

TANMIAH FOOD COMPANY
(A Saudi Closed Joint Stock Company)

Consolidated Financial Statements
For the Year Ended December 31, 2020
And Independent Auditor's Report

TANMIAH FOOD COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated financial statements
For the year ended December 31, 2020

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Tanmiah Food Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

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



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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

February 8, 2021



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

	Note	As at December 31, 2020	As at December 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	6	155,299,479	138,552,599
Right-of-use assets	7	199,730,189	187,749,206
Intangible assets	8	1,602,184	1,382,156
Financial assets at fair value through other comprehensive income	9	773,983	773,983
Total non-current assets		357,405,835	328,457,944
Current assets			
Inventories	10	138,997,671	160,620,943
Biological assets	11	82,232,958	57,041,156
Contract assets	12	1,969,388	1,599,947
Trade receivables and other debtors	13	472,357,282	430,629,905
Prepayments and other receivables	14	83,921,663	70,401,734
Cash and cash equivalents	15	60,459,134	23,918,830
Total current assets		839,938,096	744,212,515
Total assets		1,197,343,931	1,072,670,459
Equity and liabilities			
Equity			
Share capital	16	200,000,000	200,000,000
Statutory reserve	17	14,523,655	7,082,296
Retained earnings		133,011,913	79,808,555
Total equity		347,535,568	286,890,851
Liabilities			
Non-current liabilities			
Employee benefit obligations	18	82,555,204	65,957,275
Lease liabilities	7	124,023,286	128,883,979
Total non-current liabilities		206,578,490	194,841,254
Current liabilities			
Borrowings	19	313,440,367	318,322,813
Trade payables	20	161,394,704	139,501,770
Accrued and other liabilities	21	103,355,317	69,292,746
Lease liabilities	7	55,129,162	55,829,274
Provision for zakat	23	9,910,323	7,991,751
Total current liabilities		643,229,873	590,938,354
Total liabilities		849,808,363	785,779,608
Total equity and liabilities		1,197,343,931	1,072,670,459

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

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

	Note	For the year ended	
		December 31, 2020	December 31, 2019
Revenue	24	1,211,932,954	1,145,655,260
Cost of sales	25	(902,287,666)	(867,604,625)
Gross profit		309,645,288	278,050,635
Selling and distribution expenses	26	(132,765,993)	(119,905,064)
General and administrative expenses	27	(66,281,106)	(53,215,422)
Impairment loss on financial assets	13	(4,405,605)	(998,308)
Other income		1,059,579	3,289,606
Operating profit		107,252,163	107,221,447
Finance costs	28	(25,719,671)	(28,419,449)
Profit before zakat		81,532,492	78,801,998
Zakat	23	(7,118,900)	(7,979,042)
Profit for the year		74,413,592	70,822,956
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurements of post-employment benefit obligations	18	(13,768,875)	(3,997,188)
Changes in the fair value of equity investments at fair value through other comprehensive income	9	-	(10,200,000)
Total other comprehensive loss		(13,768,875)	(14,197,188)
Total comprehensive income for the year		60,644,717	56,625,768
Earnings per share attributable to owners of the Company:			
Basic and diluted earnings per share	31	3.72	3.86

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

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

	Share capital	Statutory reserve	Retained earnings	Total equity
Balance at January 1, 2020	200,000,000	7,082,296	79,808,555	286,890,851
Profit for the year	-	-	74,413,592	74,413,592
Other comprehensive loss	-	-	(13,768,875)	(13,768,875)
Total comprehensive income for the year	-	-	60,644,717	60,644,717
Transfer	-	7,441,359	(7,441,359)	-
Balance at December 31, 2020	200,000,000	14,523,655	133,011,913	347,535,568

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

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

	Share capital	Contributed capital	Statutory reserve	Financial assets at FVOCI reserve	Retained earnings	Equity attributable to the owners of the Company	Non-controlling interest	Total equity
Balance at January 1, 2019	100,000,000	-	21,216,697	26,763,435	30,284,951	178,265,083	(600)	178,264,483
Profit for the year	-	-	-	-	70,822,956	70,822,956	-	70,822,956
Other comprehensive loss	-	-	-	(10,200,000)	(3,997,188)	(14,197,188)	-	(14,197,188)
Total comprehensive income for the year	-	-	-	(10,200,000)	66,825,768	56,625,768	-	56,625,768
Additions (Note 16)	-	50,000,000	-	-	-	50,000,000	-	50,000,000
Reimbursed by the shareholder (Note 23)	-	-	-	-	2,000,000	2,000,000	-	2,000,000
Reclassification on disposal of financial assets at FVOCI (Note 9)	-	-	-	(16,563,435)	16,563,435	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	600	600
Transfer	-	-	7,082,296	-	(7,082,296)	-	-	-
Transfers (Note 16)	100,000,000	(50,000,000)	(21,216,697)	-	(28,783,303)	-	-	-
Balance at December 31, 2019	200,000,000	-	7,082,296	-	79,808,555	286,890,851	-	286,890,851

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

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

	Note	For the year ended	
		December 31, 2020	December 31, 2019
Cash flows from operating activities			
Profit before zakat		81,532,492	78,801,998
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	6	21,093,964	18,894,497
Depreciation on right-of-use assets	7	54,517,938	47,386,974
Amortisation of intangible assets	8	542,559	578,490
Property, plant and equipment written-off		1,269	-
Impairment loss on financial assets	13	4,405,605	998,308
Provision for slow-moving inventories	10	3,214,630	2,876,754
Provision for employee benefit obligations	18	11,724,733	8,848,379
Net (gain) / loss on disposal of property, plant and equipment		(113,811)	438,210
Gain on termination of lease contracts	7	(994,747)	-
Finance costs	28	15,007,016	16,808,539
Interest on lease liabilities	7	10,712,655	11,610,910
Government subsidy accrued during the year	14	(59,887,301)	(52,587,127)
<i>Changes in operating assets and liabilities:</i>			
Inventories		18,408,642	(18,291,801)
Trade receivables and other debtors		(46,132,982)	(80,573,208)
Biological assets		(25,191,802)	(1,215,575)
Contract assets		(369,441)	(1,323,390)
Prepayments and other receivables		46,367,372	55,823,491
Trade payable		15,810,888	3,936,910
Due to a related party		-	(25,178,852)
Accrued and other liabilities		34,062,571	(14,445,515)
Cash generated from operations		184,712,250	53,387,992
Employee benefit obligations paid	18	(2,813,633)	(6,133,270)
Zakat paid	23	(5,200,328)	(11,460,866)
Finance costs paid		(15,609,400)	(16,057,203)
Net cash generated from operating activities		161,088,889	19,736,653
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	6	(38,511,126)	(25,654,448)
Payments for purchases of intangibles	8	(93,574)	-
Proceeds from disposal of property, plant and equipment		113,811	66,685
Proceeds from sale of financial assets at FVOCI		-	37,500,000
Net cash (used in) / generated from investing activities		(38,490,889)	11,912,237
Cash flows from financing activities			
Borrowings		(4,280,062)	38,001,002
Lease payments		(81,777,634)	(66,112,944)
Net cash used in financing activities		(86,057,696)	(28,111,942)

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

	Note	December 31, 2020	December 31, 2019
Net increase in cash and cash equivalents		36,540,304	3,536,948
Cash and cash equivalents at the beginning of the year		23,918,830	20,381,882
Cash and cash equivalents at the end of the year	15	60,459,134	23,918,830
Supplemental information for non-cash information			
Reimbursement of zakat by the shareholder		-	2,000,000
Additions to contributed capital		-	50,000,000
Employee benefit obligations transferred from related parties	18	220,949	-
Employee benefit obligations transferred to a related party	18	(6,302,995)	-
Lease liabilities written off due to termination of lease contracts	7	(4,176,833)	-
Right-of-use assets written off due to termination of lease contracts	7	(3,182,086)	-

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

TANMIAH FOOD COMPANY

(A Saudi Closed Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2020

(All amounts in Saudi Riyals unless otherwise stated)

1 Corporate information

Tanmiah Food Company (the “Company”) is a Saudi Closed Joint Stock Company. The Group consists of the Company and its various subsidiaries registered in Saudi Arabia as well as in United Arab Emirates and Bahrain (collectively the “Group”).

The Group is principally engaged in manufacturing, wholesale and retail trading in foodstuff, preparation of animal and poultry feeds for commercial purposes, construction of poultry farms and retail and wholesale trading in poultry equipment.

The Company changed its legal name on Rajab 4, 1440H (corresponding to March 11, 2019) from “Supreme Foods Company” to “Tanmiah Foods Trading Company” and then subsequently changed its legal name on Ramadan 3, 1440H (corresponding to May 8, 2019) to “Tanmiah Food Company.”

Further, the Company converted into a Saudi Closed Joint Stock Company (“CJSC”) effective from Rajab 4, 1440H (corresponding to March 11, 2019) under Commercial Registration Number 1010087483. Previously, the Company was operating as a Limited Liability Company under Commercial Registration Number 1010087483 issued in Riyadh on Rabi-ul-Thani 6, 1412H (Corresponding to October 14, 1991). The Company’s head office is located at Omar Bin Abdul Aziz Road, P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia.

At December 31, 2020 and December 31, 2019, these consolidated financial statements include the financial statements of the Company and its subsidiaries operating under their individual commercial registrations as disclosed in Note 5.

The Company has filed an application with the Capital Market Authority (“CMA”) of the Kingdom of Saudi Arabia for the Initial Public Offering of its shares on Tadawul in accordance with the Rules on the offer of securities and continuing obligations issued by CMA. The application is currently under review by the CMA.

Impact of COVID - 19

The novel Coronavirus (COVID-19) pandemic has spread across various geographies globally, disrupting business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In response to the spread of COVID-19 in Gulf Cooperation Council (“GCC”) and its resulting disruptions to the social and economic activities in those markets, the Group’s management has proactively assessed its impacts on its operations and has taken a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets. Whilst it is challenging to predict the full extent and duration of business and economic impacts, the Group’s management has considered the potential impacts of COVID-19 on the Group’s operations and concluded that as of the issuance date of these consolidated financial statements, no significant changes are required to the judgements and key estimates as the food industry in general is exempted from various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. The Group is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods. Also see Note 3.4.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (“SOCPA”).

The Group has elected to present a single consolidated statement of comprehensive income and presents its expenses by function. The Group reports cash flows from operating activities using the indirect method.

TANMIAH FOOD COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2020
(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

2.1 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the following material items in the consolidated statement of financial position:

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

These consolidated financial statements are presented in Saudi Riyals, which is the functional currency of all the Group entities except for Perfect Foods Factory (“PFF”) and Supreme Foods Bahrain (“SFB”). The functional currency of PFF is United Arab Emirates Dirhams and the functional currency of SFB is Bahraini Dinars. The presentation currency of the Group is Saudi Riyals. These consolidated financial statements have been rounded-off to nearest Saudi Riyal, unless otherwise stated.

2.2 New standards and amendments applicable from January 1, 2020

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 1, 2020:

Title	Key requirements	Effective Date	Impact
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: <ul style="list-style-type: none"> - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and - the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need. 	January 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
Definition of a Business- Amendments to IFRS 3	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	January 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

TANMIAH FOOD COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2020
(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

2.2 New standards and amendments applicable from January 1, 2020 (continued)

Title	Key requirements	Effective Date	Impact
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	January 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: <ul style="list-style-type: none"> - increasing the prominence of stewardship in the objective of financial reporting. - reinstating prudence as a component of neutrality. - defining a reporting entity, which may be a legal entity, or a portion of an entity. - revising the definitions of an asset and a liability. - removing the probability threshold for recognition and adding guidance on derecognition. - adding guidance on different measurement basis, and - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	January 1, 2020	Management has considered the revised conceptual framework and has concluded that the accounting policies are appropriate and does not expect any change in its accounting policies due to such revision.
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. <p>Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.</p>	June 1, 2020	There were no rent concessions granted to the Group during the annual reporting period ended on December 31, 2020.

TANMIAH FOOD COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2020
(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

2.3 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but are not yet effective are disclosed below.

Title	Key requirements	Effective Date	Impact
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 ‘Presentation of Financial Statements, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to January 1, 2023.	January 1, 2022	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 “Property, Plant and Equipment (PP&E)” prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities.	January 1, 2022	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 “Business Combinations” to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	January 1, 2022	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	January 1, 2022	The Group does not expect any material impact on its consolidated financial statements due to the amendment.

TANMIAH FOOD COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2020
(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation (continued)

2.3 Standards, interpretations and amendments issued but not yet effective (continued)

Title	Key requirements	Effective Date	Impact
Annual Improvements to IFRS Standards 2018–2020	<p>The following improvements were finalised in May 2020:</p> <ul style="list-style-type: none"> - IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. - IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. - IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. <p>IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.</p>	January 1, 2022	The Group does not expect any material impact on its consolidated financial statements due to the amendment.
Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.	January 1, 2021	The Group does not expect any material impact on its consolidated financial statements due to the amendment.

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Group’s consolidated financial statements.

3 Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

3 Critical accounting estimates and judgments (continued)

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

3.1 Employee benefit obligations

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency, are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. See Note 18 for further details.

3.2 Biological assets

Biological assets are required to be measured at fair value less cost to sell from the initial recognition of such biological assets up to the point of harvest. Due to absence of an active live broiler market in the Kingdom of Saudi Arabia and lack of observable market data, management has used certain significant assumptions in arriving at the fair valuation of biological assets at each reporting date. See Note 11 for the significant assumptions taken and limitations encountered in determining the fair value of the broiler birds and hatchery eggs.

3.3 Right-of-use assets and lease liabilities

For some lease contracts that contains extension options, the Group has applied a judgement to determine the lease term and has considered the extension period in determining the lease term, where the Group has sole discretion to extend the lease term and is reasonably certain to exercise such extension options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. See Note 7 for further details.

The lease liabilities are measured at the discounted value of lease payments, using incremental borrowing rate as the interest rate implicit in the lease cannot be readily determined, which is generally the case for leases in the Group. Incremental borrowing rate is the rate that Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing offers received by the Group as a starting point, adjusted to reflect changes in financing conditions.

3.4 Expected Credit Loss (ECL) measurement on financial assets

Measurement of ECL is a significant estimate that involves the determination of the methodology, models and data inputs. The Group used supportable forward looking information for measurement of ECL. The most significant forward looking information used in determination of ECL is disclosed in Note 30.2.

The existence of COVID-19 was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In the determination of ECL for the year ended December 31, 2020, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and found that the payment cycle for few customers was affected during the year and the impact was considered in the determination of ECL. However, on overall basis, the customers were not significantly affected by COVID-19. Further, management considered the impact of forward looking information used in determination of ECL and the impact of that on ECL for the year ended December 31, 2020 was immaterial. As mentioned in Note 1, the Group's management continues to monitor the situation closely.

4 Summary of significant accounting policies

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

4.1 Basis of consolidation

(a) Subsidiaries

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries for all the periods presented. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other share holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or statement of comprehensive income; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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4 Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in consolidated statement of comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed-off the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4.2 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entity operates (the “functional currency”). The consolidated financial statements are presented in Saudi Riyals, which is also the Company’s functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the Group’s consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to consolidated statement of comprehensive income, as part of the gain or loss on sale.

4 Summary of significant accounting policies (continued)

4.3 Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

4.4 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

Subsequent measurement

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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4 Summary of significant accounting policies (continued)

4.4 Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated statement of comprehensive income:

Category	Useful life - years
Buildings	20
Leasehold improvements	6 - 7
Machinery and equipment	4 - 10
Motor vehicles	4 - 6.67
Furniture and fixtures	6.67 - 10

De-recognition

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of comprehensive income at the time the item is derecognised.

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of CWIP comprises its purchase price, construction / development cost and any other costs directly attributable to the construction or acquisition of an item intended by management.

CWIP is measured at cost less any recognised impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

4.5 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets, consisting of computer software, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over 10 years.

4 Summary of significant accounting policies (continued)

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortisation and are instead tested annually for impairment. Assets subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating unit).

Non-financial assets that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.7 Inventories

Inventories are stated at cost or net realisable value (if lower than the cost). The cost includes import duties, non-refundable taxes, transport and handling costs and any other directly attributable costs less trade discounts, rebates and similar items. Costs are assigned to individual items of inventory on the basis of weighted average costs except for the poultry meats and other food stuff and finished goods inventory for which cost is determined on the basis of standard cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.8 Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or other comprehensive income.

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4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated statement of comprehensive income. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value.

Classification of financial liabilities

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

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

Offsetting financial assets and liabilities

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

Reclassifications

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

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments

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

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

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

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

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4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Equity instruments

FVOCI: The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated statement of comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income as other income when the Group's right to receive payments is established. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

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

De-recognition

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

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

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

Credit-impaired financial assets

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

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

Financial guarantee contracts

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

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

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

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4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30.2 details how the Group determines impairment methodology for trade and other receivables and financial guarantee contracts.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

4.9 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three-months or less, if any.

4.10 Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment obligation

The Group operates a post-employment benefit scheme of defined benefit plans driven by the labour laws requirement in the Kingdom of Saudi Arabia and other countries where the Group operates.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as interest cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and transferred to retained earnings in the period in which they occur.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are also recognised immediately in the consolidated statement of comprehensive income as past service costs.

4.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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4 Summary of significant accounting policies (continued)

4.11 Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the consolidated statement of the comprehensive income, net of reimbursements.

4.12 Trade payables

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

4.13 Biological assets

Biological assets include parent chicken (breeder birds), hatchery 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.

Hatchery eggs

The value of hatchery egg stock is based on fair value. The fair value measurements for the hatchery eggs have been categorised as Level 3 fair values based on the inputs to the valuation techniques used, as there are no active markets for the hatchery eggs. Costs incurred relating to the production of eggs are capitalised during its growing cycle. Any material fair value adjustment is applied to the cumulative capitalised cost thereof. The fair value adjustment of eggs is determined as the price difference between the sum total of the capitalised cost at point of sale and the price at which the hatching eggs are sold in the external market.

Broilers

Broilers are stated at fair value less cost to sell. The fair value measurements for the broilers have been categorised as Level 3 fair values based on the inputs to the valuation techniques used, as there are no active markets for the broilers. Cost to sell includes all cost that would be necessary to sell the broilers.

4.14 Government grants

Grants from the government are recognised at fair value which represents amounts receivable from the Government where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The Group receives government grants on the basis of production volume and dressed weight of broiler chickens. Note 14 provides further information on how the group accounts for government grants.

4 Summary of significant accounting policies (continued)

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and discount. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, can be measured reliably.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a) The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.
- b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Sale of goods

Revenue from sale of goods is recognised when customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is recognised at that point in time. Credit invoices are usually payable within 30 - 90 days. Invoice is generated and recognised as revenue net of applicable discounts and rebates which relate to the items sold. No customer loyalty points are offered to customers and therefore there is no deferred revenue to be recognised for the items sold.

4 Summary of significant accounting policies (continued)

4.15 Revenue recognition (continued)

Construction of poultry farms

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

For contracts that permit the customer to return an item, under IFRS 15 revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. The related liability is recorded in 'other payables' under "accrued and other liabilities".

4.16 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

4.17 Selling and distribution expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group's products and services. All other expenses are classified as general and administrative expenses.

4.18 Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision for zakat is accrued and charged to the consolidated statement of comprehensive income. Additional amounts payable, if any, at the finalisation of final assessments are accounted for when such amounts are determined.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

4.19 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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4 Summary of significant accounting policies (continued)

4.19 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

4.20 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer Note 4.7 for a description of the Group's impairment policies.

4.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing net profit or loss attributable to owners of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the net profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.22 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chief Executive Officer who makes decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis and are reported to the Chief Executive Officer, being Chief Operating Decision Maker of the Group.

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4 Summary of significant accounting policies (continued)

4.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4.24 Contributed capital

Contribution from shareholders is classified as equity when there is no contractual obligation to transfer cash or another financial asset to the shareholders.

4.25 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.26 Dividends

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

5 Interests in other entities

5.1 Material subsidiaries

The Group's principal subsidiaries at December 31, 2020 and 2019 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.

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5 Interests in other entities (continued)

5.1 Material subsidiaries (continued)

Subsidiary	Country of incorporation	Effective ownership at December 31, 2020	Effective ownership at December 31, 2019	Principal activities
Agricultural Development Company Limited ("ADC")	Saudi Arabia	100%	100%	Wholesale trading in poultry products and agricultural produce
Supreme Foods Processing Company Limited ("SFPC")	Saudi Arabia	100%	100%	Manufacturing and preparation of various types of meat products.
Desert Hills Veterinary Services Company Limited ("DHV")	Saudi Arabia	100%	100%	Wholesale and retail trading in machines and equipment in the field of animal care, animal shelters, animal feed, chicks and hatching eggs, veterinary lab equipment and medicines, along with marketing and import and export of related items.
Perfect Foods Factory LLC ("PFF")	United Arab Emirates	100%	100%	Manufacturing and sale of meat and poultry products
Supreme Foods Bahrain SPC ("SFB")	Kingdom of Bahrain	100%	100%	General trading
Dabbagh International (UAE) (L.L.C) ("DI")	United Arab Emirates (UAE)	100%	100%	Dormant company

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6 Property, plant and equipment

	Land	Buildings	Leasehold improvements	Machinery and equipment	Motor vehicles	Furniture and fixtures	Capital work-in-progress	Total
Cost								
At January 1, 2019	26,922,512	95,561,446	16,091,437	196,228,794	20,324,490	2,559,593	3,807,264	361,495,536
Additions	-	194,337	2,082,987	10,044,128	226,383	182,428	12,924,185	25,654,448
Transfers from an affiliate (Note 22)	-	-	-	1,472	-	-	-	1,472
Transfers	-	-	-	3,346,380	-	-	(3,346,380)	-
Disposals	(187,500)	-	(40,900)	(2,495)	(459,881)	-	(317,395)	(1,008,171)
At December 31, 2019	26,735,012	95,755,783	18,133,524	209,618,279	20,090,992	2,742,021	13,067,674	386,143,285
Additions	-	-	672,014	14,030,407	7,909	132,815	23,667,981	38,511,126
Write off	-	-	-	(2,443)	-	-	-	(2,443)
Transfers to intangibles	-	-	-	-	-	-	(669,013)	(669,013)
Transfers	-	70,585	4,525,156	6,217,636	-	-	(10,813,377)	-
Disposals	-	-	-	-	(786,996)	-	-	(786,996)
At December 31, 2020	26,735,012	95,826,368	23,330,694	229,863,879	19,311,905	2,874,836	25,253,265	423,195,959
Accumulated depreciation								
At January 1, 2019	-	(51,812,625)	(12,559,575)	(142,382,927)	(20,126,345)	(2,317,993)	-	(229,199,465)
Depreciation charge	-	(3,383,167)	(1,586,920)	(13,729,573)	(95,197)	(99,640)	-	(18,894,497)
Disposals	-	-	40,900	2,495	459,881	-	-	503,276
At December 31, 2019	-	(55,195,792)	(14,105,595)	(156,110,005)	(19,761,661)	(2,417,633)	-	(247,590,686)
Depreciation charge	-	(2,919,936)	(2,160,296)	(15,798,472)	(111,275)	(103,985)	-	(21,093,964)
Write off	-	-	-	1,174	-	-	-	1,174
Disposals	-	-	-	-	786,996	-	-	786,996
At December 31, 2020	-	(58,115,728)	(16,265,891)	(171,907,303)	(19,085,940)	(2,521,618)	-	(267,896,480)
Net book amount								
At December 31, 2019	26,735,012	40,559,991	4,027,929	53,508,274	329,331	324,388	13,067,674	138,552,599
At December 31, 2020	26,735,012	37,710,640	7,064,803	57,956,576	225,965	353,218	25,253,265	155,299,479

Capital work-in-progress represents costs incurred on expansion of the current capacity of the processing plant, tree plantation project and the construction of wastewater recycling plant which are expected to complete by 2021.

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6 Property, plant and equipment (continued)

Depreciation charge for the year has been allocated as follows:

	Note	December 31, 2020	December 31, 2019
Cost of sales	25	18,731,132	17,140,922
Selling and distribution expenses	26	2,027,251	1,494,236
General and administrative expenses	27	335,581	259,339
		21,093,964	18,894,497

7 Leases

(i) The Group's leasing activities and how these are accounted for:

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

At December 31, 2020 and 2019, the Group did not have any lease contracts classified as right-of-use asset that are variable in nature. As at December 31, 2020 and 2019 no leases contain extension options exercisable solely by the Group before the end of the non-cancellable contract period. The Group does not provide residual value guarantees in relation to any of its leases.

(ii) Amounts recognised in the statement of financial position:

	December 31, 2020	December 31, 2019
Right-of-use assets		
Buildings	156,109,008	151,272,488
Vehicles	43,621,181	36,476,718
	199,730,189	187,749,206
	December 31, 2020	December 31, 2019
Lease liabilities		
Current	55,129,162	55,829,274
Non-current	124,023,286	128,883,979
	179,152,448	184,713,253

The additions to the right-of-use assets during the year ended December 31, 2020 was Saudi Riyals 69.68 million (December 31, 2019: Saudi Riyals 26.43 million).

(iii) Amounts recognised in the consolidated statement of comprehensive income:

	December 31, 2020	December 31, 2019
Depreciation charge on right-of-use assets – buildings	41,419,921	36,675,615
Depreciation charge on right-of-use assets – vehicles	13,098,017	10,711,359
	54,517,938	47,386,974
Interest expense (included in finance costs - Note 28)	10,712,655	11,610,910
Expense relating to short-term leases (included in cost of sales – Note 25 and selling and distribution expenses – Note 26)	14,770,515	9,109,728

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7 Leases (continued)

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

	Note	December 31, 2020	December 31, 2019
Cost of sales	25	40,600,846	36,137,655
Selling and distribution expenses	26	12,132,848	9,523,643
General and administrative expenses	27	1,784,244	1,725,676
		<u>54,517,938</u>	<u>47,386,974</u>

The total cash outflow for leases during the year was Saudi Riyals 81.77 million (December 31, 2019: Saudi Riyals 66.11 million).

During the year ended December 31, 2020 the Group has terminated few lease contracts and the related lease liabilities and right-of-use assets were written off resulting in a gain of Saudi Riyals 0.99 million.

8 Intangible assets

	Computer software
Cost	
At January 1, 2019	13,831,840
At December 31, 2019	13,831,840
Transfer from property, plant and equipment	669,013
Additions	93,574
At December 31, 2020	14,594,427
Accumulated amortisation	
At January 1, 2019	(11,871,194)
Amortisation charge	(578,490)
At December 31, 2019	(12,449,684)
Amortisation charge	(542,559)
At December 31, 2020	(12,992,243)
Net book amount	
At December 31, 2019	1,382,156
At December 31, 2020	1,602,184

9 Financial assets at fair value through other comprehensive income

9.1 Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

9.2 Equity investments at fair value through other comprehensive income

	December 31, 2020	December 31, 2019
<i>Unlisted securities:</i>		
Alexandria Copenhagen Company	773,983	773,983

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9 Financial assets at fair value through other comprehensive income (continued)**9.3 Amounts recognised in profit or loss and other comprehensive income**

	December 31, 2020	December 31, 2019
Fair value loss recognised in other comprehensive income	-	(10,200,000)

On November 27, 2019, as part of strategic restructuring initiatives, the Company entered into an agreement with Tanmiah Commercial Group ("TCG"), a shareholder, to transfer its entire investment in Red Sea International Company, a Saudi listed entity, to TCG, at its market value of Saudi Riyals 37.5 million as of November 27, 2019, determined using the share price at the Saudi Stock Exchange (Tadawul) as of that date. The cumulative fair value reserve on disposal was Saudi Riyals 16.6 million.

9.4 Fair value and risk exposure

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

10 Inventories

	December 31, 2020	December 31, 2019
Raw materials	55,080,699	58,553,119
Poultry meats and other food stuff	19,777,310	17,591,011
Finished goods	17,531,797	22,077,545
Animal health products	15,204,345	16,562,542
Packaging materials	12,170,293	8,427,399
Spare parts	10,347,237	8,321,349
Equipment for sale	5,492,862	5,364,164
Goods-in-transit	3,803,952	23,246,874
Work in process	78,550	-
Other	6,333,534	5,720,529
Less: provision for slow-moving inventories	(6,822,908)	(5,243,589)
	138,997,671	160,620,943

Amounts of inventories recognised as expense during the year are disclosed in Note 25.

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

	December 31, 2020	December 31, 2019
Opening balance	5,243,589	4,516,019
Additions	3,214,630	2,876,754
Write-offs	(1,635,311)	(2,149,184)
Closing balance	6,822,908	5,243,589

11 Biological assets

	December 31, 2020	December 31, 2019
Opening balance	57,041,156	55,825,581
Additions	690,645,776	673,456,232
Amortisation	(49,499,234)	(56,062,345)
Transfers to inventories	(615,954,740)	(616,178,312)
Closing balance	82,232,958	57,041,156
<i>Categories of biological assets:</i>		
Broiler birds	24,841,479	13,250,387
Breeder birds – rearing & production	43,509,076	35,610,381
Hatchery eggs	13,882,403	8,180,388
	82,232,958	57,041,156

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11 Biological assets (continued)

As at December 31, 2020 the Group had 10.8 million broiler birds (December 31, 2019: 5.15 million broiler birds). Further, 88.6 million broiler birds were slaughtered during the year ended December 31, 2020 (December 31, 2019: 84.6 million broiler birds).

As at December 31, 2020 the Group had 1.1 million breeder birds and 13.4 million hatchery eggs (December 31, 2019: 1.1 million breeder birds and 7.2 million hatchery eggs).

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

Biological assets	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Live broiler birds	The valuation model considers the average weight of bird, mortality and the estimated selling price less cost to sell [including the additional cost required to bring the birds as ready to sell (i.e. feed cost, medicines and overheads)].	<ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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)].	<ul style="list-style-type: none"> - Hatchability of the eggs 	The estimated fair value would increase/ (decrease) if the hatchability was higher / (lower).

The Group's finance department includes a team that performs valuations of the Group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every six months.

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

- Mortality rate of the birds have been determined based on the historical rate and environmental factors.
- The broilers grow at different rates and there can be a considerable spread in the quality and weight of broilers that affects the price achieved. An average weight is assumed for the slaughter broiler livestock that are not yet at marketable weight.
- Hatchery eggs before incubation can be sold at a uniform price that does not fluctuate materially since the quality and weight of the eggs is not relevant at the stage of hatchery.

12 Assets and liabilities related to contracts with customers

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

	December 31, 2020	December 31, 2019
Contract assets relating to the construction of poultry farms	<u>1,969,388</u>	1,599,947

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

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13 Trade receivables and other debtors

	Note	December 31, 2020	December 31, 2019
Trade receivables		173,992,231	165,070,878
Due from related parties	22	<u>310,128,679</u>	<u>273,318,755</u>
		484,120,910	438,389,633
Less: provision for impairment of trade receivables and other debtors		<u>(11,763,628)</u>	<u>(7,759,728)</u>
		<u>472,357,282</u>	430,629,905

Due from related parties as at December 31, 2020 comprises of trade receivables amounting to Saudi Riyals 284.5 million (December 31, 2019: Saudi Riyals 252.3 million) and other receivables amounting to Saudi Riyals 25.6 million (December 31, 2019: 21 million).

Trade receivables and other debtors are non-derivative financial assets carried at amortised cost and are generally on terms of 30 to 90 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Group to obtain collateral over third party trade receivables and these are, therefore, unsecured. The vast majority of the Group's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at December 31, 2020, five largest customers accounted for 44% (December 31, 2019: 38%) of the outstanding trade receivables. The Group holds trade receivables with the objective of collecting the contractual cash flows and therefore measure them subsequently at amortised cost. Due to short-term nature of the Trade receivables and other debtors their carrying amounts are considered to approximate their fair values.

The Group writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Trade receivables written-off during the year ended December 31, 2020 and 2019 are not subject to enforcement activity.

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

	December 31, 2020	December 31, 2019
Opening balance	7,759,728	11,664,527
Additions	4,405,605	998,308
Write-offs	<u>(401,705)</u>	<u>(4,903,107)</u>
Closing balance	<u>11,763,628</u>	7,759,728

Information about the impairment of trade receivables and other debtors and the Group 's exposure to credit risk, market risk and liquidity risk can be found in Note 30.

14 Prepayments and other receivables

	December 31, 2020	December 31, 2019
Advances to suppliers	35,589,022	25,842,179
Prepaid expenses	24,013,661	15,814,518
Government subsidy receivable	11,892,836	18,962,577
Other receivables	7,845,214	7,121,849
Employee receivables	<u>4,580,930</u>	<u>2,660,611</u>
	<u>83,921,663</u>	70,401,734

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

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

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14 Prepayments and other receivables (continued)

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

	December 31, 2020	December 31, 2019
Opening balance	18,962,577	27,174,213
Additions	59,887,301	52,587,127
Collections	(66,957,042)	(60,798,763)
Closing balance	11,892,836	18,962,577

15 Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash at banks	55,809,239	19,517,303
Cash in hand	4,649,895	4,401,527
	60,459,134	23,918,830

The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The carrying value at each reporting date is considered to be the same as fair value.

16 Share capital

At December 31, 2020 and 2019, the Company's share capital of Saudi Riyals 200 million consisted of 20 million issued and fully paid shares of Saudi Riyals 10 each. The shareholding pattern of Company's share capital is as follows:

Shareholder	Country of incorporation	December 31, 2020	December 31, 2019
ADGHC	Saudi	96%	96%
TCG	Saudi	4%	4%
		100%	100%

TCG is fully owned by ADGHC at December 31, 2020 and 2019. During the year ended December 31, 2019 the share capital of the Company has increased from Saudi Riyals 100 million to Saudi Riyals 200 million with no change in the shareholding pattern. The increase in the share capital resulted from transfer of Saudi Riyals 29 million from retained earnings, Saudi Riyals 21 million from statutory reserve and Saudi Riyals 50 million from contributed capital (through transfer from the balance owed by the Company to ADGHC).

Further, in 2019 the shares of the Company have been split in the ratio of 100-for-1 and the share price of each share has accordingly reduced from Saudi Riyals 1,000 per share to Saudi Riyals 10 per share.

17 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve until it equals to 30% of its share capital. The reserve is not available for distribution to the shareholders of the Company.

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18 Employee benefit obligations

The Group operates a defined benefit plan in line with the labour law requirements in the Kingdom of Saudi Arabia, UAE and Bahrain, where the Group operates. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia, UAE and Bahrain. Employees' end of service benefit plans are unfunded plans and the benefit payment obligations are met by the Group when they fall due upon termination of employment.

	Note	December 31, 2020	December 31, 2019
Opening balance		65,957,275	59,244,978
Current service cost		9,665,942	6,986,250
Interest cost		2,058,791	1,862,129
Employee benefit obligations transferred from a related party	22	220,949	-
Employee benefit obligations transferred to a related party	22	(6,302,995)	-
Actuarial loss on the obligation		13,768,875	3,997,188
Benefits paid		(2,813,633)	(6,133,270)
Closing balance		<u>82,555,204</u>	<u>65,957,275</u>

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

	December 31, 2020	December 31, 2019
Current service cost	9,665,942	6,986,250
Interest cost	2,058,791	1,862,129
Total amount recognised in consolidated profit or loss	<u>11,724,733</u>	<u>8,848,379</u>
Effect of changes in actuarial assumptions	13,768,875	3,997,188
Total amount recognised in consolidated statement of comprehensive income	<u>25,493,608</u>	<u>12,845,567</u>

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

	December 31, 2020	December 31, 2019
Discount rate	2%	3.25%
Future salary increase rate	2.5%	2.5%

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	December 31, 2020	December 31, 2019
0.5% increase in discount rate	(3,964,323)	(5,400,518)
0.5% decrease in discount rate	4,157,105	410,924

Future salary growth:

	December 31, 2020	December 31, 2019
0.5% increase in salary escalation rate	4,324,127	579,986
0.5% decrease in salary escalation rate	(4,154,217)	(5,580,433)

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

	December 31, 2020	December 31, 2019
1 - 5 years	30,348,581	29,813,886
Over 5 years	68,082,535	58,555,992

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19 Borrowings

	December 31, 2020	December 31, 2019
Short-term bank loans	311,323,617	315,603,679
Interest payable	2,116,750	2,719,134
	313,440,367	318,322,813

The Group obtained short-term loan facilities from commercial banks aggregating to Saudi Riyals 583 million (December 31, 2019: Saudi Riyals 517 million). The unused balance of these facilities as at December 31, 2020 was amounted to Saudi Riyals 234 million (December 31, 2019 Saudi Riyals 151 million). These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") and are collateralised by demand promissory notes signed by the borrowing entity, and by the joint and several guarantees from the shareholders of ADGHC and cross and corporate guarantees from the Group and other ADGHC group companies. Further, in one of the subsidiary, receivable from a customer and insurance policy against stocks were assigned in favour of a Bank. The interest rates during the year on these facilities varied between 3.2% - 5.9% per annum (2019: 4% - 7.5% per annum).

Management assessed that fair value of borrowings is approximately equal to their carrying amounts due to the short-term maturities of three months to six months and interest payable on those borrowings being at current market rates.

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

20 Trade payables

	December 31, 2020	December 31, 2019
Trade payables	161,394,704	139,501,770

Trade payables are unsecured and are usually paid within 3-12 months of recognition. The carrying amounts of trade payables are considered to approximate their fair values, due to their short-term nature.

21 Accrued and other liabilities

	December 31, 2020	December 31, 2019
Accrued expenses	45,494,011	32,238,952
Accrued employee related costs	44,645,348	28,122,250
Utilities payable	4,145,500	3,163,752
Advances from customers	1,703,034	3,756,726
Others	7,367,424	2,011,066
	103,355,317	69,292,746

Accrued expenses, accrued employee-related costs and utilities payable are usually settled within 12 months from the reporting date. Hence, the carrying amounts of these balances are considered to approximate their fair values. Others mainly includes VAT payable.

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22 Related party transactions and balances

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

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

Name of related party	Nature of relationship
ADGHC	Ultimate Parent
Gulf Power International Limited ("GPIL")	Affiliate
National Scientific Company Limited ("NSCL")	Affiliate
Advanced Petroleum Services Limited ("APSL")	Affiliate
SAED Esnad for Outsourcing ("SAED Esnad")	Affiliate
Saed International for Istiqdam Company ("SAED Istiqdam")	Affiliate
Dukan	Affiliate

During the year ended December 31, 2020 and 2019, a number of transactions were conducted in the ordinary course of business with the affiliated companies, which are based on prices and contract terms that are mutually agreed by management of the Group. The aggregate values of such transactions with affiliated companies are mentioned as follows:

22.1 Related party transactions

	Note	December 31, 2020	December 31, 2019
Sales to an affiliate		26,355,905	18,888,028
Employee costs paid to an affiliate		3,211,761	5,638,870
Disposal of investment in Red Sea International Company to a shareholder		-	37,500,000
Property, plant and equipment transferred from a related party	6	-	1,472
Capital contribution by Parent	16	-	50,000,000
Payments on behalf of Parent and affiliate		14,438,339	8,707,982
Expenses recharged to an affiliate	27	-	2,640,549
Employee benefit obligations transferred from related parties	18	220,949	-
Employee benefit obligations transferred to a related party being employees transferred to Parent	18	6,302,995	-

22.2 Key management personnel compensation

	December 31, 2020	December 31, 2019
Remuneration	14,472,382	11,693,924
Provision for employee benefit obligations	480,110	562,770

The closing payable balance of key management personnel compensation is Saudi Riyals 0.67 million (December 31, 2019: Saudi Riyals 0.9 million).

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

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22 Related party transactions and balances (continued)

22.3 Related party balances

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

(i) Trade receivables and other debtors - related parties (Note 13)

	December 31, 2020	December 31, 2019
Dukan	284,470,920	252,276,504
ADGHC*	25,625,485	21,029,131
NSCL	29,596	10,442
APSL	2,678	2,678
	<u>310,128,679</u>	<u>273,318,755</u>

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

23 Zakat matters

23.1 Components of zakat base

The Company and its subsidiaries registered in Kingdom of Saudi Arabia file zakat declarations on consolidated basis. The significant components of the zakat base of the Group under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, adjusted income, less deductions for the adjusted net book value of property, plant and equipment, government subsidy and biological assets.

23.2 Movement in provision for zakat

	December 31, 2020	December 31, 2019
Opening balance	7,991,751	11,473,575
Provision for the year	7,118,900	7,979,042
Payment	(5,200,328)	(11,460,866)
Closing balance	<u>9,910,323</u>	<u>7,991,751</u>

23.3 Status of final assessments

The Company and its subsidiaries registered in the Kingdom of Saudi Arabia file zakat declaration on consolidation basis in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT").

The Company finalised its zakat assessments with the GAZT up to 2010. From 2011 to 2013 the Company has accrued for zakat on consolidated basis, and had obtained an approval from GAZT to file consolidated zakat declaration. During 2014, due to the transfer of its shares in subsidiaries, the Company no more held effectively 100% of the shares in its subsidiaries, and therefore filed an unconsolidated zakat return for the years ended 2014 through 2018. ADC, DHV, and SFPC filed separate zakat returns for the years 2014 to 2018. The assessments for those years have not yet been completed.

SFPC has received final zakat assessment for the years from 2015 to 2018 with an additional zakat liability of Saudi Riyals 4.1 million. SFPC has filed an appeal to GAZT against the assessment and expects this assessment to be set aside in the favor of the Company.

Further, DHV has also received final zakat assessments for the years 2017 and 2018 with an additional zakat liability of Saudi Riyals 0.45 million and Saudi Riyals 0.16 million respectively. The appeals of which are currently pending with the General Secretariat of Tax Committees (GSTC).

Since 2019, the Company has reverted to accruing zakat on a consolidated basis after obtaining approval from GAZT since all subsidiaries are now fully owned by the Company.

Further, the Company entered into an agreement during 2019 with its shareholder namely ADGHC, whereby all liabilities relating to assessments up to the year ended December 31, 2018 will be reimbursed by ADGHC.

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24 Revenue

	Food and agriculture				Construction of poultry farms	Total
	Kingdom of Saudi Arabia	United Arab Emirates	Bahrain	Other GCC countries	Kingdom of Saudi Arabia	
For the year ended December 31, 2020						
Revenue from external customers						
<i>Timing of revenue recognition</i>						
At a point in time	1,014,554,840	54,187,151	123,414,303	8,554,759	-	1,200,711,053
Over time	-	-	-	-	11,221,901	11,221,901
	1,014,554,840	54,187,151	123,414,303	8,554,759	11,221,901	1,211,932,954
For the year ended December 31, 2019						
Revenue from external customers						
<i>Timing of revenue recognition</i>						
At a point in time	941,909,561	63,355,713	78,554,578	54,674,478	-	1,138,494,330
Over time	-	-	-	-	7,160,930	7,160,930
	941,909,561	63,355,713	78,554,578	54,674,478	7,160,930	1,145,655,260

The revenue from top five customers in the food and agriculture stream represents 27% of the Group's revenues (2019: 33%)

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25 Cost of sales

	Note	December 31, 2020	December 31, 2019
Materials consumed		532,242,997	526,231,026
Employee related costs		204,203,093	182,227,739
Transport and travel		40,236,808	39,356,535
Depreciation on right-of-use assets	7	40,600,846	36,137,655
Utilities		27,801,606	29,701,817
Depreciation on property, plant and equipment	6	18,731,132	17,140,922
Repairs and maintenance		8,350,136	12,836,048
Rent		10,804,893	8,280,383
Insurance		2,502,979	2,212,705
Amortisation		50,284	188,730
Other		16,762,892	13,291,065
		902,287,666	867,604,625

26 Selling and distribution expenses

	Note	December 31, 2020	December 31, 2019
Employee related costs		61,770,709	49,110,700
Transport and travel		25,930,773	25,765,526
Depreciation on right-of-use assets	7	12,132,848	9,523,643
Sales commission		11,769,519	9,499,263
Advertising and sales promotion		3,122,208	5,709,094
Rent		3,965,622	4,445,926
Utilities		2,312,812	2,533,177
Depreciation on property, plant and equipment	6	2,027,251	1,494,236
Insurance		1,273,432	1,512,765
Repairs and maintenance		859,353	1,190,063
Other		7,601,466	9,120,671
		132,765,993	119,905,064

27 General and administrative expenses

	Note	December 31, 2020	December 31, 2019
Employee related costs		54,693,142	43,441,462
Professional fees		3,313,225	2,662,350
Transport and travel		1,248,320	1,973,308
Depreciation on right-of-use assets	7	1,784,244	1,725,676
IT infrastructure cost		1,213,885	860,484
Utilities		733,796	715,488
Amortisation		365,060	384,543
Depreciation on property, plant and equipment	6	335,581	259,339
Other		2,593,853	3,833,321
Expenses recharged to an affiliate	22.1	-	(2,640,549)
		66,281,106	53,215,422

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28 Finance costs

	Note	December 31, 2020	December 31, 2019
Interest on short-term borrowings		11,421,660	14,722,460
Interest on lease liabilities	7	10,712,655	11,610,910
Others		3,585,356	2,086,079
		<u>25,719,671</u>	<u>28,419,449</u>

Others mainly includes bank charges.

29 Commitments and contingencies

29.1 Commitments and contingencies

- The capital expenditure contracted by the Group but not incurred until December 31, 2020 was approximately Saudi Riyals 15.91 million (December 31, 2019: Saudi Riyals 23.6 million).
- The banks issued guarantees on behalf of the Group amounting to Saudi Riyals 7.7 million (December 31, 2019: Saudi Riyals 5.8 million). The Group also has letters of credit and documentary collection in sight issued on its behalf in the normal course of business amounting to Saudi Riyals 29.8 million and Saudi Riyals 1.7 million, respectively (December 31, 2019: Saudi Riyals 45.2 million and Nil, respectively).

Pledge of cash against loan taken by ADGHC

During 2019, ADGHC obtained a loan of Saudi Riyals 275 million from a local commercial bank (the "lender"). The purpose of the loan was to settle the intercompany balance between the Group and Dukan and to provide equity bridge finance to the Group before the Group's Initial Public Offering (IPO). The proceeds of the loan were transferred to the Group and this amount was placed in Escrow accounts in the name of the Group to secure the loan obtained by ADGHC. The Group provided an irrevocable undertaking allowing the lender to offset the amount in the Escrow accounts against the loan obtained by ADGHC if the IPO was not completed by April 30, 2020. This effectively meant that the proceeds of the loan were kept as a pledge to secure the loan obtained by ADGHC.

Although, the loan agreement between ADGHC and the lender stated that the amount of Saudi Riyals 275 million was supposed to be used to settle the amount due from Dukan, this amount was placed in Escrow accounts and the Group had no access to these Escrow accounts and the amount therein could not be used by the Group to finance its operations. Consequently, the Group did not have the right to any economic benefit from this amount and accordingly, the Group did not recognise the amount received or the related liability resulting from the pledge. The Group has continued to recognise the receivable from Dukan in its financial statements.

On April 30, 2020, ADGHC has settled the above-mentioned loan against the cash placed in the Escrow accounts. Accordingly, the pledge provided by the Group was also revoked as of that date.

29.2 Short-term leases

The short-term lease commitments as of December 31, 2020 amount to Saudi Riyals 1.97 million (2019: Saudi Riyals 1.2 million).

30 Financial instruments

30.1 Fair value measurement of financial instruments

a) Recognised fair value measurements

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

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30 Financial instruments (continued)

30.1 Fair value measurement of financial instruments (continued)

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

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

b) *Fair value hierarchy*

	December 31, 2020					
	FVOCI	Amortised cost	Total	Level 1	Level 2	Level 3
Financial assets						
Unlisted equity securities	773,983	-	773,983	-	-	773,983
Trade receivables and other debtors	-	472,357,282	472,357,282	-	-	-
Contract assets	-	1,969,388	1,969,388	-	-	-
Cash at banks	-	55,809,239	55,809,239	-	-	-
Government subsidy, employee and other receivables	-	24,318,980	24,318,980	-	-	-
Total financial assets	773,983	554,454,889	555,228,872	-	-	773,983

	December 31, 2019					
	FVOCI	Amortised cost	Total	Level 1	Level 2	Level 3
Financial assets						
Unlisted equity securities	773,983	-	773,983	-	-	773,983
Trade receivables and other debtors	-	430,629,905	430,629,905	-	-	-
Contract assets	-	1,599,947	1,599,947	-	-	-
Cash at banks	-	19,517,303	19,517,303	-	-	-
Government subsidy, employee and other receivables	-	28,745,037	28,745,037	-	-	-
Total financial assets	773,983	480,492,192	481,266,175	-	-	773,983

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

All financial liabilities as of December 31, 2020 and December 31, 2019 are measured at amortised cost. The carrying values of the financial liabilities under amortised cost approximate their fair values.

c) *Valuation technique*

For financial instruments, other than listed securities, discounted cash flow analysis is used to determine the fair value.

d) *Fair value measurements using significant unobservable inputs (level 3)*

	December 31, 2020	December 31, 2019
Opening balance	773,983	773,983
Gains recognised in other comprehensive income	-	-
Disposals	-	-
Closing balance	773,983	773,983

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30 Financial instruments (continued)

e) Valuation process

The finance department of the Group includes a team that performs the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. This team reports directly to the Chief Financial Officer (CFO). The main level 3 inputs used by the Group are derived and evaluated based on as follows:

- cash inflow from the disposal of investment.
- earnings growth factor for unlisted equity securities are based on the actual growth rate of the investee till the date of its disposal.

30.2 Risk management framework

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

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

The Group management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management. There are no changes to the Group's risk management policies due to COVID 19. The Group is continuously monitoring the evolving scenario and any change in the risk management policies will be reflected in the future reporting periods.

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

a) Credit risk

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

- Risk management

Credit risk is managed on a Group basis. For banks, only independently rated parties above P-2 ratings are accepted. For trade receivables, internal risk control department assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management. Refer to Note 13 for concentration of credit risk on trade receivables.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorizes a receivable for write-off when a debtor fails to make contractual payments greater than 720 days past due. Where receivables have been written-off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the consolidated statement of comprehensive income.

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30 Financial instruments (continued)

30.2 Risk management framework (continued)

a) Credit risk (continued)

- Impairment of financial assets

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

	December 31, 2020	December 31, 2019
Cash at banks	55,809,239	19,517,303
Trade receivables and other debtors – third parties	162,228,603	157,311,150
Trade receivables and other debtors – related parties	310,128,679	273,318,755
Contract asset	1,969,388	1,599,947
Government subsidy, employee and other receivables (included within prepayments and other receivables)	24,318,980	26,311,512
	<u>554,454,889</u>	<u>478,058,667</u>

The Group uses the forward-looking 'expected credit loss' (ECL) model. Cash at banks are placed with banks with sound credit ratings. Government subsidy, contract assets, employee and other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified inflation rate, GDP growth rate and unemployment rate of the countries in which it sells its goods to be the most relevant macro-economic factors of forward looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The trade receivables balance from the related parties are from the affiliates of the Group having the same ultimate shareholder. Based on management's impairment assessment, there is no provision required in respect of these balances for all the periods presented as they are considered to have low credit risk.

Impairment losses on financial assets recognised in the consolidated statement of comprehensive income are as follows:

	December 31, 2020	December 31, 2019
Impairment loss on trade receivables and other debtors	<u>4,405,605</u>	<u>998,308</u>

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30 Financial instruments (continued)

30.2 Risk management framework (continued)

a) Credit risk (continued)

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

December 31, 2020	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.22%	104,919,183	229,309
1–90 days past due	0.13%	43,546,046	57,342
91–180 days past due	0.95%	8,870,555	84,575
181–270 days past due	2.77%	1,527,141	42,310
271–360 days past due	1.18%	619,072	7,286
More than 360 days past due	40.83%	5,352,651	2,185,223
Specific provision	100.00%	9,157,583	9,157,583
	6.76%	173,992,231	11,763,628

December 31, 2019	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.06%	98,936,637	60,784
1–90 days past due	0.11%	48,602,253	52,397
91–180 days past due	0.54%	2,541,532	13,792
181–270 days past due	1.59%	1,837,466	29,219
271–360 days past due	1.89%	1,831,390	34,552
More than 360 days past due	30.43%	5,394,028	1,641,412
Specific provision	100.00%	5,927,572	5,927,572
	4.70%	165,070,878	7,759,728

b) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows as of December 31, 2020 and 2019 are:

December 31,	Within 3 months	3 to 12 months	More than 12 months	Total	Carrying amount
2020					
Borrowings	317,005,751	-	-	317,005,751	313,440,367
Trade payables	-	161,394,704	-	161,394,704	161,394,704
Lease liabilities	16,910,365	54,637,497	153,911,161	225,459,023	179,152,448
Accrued and other liabilities	-	101,652,283	-	101,652,283	103,355,317
	333,916,116	317,684,484	153,911,161	805,511,761	757,342,836

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30 Financial instruments (continued)

30.2 Risk management framework (continued)

b) *Liquidity risk (continued)*

	Within 3 months	3 to 12 months	More than 12 months	Total	Carrying amount
December 31, 2019					
Borrowings	322,898,703	-	-	322,898,703	318,322,813
Trade payables	-	139,501,770	-	139,501,770	139,501,770
Lease liabilities	14,520,646	47,683,967	171,449,274	233,653,887	184,713,253
Accrued and other liabilities	-	65,536,020	-	65,536,020	65,536,020
	<u>337,419,349</u>	<u>252,721,757</u>	<u>171,449,274</u>	<u>761,590,380</u>	<u>708,073,856</u>

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. Refer to Note 19 for unused credit facilities and Note 15 for closing cash position of the Group. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

c) *Market risk*

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Group's functional currency. The Group's transactions are principally in Saudi Riyals, United Arab Emirates Dirhams, Bahraini Dinars, Euros and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

The Group's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these consolidated financial statements.

ii) *Interest rate risk*

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value risks to the Group are not significant. There are no interest bearing financial assets at the end of reporting period.

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30 Financial instruments (continued)

30.2 Risk management framework (continued)

c) Market risk (continued)

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	December 31, 2020	December 31, 2019
Financial liabilities, principally borrowings	<u>313,440,367</u>	<u>318,322,813</u>

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

	December 31, 2020	December 31, 2019
Interest rate-increases by 100 basis points	(257,197)	(284,194)
Interest rate-decreases by 100 basis points	257,197	284,194

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or 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. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The probable fluctuations in the investment value is not material to the consolidated financial statements of the Group.

d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximise shareholders' value. The capital structure includes all components of equity totalling Saudi Riyals 347.5 million at December 31, 2020 (December 31, 2019: Saudi Riyals 286.9 million). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company and its subsidiaries monitor capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	December 31, 2020	December 31, 2019
Borrowings	313,440,367	318,322,813
Lease liabilities	179,152,448	184,713,253
Less: cash and cash equivalents	(60,459,134)	(23,918,830)
Net debt (A)	<u>432,133,681</u>	<u>479,117,236</u>
Shareholders' equity (B)	<u>347,535,568</u>	286,890,851
Total capital (A+B)	<u>779,669,249</u>	<u>766,008,087</u>
Gearing ratio (A / (A+B))	<u>55%</u>	<u>63%</u>

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30 Financial instruments (continued)

30.2 Risk management framework (continued)

e) *Financial risk management strategies for biological assets*

The Group is exposed to risks arising from environmental and climatic changes risks.

i.Regulatory and environmental risk

The Group is subject to laws and regulations of Kingdom of Saudi Arabia. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

ii.Climate and other risks

The Group is exposed to risk of loss from climate changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections, vaccination policies and state of the art farms to provide a barrier against diseases. Further, the Group's geographic spread of farms allows a high degree of mitigation against adverse climatic conditions such as floods and disease outbreaks.

31 Earnings per share

Earnings per share have been calculated by dividing the net profit attributable to the owners of the Company by the weighted average number of shares outstanding during the year.

	December 31, 2020	December 31, 2019
Net profit attributable to owners of the Company	74,413,592	70,822,956
Weighted average number of shares	20,000,000	18,333,333
Basic and diluted earnings per share (Saudi Riyals per share)	3.72	3.86

During the year ended December 31, 2019, the shares of the Company were split in the ratio of 100-for-1 resulting in the number of issued shares increasing from 100,000 to 10,000,000. Subsequently, the Company increased its share capital by Saudi Riyals 100 million resulting in increase in issued shares to 20,000,000. See Note 16 for further details. Consequently, weighted average number of shares were used for computing the earnings per share for the year ended December 31, 2019.

32 Segment information

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

	December 31, 2020			
	Kingdom of Saudi Arabia	United Arab Emirates	Kingdom of Bahrain	Total
Property, plant and equipment	114,424,345	40,706,689	168,445	155,299,479
Right-of-use assets	178,583,776	20,140,688	1,005,725	199,730,189
Intangible assets	1,471,240	130,944	-	1,602,184
Financial assets at FVOCI	773,983	-	-	773,983

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32 Segment information (continued)

	December 31, 2019			Total
	Kingdom of Saudi Arabia	United Arab Emirates	Kingdom of Bahrain	
Property, plant and equipment	93,297,389	45,048,447	206,763	138,552,599
Right-of-use assets	170,394,056	16,277,340	1,077,810	187,749,206
Intangible assets	1,139,812	242,344	-	1,382,156
Financial assets at FVOCI	773,983	-	-	773,983

See Note 24 for the concentration of customers and revenue generated within Kingdom of Saudi Arabia and outside the Kingdom of Saudi Arabia for the years ended December 31, 2020 and 2019.

33 Cash flow information

(a) *Net debt*

	December 31, 2020	December 31, 2019
Cash and cash equivalents	60,459,134	23,918,830
Lease liabilities	(179,152,448)	(184,713,253)
Borrowings - repayable within one year	(311,323,617)	(315,603,679)
Net debt	(430,016,931)	(476,398,102)

Borrowings of the Group carry variable interest rates.

(b) *Net debt reconciliation*

	Cash and cash equivalents	Borrowings - repayable within one year	Leases	Total
January 1, 2019	20,381,882	(277,602,677)	-	(257,220,795)
Recognised due to adoption of IFRS 16	-	-	(212,781,050)	(212,781,050)
Additions to Leases	-	-	(26,434,237)	(26,434,237)
Interest on lease liabilities	-	-	(11,610,910)	(11,610,910)
Cash flows	3,536,948	(38,001,002)	66,112,944	31,648,890
December 31, 2019	23,918,830	(315,603,679)	(184,713,253)	(476,398,102)
Additions to Leases	-	-	(69,681,007)	(69,681,007)
Interest on lease liabilities	-	-	(10,712,655)	(10,712,655)
Lease liabilities written off due to termination of lease contracts	-	-	4,176,833	4,176,833
Cash flows	36,540,304	4,280,062	81,777,634	122,598,000
December 31, 2020	60,459,134	(311,323,617)	(179,152,448)	(430,016,931)

34 Approval of financial statements

These consolidated financial statements of the year ended December 31, 2020 were approved for issuance by the Board of directors of the Group on February 3, 2021.