6 million (December 31, 2022: SR 2.8 million). The Group also has letters of credit issued on its behalf in the normal course of business amounting to SR 248.8 million, (December 31, 2022: SR 278.5 million).

The group had share of letters of credit and letters of guarantees in an associate amounting to SR 0.05 million and SR 0.4 million (December 31, 2022: SR 1.3 million and SR 0.1 million) and capital commitment of SR 1.2 million (December 31, 2022: SR 6.5 million).

Short-term leases

The short-term lease commitments as of March 31, 2023 amount to SR 1.7 million (December 31, 2022: SR 1 million).

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14. EARNINGS PER SHARE

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

	<u>Three-months period</u>	
	March 31, 2023 SR (Unaudited)	March 31, 2022 SR (Unaudited)
Net profit attributable to owners of the Company	20,987,683	1,541,982
Adjustment to exclude gain for the year from discontinued operations	-	(4,114,227)
Net profit attributable to the owners of the Company from continuing operations for the purpose of basic and diluted earnings per share.	20,987,683	(2,572,245)
Weighted average number of shares	20,000,000	20,000,000
From continuing operations		
Basic and diluted earnings per share (SR per share)	1.05	(0.13)
From discontinued operations		
Basic and diluted earnings per share (SR per share)	-	0.21
From continuing and discontinued operations		
Basic and diluted earnings per share (SR per share)	1.05	0.08

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15. SEGMENT INFORMATION

The Group operates principally in a single business segment of Food and Agriculture business which includes manufacturing and distribution of fresh and processed poultry and poultry related products. This is in line with the operating segment that is regularly reported to the Chief Operating Decision Maker. This is also the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance. However, the Group operates in the following geographical areas:

Three-months period ended March 31, 2023 (Unaudited)

	Poultry, food and agriculture				
	Kingdom of Saudi Arabia SR	United Arab Emirates SR	Bahrain SR	Other GCC countries SR	Total SR
Revenue from external customers					
<i>Timing of revenue recognition</i>					
At a point in time	455,168,529	-	26,923,697	390,045	482,482,271
Over time	1,997,480	-	-	-	1,997,480
	457,166,009	-	26,923,697	390,045	484,479,751

Three-months period ended March 31, 2022 (Unaudited)

	Poultry, food and agriculture				
	Kingdom of Saudi Arabia SR	United Arab Emirates SR	Bahrain SR	Other GCC countries SR	Total SR
Revenue from external customers					
<i>Timing of revenue recognition</i>					
At a point in time	311,654,824	3,581,796	21,620,744	607,600	337,464,964
Over time	3,154,681	-	-	-	3,154,681
	314,809,505	3,581,796	21,620,744	607,600	340,619,645

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15. SEGMENT INFORMATION (CONTINUED)

	March 31, 2023 (Unaudited)		
	Kingdom of Saudi Arabia SR	Kingdom of Bahrain SR	Total SR
Property, plant and equipment	367,230,920	364,874	367,595,794
Right-of-use assets	390,968,453	1,442,560	392,411,013
Intangible assets	4,872,267	74,490	4,946,757
Financial assets at FVOCI	773,983	-	773,983
	December 31, 2022 (Audited)		
	Kingdom of Saudi Arabia SR	Kingdom of Bahrain SR	Total SR
Property, plant and equipment	337,899,512	391,216	338,290,728
Right-of-use assets	347,750,092	961,733	348,711,825
Intangible assets	4,072,336	76,509	4,148,845
Financial assets at FVOCI	773,983	-	773,983

16. SUBSEQUENT EVENTS

The Board of Directors on April 26, 2023 have recommended to distribute cash dividend of SR 3.5 per share amounting to SR 70 million for the fiscal year 2022. There were no other events subsequent to March 31, 2023 and occurring before the date of the approval of the interim condensed consolidated financial information by the Board of Directors that are expected to have a significant impact on this interim condensed consolidated financial information.

17. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

This interim condensed consolidated financial information for the three-month period ended March 31, 2023 were approved for issuance by the Board of Directors of the Group on May 11, 2023.