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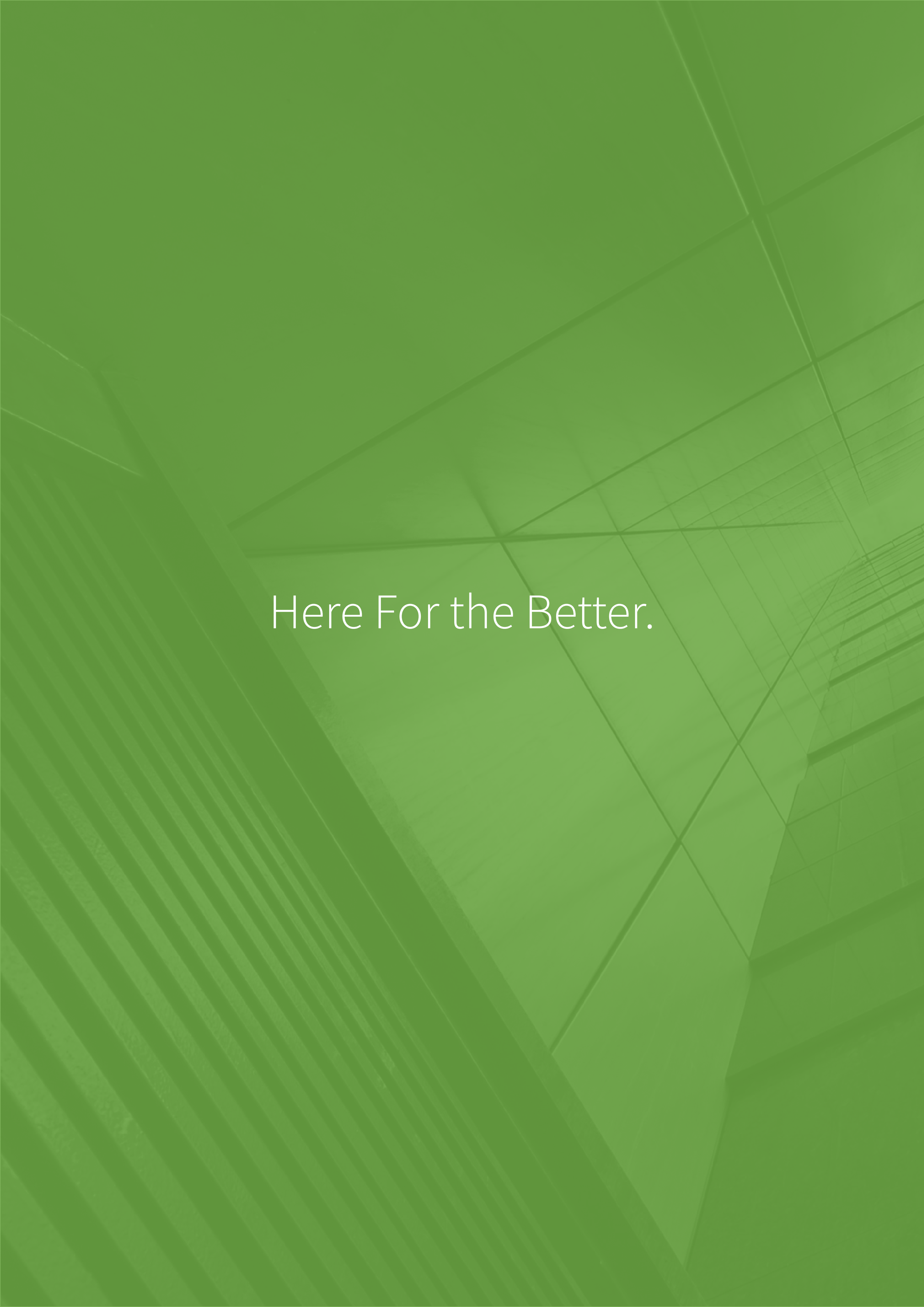
agthia

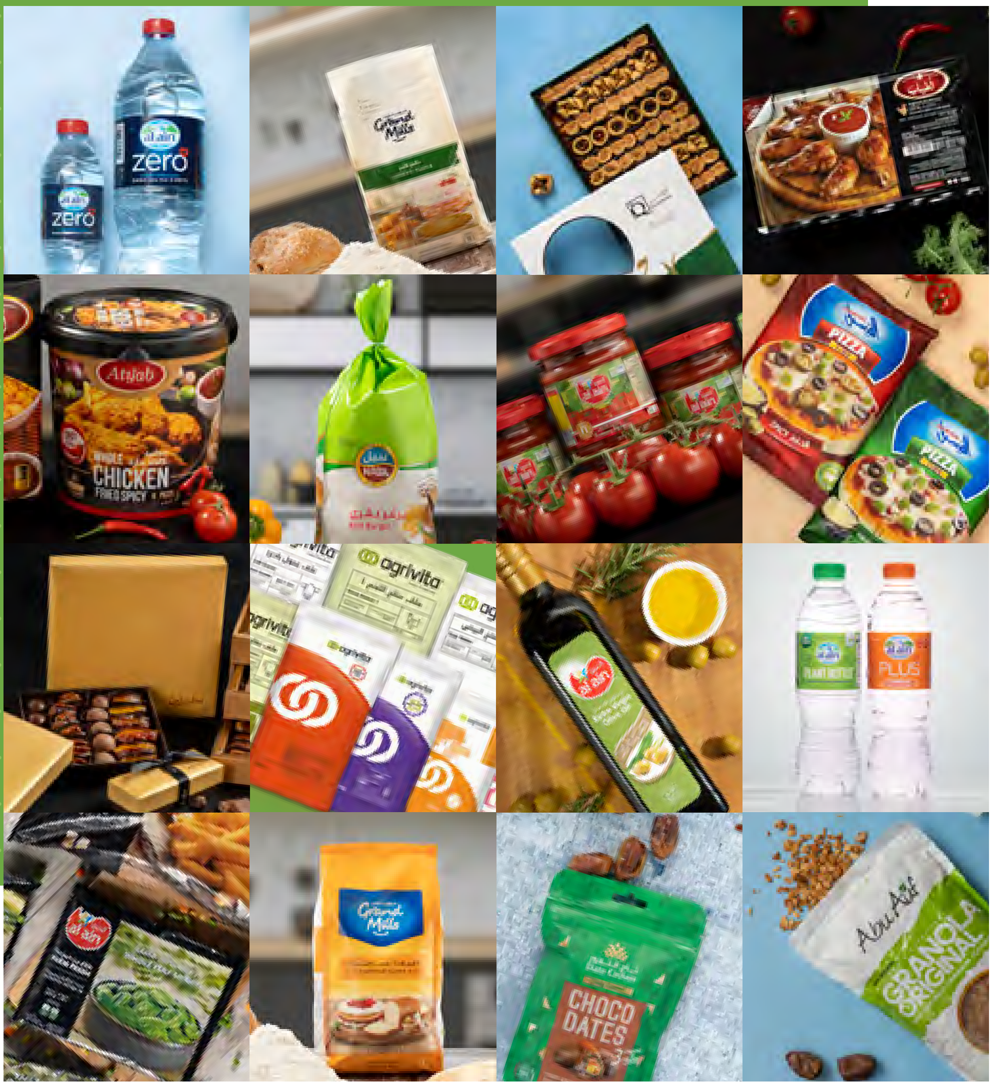
For The Better • من أجل الأفضل

ANNUAL REPORT 2022


Here For the Better.

Content

Agthia at a Glance



Agthia is the UAE's food and beverage champion with a growing regional and international footprint. The company is a market leader in water, flour, and animal feed segments in the UAE, and in the frozen protein segment in Egypt and Jordan.

In tune with emerging consumer trends, Agthia continued its ambitious growth trajectory throughout 2022, upscaling in priority markets and expanding into value-add categories, while maintaining focus on building capacity, innovation, and sustainability.

Key Company Stats 2022

2004
Year of Establishment

2005
Agthia listed on the Abu Dhabi Stock Exchange

4 Product Portfolios
• Water & Food • Snacking
• Protein & Frozen
• Agri Business

35+
Value Add Brands

45+
Export Markets

#1
• **UAE** - Water, Flour & Agri Business (B2B)
• **Jordan & Egypt** - Protein

21
Manufacturing Facilities

27
Distribution Centers

11,800+
Employees Globally

273 AED Million
Group Net Profit

4.07 AED Billion
Net Revenue

6.8 AED Billion
Total Assets

2.8 AED Billion
Shareholders Equity

Key Milestones

1978

The Late His Highness Sheikh Zayed Bin Sultan Al Nahyan inaugurates Grand Mills, laying the foundations of what Agthia is today.

1981
- Animal Feed production begins

1990
- Al Ain Mineral Water Company established

2004
- Formation of Emirates Foodstuff and Mineral Water Company – Agthia – as part of Abu Dhabi government's privatisation initiative

2005
- IPO listed on ADX with 49% of the company offered to the public

2006
- Appointment of a new management

2007
- Acquisition of Ice Crystal, UAE

2008
- Acquisition of Al Ain Vegetable production and distribution agreement signed with Capri-Sun

2009
- Egypt greenfield operation launched

2010
- Production and distribution agreement signed with Yoplait

2012
- Acquisition of Pelit water company (Alpin), Turkey

2015
- Acquisition of Al Bayan Water Company, UAE
- Distribution agreement signed with Al Foah

2016
- Launch of Al Ain Zero
- JV signed to produce Al Ain Water in Kuwait
- Acquisition of Delta Water Factory Company, KSA

2017
- JV signed with Anderson Hay

2018
- Launch of Al Ain Vitamin D and Al Ain Bambini
- R&D agreement signed with Nutreco
- United Khaleeji Water factory commences production in Kuwait

2019
- Launch of Al Ain Zero Bromate, Grand Mills Vitamin D flour and Yoplait Grass-Fed Yoghurt
- Inauguration of Agthia's packaging technology centre

2020
- Appointment of new Board of Directors and leadership team
- Launch of Al Ain Plant Bottle: Region's first plant-based water bottle
- Launch of RECAPP app in partnership with Veolia

2021
- Completed acquisition of Al Foah Company, UAE, and Al Faysal Bakery & Sweets, Kuwait
- Introduction of Proteins & Frozen business unit
- Acquisition of Nabil, Jordan
- Transformation & Integration office launched
- Acquisition of Atyab, Egypt
- Acquisition of BMB, UAE

Milestones 2022

Agthia had a highly successful year in 2022, characterised by strong commercial performance; despite escalating geopolitical risks, supply chain disruption, and rising energy and transportation costs.

Mar

- Agthia Group participates in the 27th edition of Gulfood, the world's largest annual F&B event, held at Dubai World Trade Centre

Apr

- Agthia Group holds its first Annual General Meeting for 2022
- Agthia Group announces 49% year-on-year increase in net revenue to AED 3.07 bn for the year ended 31 December 2021

May

- Agthia Group announces Q1 2022 results, surpassing AED 1bn in revenue for the first time. Q1 2022 saw a 58% year-on-year improvement in net revenue

Jun

- Seven Agthia brands win at the prestigious Superior Taste Awards, presented by the International Taste Institute in Belgium

July

- Agthia Group holds its annual townhall meeting with employees from across the region and launches "You Are Heard" – a new mental wellbeing initiative

Aug

- Agthia Group announces H1 2022 results, confirming that group net profit attributable to shareholders grew to AED 118m for the period, a 74% increase compared to H1 2021
- Al Foah Company launches the Dates Marketing Season for 2022

Sep

- Agthia Group announces the distribution of a 65.31m cash dividend for H1 2022
- Agthia Group participates in the 86th Thessaloniki International Fair (TIF) 2022 in Greece
- Al Foah launches its e-commerce marketplace, eZad, the World's first virtual platform for trading in dates
- Agthia Group holds its second Annual General Meeting in 2022
- Al Ain Water Company launches its Al Ain Water Run

Oct

- Al Foah sponsors the Liwa Date Festival in the UAE

Nov

- Agthia Q3 revenue grows 20% to AED 954m, underpinned by strong performance from recent acquisitions
- Agthia completes acquisition of majority stake in Egyptian healthy snacks and coffee company Auf Group

Dec

- Agthia Group and AD Ports Group Sign strategic supply chain MoU

In 2022, Agthia's revenue and profit reached their highest levels to date.

Annual revenue growth reflected robust pricing and strong demand in protein and snacking segments as well as market leadership in bottled water in the UAE.

Year-on-year revenue growth was 33%, representing 11% from pricing and 22% from volume.

Financial Highlights

Key Financial Stats 2022

AED 273 mn	Group Net Profit
AED 4.07 bn	Net Revenue
42%	Consumer Business Growth
10%	Agri Business Growth
AED 6.8 bn	Total Assets
AED 2.8 bn	Shareholder’s Equity
18%	Profitability Growth

Stock Performance

Key Brand Stats 2022

A Consortium of Local Gems

Every moment of every day, Agthia's brands are consumed and enjoyed by millions of people around the world. As we further our mission to provide more families and communities with trusted food and beverage products, our purpose calls us to do better, to scale new heights, accelerate innovation, and to maintain our focus on sustainability.

Awards

Seven products from Agthia's diverse portfolio won in various categories at the International Taste Institute's 2022 Superior Taste Awards in Belgium. Three stars symbolize exceptional products and represent the highest rating, whereas two stars signify remarkable and distinguished products.

★★★ Al Ain Water • Date Crown.
★★ Nabil plant based Tempura Chickenless Nuggets
Al Ain Zero • Alpin Mineral Water • Date Crown Cardamom Flavored Date Syrup • Date Crown Saffron Flavored Date Syrup.

Best of Middle East - Freakin' Healthy Plant-Based Cheese
The UAE's first locally produced Clean Label plant-based cheese - was awarded in the Best of Middle East category of the Gama Innovation Awards 2022, winning judges over for its novel cashew nut formula that gives consumers a new option in the dairy-free space.

Al Ain Water
Gold (Sustainable Packaging)
Awarded for having developed the best label in the region. This innovation, which has reduced the weight of the label and the use of polypropylene by 45 to 50% will help save more than 10 MT of plastic annually, with the potential of saving more than 400MT in the future.

Al Ain Water Silver
(Sustainable Packaging)
Awarded for having developed the lowest GSM corrugated box in the bottled water segment. Made from 100% recycled paper, the box will reduce annualized paper consumption to the tune of 1000 MT vis-à-vis competitors.

Al Foah Date 5G Packaging –
Gold (Design & Innovation)
Awarded for its various features such as flexibility, ease of use, low cost, and the ability to preserve the product in excellent condition for up to two years; in addition to saving 200 MT of plastic annually.

Exporting to:

North America
Canada
USA
Mexico

Europe
UK
Scotland
Ireland
Netherlands
Poland
Hungary
France
Austria
Germany
Italy

Asia
Russia
Singapore
Vietnam
Pakistan
Afghanistan

Africa
Libya
Tunisia
Morocco
Djibouti
Kenya
Somalia

Middle East
UAE
Saudi Arabia
Kuwait
Oman
Bahrain
Lebanon
Palestine
Jordan
Iran
Turkey
Egypt
Cyprus
Qatar
Iraq
Israel

International Footprint

By Region

Production Locations

By country

UAE
Head Quarters

Production:
Water
Food
Flour
Animal Feed
Snack

Turkey
Production:
Water

Saudi Arabia
Production:
Water

Oman
Production:
Water

Jordan
Production:
Protein & Frozen products

Kuwait
Production:
Water
Snacking

Egypt
Production:
Frozen Vegetables
Food
Protein
Snacking

Khalifa Sultan Al Suwaidi,
Chairman of the Board

Chairman's Statement

The key to Agthia's success lies in fostering leadership at all levels. We align all our stakeholders with our vision, continually pursuing sustainable growth, acting with integrity, and supporting our people, as we innovate and serve our customers and communities, and empower them for the better.

Over the past two years, Agthia has developed into a regional player in the food and beverage industry, bolstered by a portfolio of market leading brands that are expanding internationally. This transition has been propelled by our ability to capitalize on market opportunities, our commitment to quality, and our innovative spirit.

Our recent acquisitions are only the beginning; we will reap further benefits by leveraging synergies, operational efficiencies, improving consumer trust, and ongoing product innovation. Our business divisions collaborate closely and share best practices across markets, and the integration of our industrial assets, business infrastructure, and human capital provides a solid foundation for future expansion.

Business Performance

We are future-ready, and despite persistent global headwinds we will continue to implement our growth strategy by expanding in the MENAP region and beyond, facilitating investment and enhancing competitiveness, as well as by focusing on key growth sectors. At all times, we uphold our core values of collaboration, determination, and agility. These values are at the heart of everything we do and will ensure our success, now, and in the in the future.

ESG Performance

Agthia recognises the fundamental role that environmental and social factors play in driving sustainable long-term value creation. As a result, we are in an advanced stage of updating our comprehensive ESG strategy that reflects our growing size, scale, and scope of operations. A robust ESG strategy is not only an ethical corporate practice, but also a business imperative. ESG programmes are projected to deliver greater shareholder value in five years than they do today, according to recent McKinsey and Company research.

Acknowledgments

I would like to express my deepest gratitude to the leadership of the United Arab Emirates and our stakeholders and partners across different regions for their valuable support. And I would like to thank and recognise Agthia's management and staff for their dedication and unwavering commitment, our board members for their keen insight and proactive leadership, and our shareholders for their confidence in Agthia. Finally, we thank our customers, whose loyalty is the lifeline for Agthia.

> "Our commitment to quality & innovative spirit has unlocked unprecedented value for Agthia's stakeholders."

Alan Smith is a focused and confident communicator, despite his aversion to being in the spotlight. His ability to articulate his views and ideas is matched by his endless capacity for listening and reflection. Smith's serious demeanour is not unexpected, given that he oversees a multi-billion-dirham food and beverage company, undergoing considerable expansion and transformation. It is his strong conviction in leadership from the frontline that is remarkable. This is a conversation with a CEO who once took it upon himself to be the delivery man; when several Al Ain water boxes were delivered to his doorstep by mistake, he took them to the client personally.

In Conversation with

Alan Smith,

Chief Executive Officer

You have been at the helm of Agthia for almost three years; how has the company changed in this time?

There has been phenomenal growth in Agthia over the last three years. The vision, back in 2020, was to create a regional F&B champion. In addition, we wanted to transform a semi-government organisation into a high performing, more commercially focused global player.

Our biggest accomplishment has been the precise execution of our expansion strategy. We have walked the walk for two years in a row to deliver exceptional results. Throughout this journey, the executive board, leadership team, and I have been very clear about our goals, and we have achieved significant progress. When I took over as CEO, 50 per cent of Agthia's revenue was derived from commodities and 80 per cent of our business came from the UAE. Today, 50 per cent of Agthia's revenue is derived from overseas markets and 75 per cent from consumer goods. When we disclosed our strategy in April 2021, implementation was already underway, and we were finalising acquisitions, which enabled us to achieve this result.

Agthia has remained very ambitious, at a time when the world was going through a crisis? How do you reflect on this growth when the world was dealing with a global pandemic?

Analysis of data from the 2007-2008 global financial crisis revealed that companies that made substantial acquisitions outperformed those that did not. Consequently, when the markets are flat or declining, opportunities exist, especially if you know where to search.

To be successful, you need to be bold and aggressive. The pandemic did not alter our strategy. Our strategy is our North Star and guides our approach to business. The ideal time to do something doesn't exist - you must make a well-informed judgement backed by data and act immediately.

The ideal time to do something doesn't exist - you must make a well-informed judgement backed by data and act immediately.

How do you leverage synergies in cross-border acquisitions? What markets are a priority for Agthia?

The DNA of each company that Agthia has acquired is unique, and this must be carefully considered in order to map out synergies. Along the road, we adapted Agthia's culture and introduced new dynamics to incorporate these enterprises. The way resources and capabilities are integrated and optimized can impact value creation, especially considering that each firm provides new knowledge. To capitalize on these synergies, there is a major emphasis on building a transparent, collaborative, and conducive workplace.

Looking back, I can see that we have made significant progress. However, there is always potential for further improvement, and although we achieved a great deal on integration, there is even more we can accomplish.

We are making significant strides in growing Agthia's footprint throughout the MENAP region and beyond. Our primary markets continue to include the UAE, Egypt, Jordan, and the GCC. Saudi Arabia is also important to us, and we have invested there and are interested in expanding both organically and inorganically.

Alan Smith,
Chief Executive Officer

The pandemic ended but then geopolitical issues arose. How do you build agility and organisational resilience against this kind of disruption?

COVID-19 taught Agthia, and the whole world, a lot about agility. The Agthia team did a phenomenal job of protecting our people, operations, and ensuring service continuity to customers throughout the toughest times.

Hardworking professionals, engaged leaders, and a sound corporate structure have enabled us to pull together to deal with disruptions. It isn't only leadership that brings in the best ideas and solutions, but an effective leader tackles specific situations and takes up challenges ahead of his or her team, provides guidance and leads by example.

Focusing on what you can control is the first step to overcoming disruption. Even though a great deal may be occurring around the globe, a solid risk management approach is what truly matters. No one could have predicted that COVID-19 and the Ukraine Conflict would happen or have the impact they did, but having clarity on what we are doing strategically and enhancing our organisational capabilities has helped Agthia tackle these challenges.

Global issues do not uniquely impact Agthia, yet how do you safeguard shareholder value?

Risk is simply a reality of doing day-to-day business in a global marketplace, there is no way around that. Yet proactive management of crises is critical to reputation and shareholder value.

In the realm of Agthia's operations, safeguarding our value chains, maintaining a strong focus on business continuity, and serving our customers is non-negotiable. We can plan and execute regardless of the nature of the crisis because we are actively monitoring the evolution of crises, evaluating potential curveballs, establishing a responsive strategy, acting proactively, and communicating with all stakeholders on a consistent basis. The shareholder value is safeguarded through an organized, proportional, and systematic response to any crisis.

2022 saw the integration of five companies from across the region – what were the key highlights and learnings from this?

Unifying teams is key. This meant sharing Agthia's vision from the onset and aligning all companies behind it, while explaining their respective roles in helping to realise it. It was also important to identify the leaders and problem solvers within these companies and to empower them and their respective teams, to play a meaningful role in supporting the wider Agthia mission.

Acquisitions can be a tense period, but we have consistently found that the companies were pleased to join Agthia because of our shared ideals. Transparency was essential, and people could see how their companies and their own lives could change.

Sustainability is the topic of the year as the UAE gears up to host COP28 – what is Agthia's vision for sustainability?

No two industries, companies, or approaches to organisational purpose are the same, but sustainability is certainly a shared goal.

At Agthia, our mantra is 'For the Better' and this includes for people, planet, and prosperity. For our customers, sustainability is also increasingly important, as they care about the environment and our carbon footprint, as well as ethical sourcing and the quality of ingredients and packaging. As an organisation, we understand this customer sentiment and ensure we act upon it.

Sustainability is a core component of our strategic growth plan. Agthia is the first manufacturer in the region to introduce and use plant-based water bottles and we continuously invest in new technologies that will reduce our environmental impact.

I have always believed that plastic is a useful resource. It remains an important part of the circular economy by being utilized in its optimal form, as primary packaging. However, we must continue to reduce the usage of single-use plastics, and we have been actively contributing to conversations with the government to implement ways to use recycled PET) polyethylene terephthalate).

We are in the process of reframing our ESG policy based on Agthia's growing size and scale of operations. We will be making announcements, in the next few months, regarding Agthia's sustainability commitments, areas of priority and short, medium and long-term targets.

What impact did Agthia leave on you as a family man, a sportsman and a leader who tries hard to smile?

I was excited about this experience with Agthia, because I wanted to create something big; to build formidable teams, and to see ventures grow and prosper. This has always been my mentality, both on the pitch and in the boardroom. Agthia gave me the energy and passion to create something unique and exceptional for the UAE and the region.

I try to smile more often because I know it makes people more comfortable. My goal is to make it my default-an unconscious behaviour.

"Our mantra is 'For the Better' and this includes people, planet & prosperity"

Mubarak Al Mansoori,
Chief Human Capital & Corporate Services Officer

Mubarak Al Mansoori is the Chief Human Capital and Corporate Services Officer at Agthia Group. Since joining the company in 2016, Al Mansoori established his reputation as an empathetic and authentic leader who puts people first. Al Mansoori is renowned for his ability to engage stakeholders, communicate effectively and achieve consensus. He says that an understanding of people, their motivations, behaviours, and aspirations is fundamental to a progressive work culture and ultimately commercial success.

You believe that people are the greatest creators of organisational value, how have you applied this thinking at Agthia?

Everything starts and ends with people; they are critical for the success of any organisation. Agthia understands this and this understanding was instrumental as we brought more companies into the world of Agthia. We needed to onboard thousands of people from across the region and introduce them to Agthia's values. On a practical level, we had to ensure that employees understood what is expected of them, as it is our responsibility to keep them engaged and motivated, support them in developing new skills, provide the resources and help them succeed in delivering what Agthia expects of them.

What is your strategy for harmonising people joining Agthia?

Harmonisation starts when a business is acquired but planning starts well in advance, so you have a roadmap for execution. I see harmonisation as an opportunity to inspire employees, energise and excite them about the future, establish strong rapport with teams at the heart and leaders at the helm. It enables us to create new systems and processes that make the transition smoother and the business stronger and more efficient.

Acquisitions have significant impacts on the lives of all employees, not just their careers. Therefore, we must lead with empathy and take every measure to help people see that the changes are for the better. To achieve this, we communicated effectively and transparently during and post our six acquisitions to establish context, manage expectations, and introduce the new systems, processes and ways of working.

New joiners always comment that our townhalls are fun and engaging and we recognise our star employees regularly. We execute a lot of employee engagement initiatives and internal competitions, that allow all employees to learn more about all Agthia brands and get rewarded for it. We created a culture division to unify and align people across regions and operations and established a happiness committee, that oversees internal activations.

I feel proud to how well Agthia manages this aspect of employee engagement, while staying focused on the bigger picture and what the future holds for Agthia and its employees.

What were the human capital highlights at Agthia in 2022?

We saw significant growth in our human capita and its diversity. New joiners brought us a wealth of industry and market insights and a lot of knowledge and learning sharing was taking place throughout Agthia. We encourage this because it helps Agthia's development as a true regional F&B player and strengthens its status as a people-centric organisation. More broadly, we are focused on achieving responsible and sustainable growth. In human capital terms, this means that we must attract, develop and retain the best people. Given the disruption of the previous years, Agthia Group puts a lot of emphasis on health and emotional well-being. We launched an initiative called 'You are heard', which offered employees free wellness sessions to assist them to evaluate the areas of their lives that were draining their energy and gave them tools to create a sense of harmony and balance across all aspects of their lives.

With strong competition for top talent, we work diligently to offer an inclusive and supportive workplace, career growth, and rewarding benefits that help our people thrive—this has never been more important.

Strong corporate services and support function are foundational for corporate success – what has been his priorities in 2022?

Scaling our corporate services and support functions to ensure a seamless transition towards 'One Agthia' has been a key highlight in 2022. Our key priority was to strike a balance between centralizing some of our corporate services functions to achieve efficiency, and decentralizing others to spur responsiveness and accountability.

What is your outlook for Agthia's Human Capital?

Our human capital management approach will continue to prepare and support individuals, teams, and newly acquired businesses to drive organizational change. People are the heart of this organization and we, at Agthia, recognize that taking care of our people is the key to keep us delivering on our promise of doing everything for the better.

11,800+ Employees Globally	57 Nationalities
1804 Employees Participated in Training Courses	146 Training Programmes
21% Emiratisation (Employees in UAE – Grade 5 & Above)	665* Employees aged above 50
5786* Employees aged between 30 & 50	2503* Employees under 30

*Excluding Abu Auf

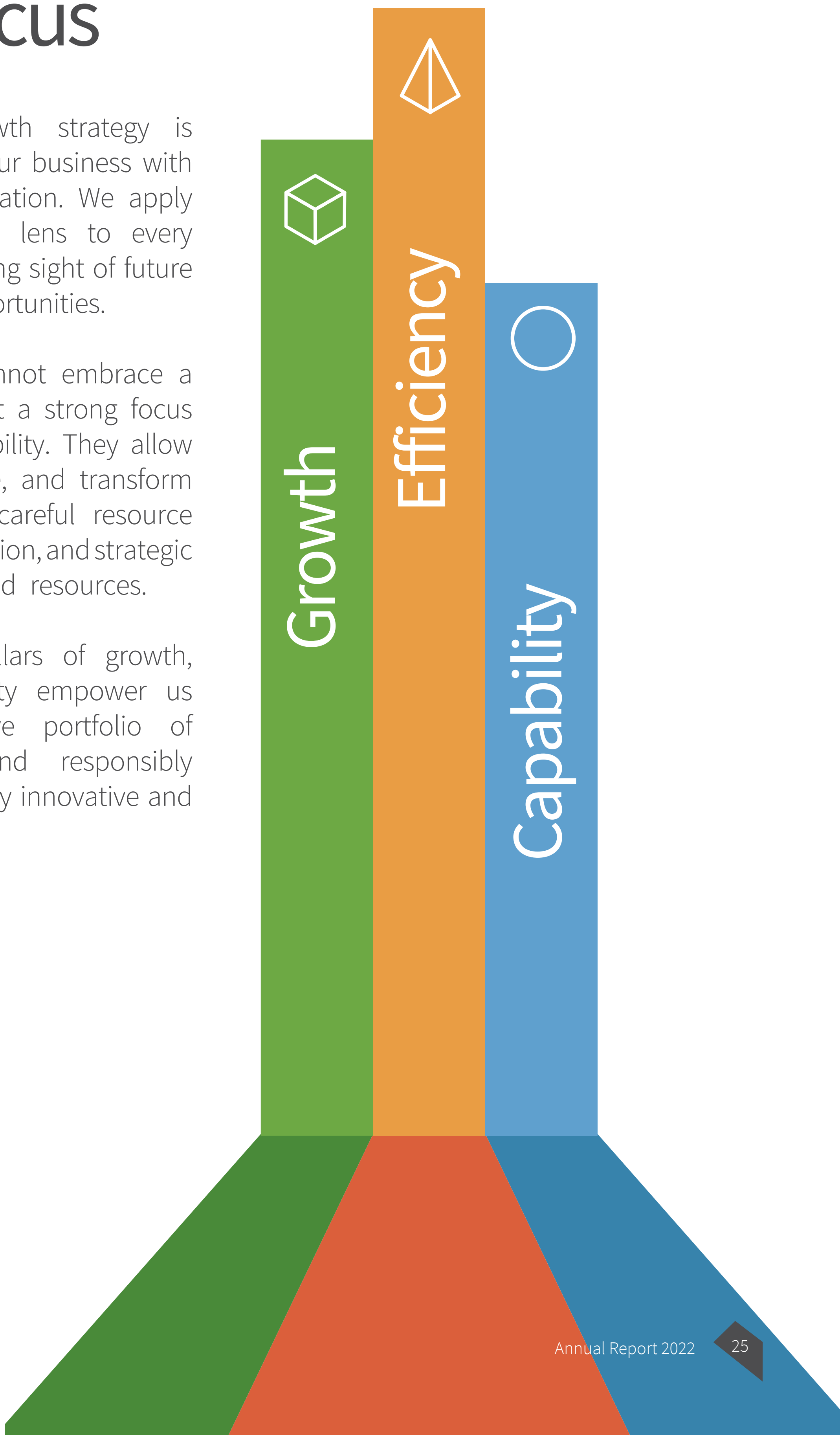
Agthia's five-year strategy

A momentous year in focus

Agthia's five-year growth strategy is charting the future of our business with intelligence and imagination. We apply a rigorous commercial lens to every acquisition, without losing sight of future possibilities and opportunities.

We realise that we cannot embrace a growth mindset without a strong focus on efficiency and capability. They allow us to simplify, innovate, and transform our business through careful resource allocation, cost optimisation, and strategic investment in talent and resources.

Our three strategic pillars of growth, efficiency and capability empower us to own an expansive portfolio of diverse, profitable, and responsibly sourced brands driven by innovative and passionate people.



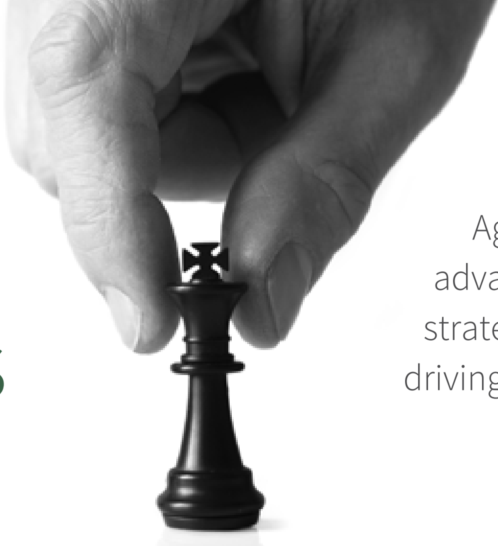
Mujtaba Hussain,
SVP - Mergers & Acquisitions

Global Context in 2022

Headwinds were a common phenomenon throughout 2022, and disruptions consistently impacted global economic recovery. Initially, there was the emergence of the Omicron variant, and though the threat subsided quickly, it was replaced by the Ukraine conflict in February, leading to further disruption in the global supply chain, particularly for wheat, and causing energy prices to soar.

Rising global inflation caused central banks led by the US Federal Reserve, to reverse loose monetary policy, resulting in interest rates consistently rising throughout 2022. Ripple effects of the policy-tightening measures were felt worldwide and consumers who felt the pinch were quick to adjust their buying behaviours as a result - cutting back on overall expenditure, particularly on discretionary items - and switching from premium products to value or budget brands.

Strategic highlights 2022



Agthia made robust progress advancing its five-year business strategy, expanding capabilities, driving efficiencies, and achieving record growth, despite a challenging global context.

Accelerating Growth

Agthia's acquisition of a majority stake in healthy snacks and coffee company, Abu Auf Group, enhanced our footprint in the attractive Egyptian snacking market and broadened our branded consumer product portfolio.

Ahead of final regulatory approvals, we undertook a detailed assessment of the short and medium-term growth, operational & cost synergies across all Agthia's business units, to be able to hit the ground running once the deal was closed.

Expanding Capabilities

In the first half of 2022, we finalised Agthia's five-year digital roadmap. Devised in conjunction with Bain & Company, this roadmap will transform Agthia from a product-led to a data-led, consumer-centric organisation, by creating a digital ecosystem equipped to deliver breakthrough customer experiences and insights across all channels, thereby driving brand equity. We will also leverage data as a strategic asset to increase digital revenue streams, new routes to market and grow customer lifetime value, and implement digital tools to optimise operational and process synergies across the Group.

This year, we progressed our sustainability-focused partnership with RECAPP, with 558 tonnes of recyclable materials collected, and a fivefold increase in PLA volumes compared to 2021. Our five-year sustainability plan was also finalised in 2022.

Charting the future of our business with intelligence and imagination

Driving Efficiencies

At the beginning of 2022, we supported Al Foah through our international sourcing and contract farming programme, which enables us to improve date variety, extend sourcing beyond the UAE, and to drive procurement efficiencies.

We also agreed a strategic long-term lease, covering the assets, and operations of our frozen bakery business with the Middle East operations of La Lorraine Bakery Group, a 100 per cent Belgian family-owned company with over 80 years of milling and bakery experience.

Higher EBITDA Margin Categories

22%
Bakery (Al Faysal)

17%
Protein (Atyab)

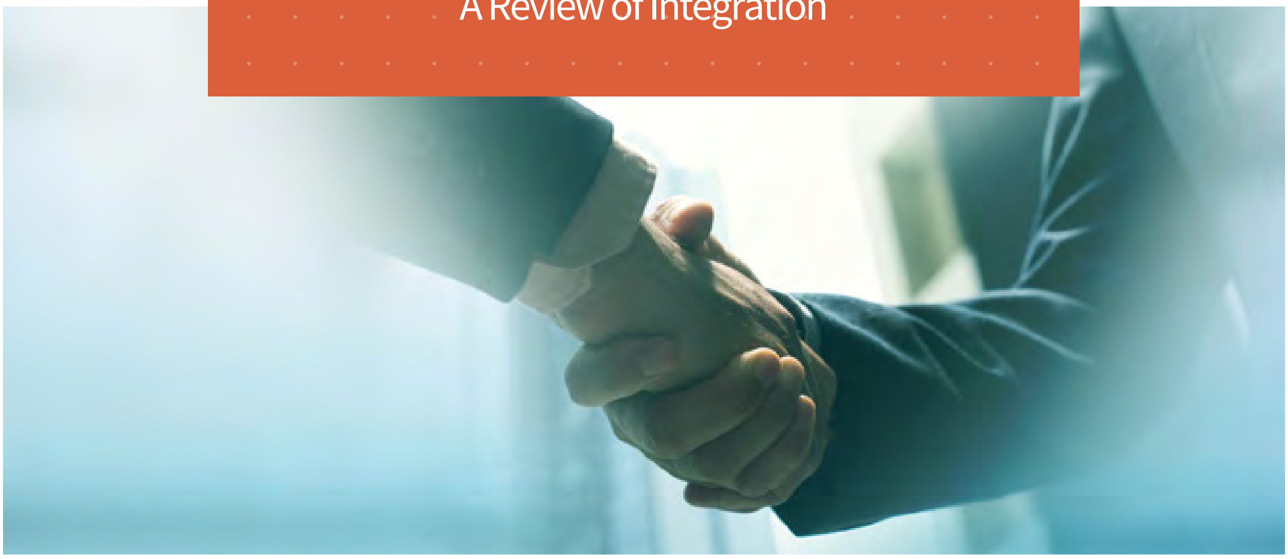
15%
Protein (Nabil)

28%
Dates (Al Foah)

25%
Snacking (Abu Auf)

Strategic Acquisitions

A Review of Integration



Since 2020, inorganic expansion has been the key pillar of Agthia's growth strategy, with the aim to achieve a fivefold increase in size and profitability in five years, across four focus categories (Water & Food, Agri Business, Protein, and Snacking). Even at the peak of the COVID-19 pandemic, we continued our ambitious expansion programme, successfully executing 6 acquisitions in the last two years. This has strengthened our regional presence, reinforced our product portfolio, broadened our customer and revenue base, and doubled our size.

Integrating acquisitions successfully into the Agthia Group is an important and established aspect of our strategy. The Agthia Integration Framework is an internally developed comprehensive integration model that can be tailored to specific acquisitions depending on the evolution and requirements of the acquired company. It comprises seven cross-functional, workstreams; namely organisation, processes, systems, go-to-market, governance, footprint, and synergies execution. And has three core enablers: cultural alignment, communication management, and business continuity.

The key objectives of the integration strategy are:

- Achieving a One Agthia environment across people, processes, systems
- Maximising productivity and efficiency
- Realising revenue synergies

Each acquisition is unique in terms of its value offerings to the Group, which means a tailored integration approach is required. Key factors that play a role in seamless integrations are:

- Establishing integration strategy at the investment evaluation stage
- Integration ownership with business unit leadership
- Providing autonomy to business units over day-to-day operations

Acquired Companies' Integration

Key Highlights

From a UAE Heritage brand to the largest date exporter in the world

Established in 2005, Al Ain-based Al Foah has evolved from a corporate vehicle that subsidises date farming in the UAE to the largest date exporting company in the world. Today, the company works with more than 25,000 date farmers across the UAE, helping them to improve the quality of their produce, while expanding its processing and export operations that include more than 45 markets worldwide.

At the heart of this incredible transformation which followed the Agthia acquisition of Al Foah in January 2021, is a leadership team that was keen to balance the company's mission of conserving dates farming as an enduring Emirati tradition, creating room for better returns for dates farmers, and evolving the company's business strategies and processes to provide unprecedented returns for investors and shareholders.

"Very few food businesses anywhere in the world have experienced this kind of successful, large-scale transformation. We are proud of the equilibrium of forces that have had the most impact on Al Foah in the last 24 months: tools, processes, people, and mindset", explains Rafael Goncalves, President, Al Foah Commercial.

"Cultivation and trading of date and date palms has helped UAE achieve significant agricultural and trade growth. The late Sheikh Zayed bin Sultan Al Nahyan had given considerable support to the cultivation of date palms, and measures to expand the agronomy beyond the oasis, were a key component of his great legacy. This is very much still a cornerstone in Al Foah's mission, but following the Agthia acquisition, we are seeking higher return on capital investments by reviewing business models and assets with a fresh lens and a stronger focus on balancing this vision with profitability and global expansion", says Goncalves.

Rafael Goncalves
SVP - Al Foah Commercial

The Al Foah name is steeped in quality as much as it is synonymous with Emirati heritage. As such, it is commanding a growing international customer-base. The company's diligence in sourcing the best quality of produce has enabled its flagship brand, Date Crown, to be a global market leader with a growing presence in 33 countries. And Zadina, the gourmet date brand, retails exclusively through the Zadina boutiques across the UAE and through its dedicated e-commerce platform.

"Date Crown is a market leader across all traditional markets, such as India, Bangladesh, Indonesia, Malaysia, Sri Lanka, and across the MENA region, but we are also opening new markets for our dates including Japan, where we have 40 percent market share. We are seeing exponential growth in non-traditional markets, for example, we have achieved a 10-fold increase in our exports to Brazil between 2021 and 2022 and we will continue to pursue these exciting growth opportunities in 2023 and beyond." He Concludes.

Given its health benefits, the dates category is growing rapidly across the world and the fruit offers many other commercial opportunities as an ingredient in many formats, such as syrup, paste, powder – a healthier sugar replacement in many recipes. Al Foah is well-positioned to capitalise on these opportunities.

Additionally, with the growth of the snacking segment, future synergies with other Agthia companies including BMB and Abu Auf will unlock more opportunities in distribution, market share growth, and manufacturing synergies.

Key Stats 2022

45+
Countries of export

497
Employees

AED 544 mn
2022 Revenue

AED 153 mn
2022 EBITDA

A three-stage integration journey

Phase 1 2021

Phase one of the integration plan focused on enhancing Al Foah's operating model while protecting the base business. By the end of Phase one, we had successfully right sized the organisation, integrated processes, and implemented organisational best practices across all functions.

Phase 2 2022-23

Phase two focused on strengthening Al Foah's business model across three areas; bolstering the portfolio through building power brands, increased focus on value-add range and premiumisation, diversifying dates sourcing to improve ranging, and expanding go-to-market presence across new markets (Europe, North America, India, etc.).

Phase 3 2023

The phase three integration agenda includes:

- Footprint optimisation-Synergize Al Foah's locations, including factories and distribution centres with other Agthia facilities
- Cross-pollination of revenue opportunities with Agthia's other business units
- Building the Agthia snacking business unit, through further integration of Al Foah with other snacking businesses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Date Crown
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FREE
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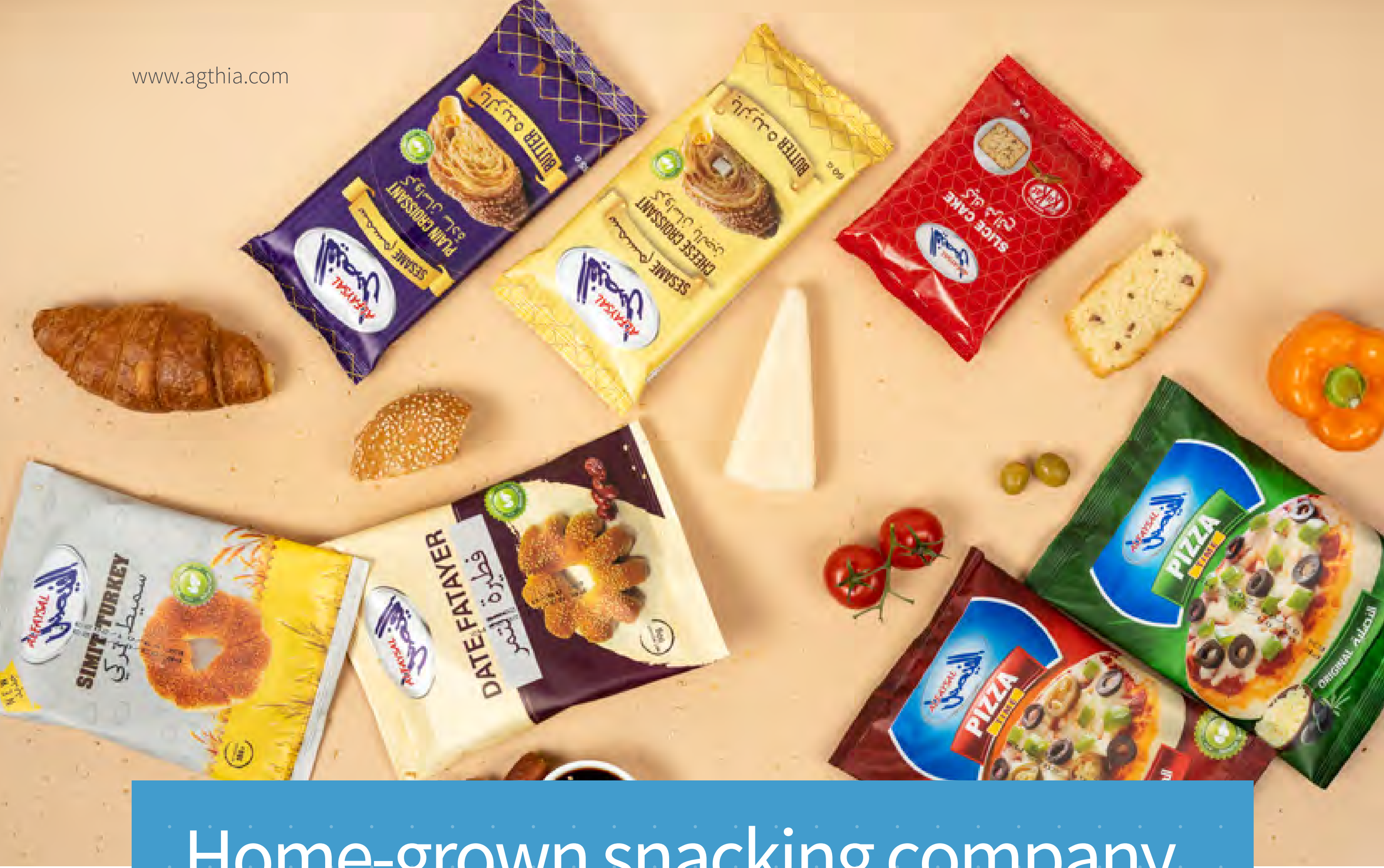


Home-grown snacking company leads in Kuwait and unlocks opportunities for Agthia's brands

Al Faysal Bakery & Sweets (Al Faysal) is a Kuwaiti company established in 1991. The company pioneered high quality pre-packaged baked goods and introduced original French-recipe croissants, and mini pizzas to the market. As the business expanded, more product categories such as cupcakes, rusks, and toast bread were added and grew in popularity over the years.

"Al Faysal is a treasured home-grown brand. Most adults living in Kuwait today associate our products with memories from their childhoods, be it their favourite lunchbox snack or their after-school treat – this is unique in our region. In those early years, pre-packed baked goods were not so widely available and were not produced locally on such a large scale, so we enjoy a strong and loyal customer base", says Shoeb Khan, Agthia's Kuwait Country Manager.

The rise of Al Faysal mirrors the successful economic recovery of Kuwait after the first gulf war. Over two decades, the company's daily production capacity grew and averaged 280,000 to 300,000 pieces per day across all categories. It also built an unrivalled distribution network comprising over 4,000 points of sale, including hypermarkets and supermarkets, cooperative societies, schools, and convenience stores in Kuwait.

"We have invested in digitisation as early as 2014 because we recognized that it is essential for growth. We led end-to-end transformation which helps us leverage data and technology because they are key for us to remain competitive," he concludes.

Shoeb Khan
Country Manager - Kuwait

In 2021, Agthia acquired 100 percent of Al Faysal and the acquisition brought expansion opportunities for this highly successful local business, while Agthia's portfolio companies will also benefit from Al Faysal's established distribution network in Kuwait. And even though the cost of raw materials remains a key challenge for Al Faysal, sourcing main ingredients from other Agthia portfolio companies is one of the many synergies that will drive efficiencies.

Al Faysal has successfully collaborated with market leading FMCG brands in the recent past including Nutella in 2020. In 2022, Al Faysal launched a collaboration with Nestle's flagship brand, Kitkat, and introduced three new products including chocolate flavoured croissant, cupcake, and slice cake.

The company is bullish on the growing demand for its products and over the coming years, it plans to maximise export opportunities with the support of Agthia.

Key Stats 2022

485	AED 100 mn	AED 22 mn
Employees	2022 Revenue	2022 EBITDA

Harmonisation of operations to maintain market leadership

The immediate integration priority, post-acquisition in 2021, was to harmonise Al Faysal's support and operation functions (HR, finance, sales, value chain, etc.) with Agthia's water business in Kuwait. The key objective was to implement Agthia's best practices at Al Faysal, while keeping it as a standalone unit, with its own operating model, to maintain market leadership in Kuwait's bakery sector.

In 2023, the focus will be integrating Al Faysal and Agthia's water business in Kuwait as one unit to unlock synergies across all areas - commercial, operations, footprint, etc.

Jordan's heritage food brand expands regionally with Agthia

Al-Nabil Food Industries Co. Ltd. (Nabil) has its roots in Iraq, where it was founded in 1945, when Nabil Rassam's parents established a 500 square-metre factory. Nabil Rassam first started helping at the small facility at the age of 12, before assuming leadership in his namesake company, when he graduated from university.

Rassam was faced with challenges in Iraq, and he decided to move Nabil's entire operation to Jordan. In Amman, the company's 4,000 square metre factory grew to approximately 30,000 square metres between 1989 and 2020. The company's production capacity grew to 73 tonnes of food products daily.

Three decades after Nabil was established in Amman, the brand's extensive range of products is a fixture for almost every Jordanian household.

The company has also become the main supplier of meat and chicken for restaurants and hotels across the country. Nabil was acquired by Agthia in May 2021. This acquisition was the foundation of a fully focused protein and frozen business unit that is a key component in Agthia's business diversification strategy.

"Nabil is a true story of entrepreneurship, resilience, and commitment to quality. And because it already had global financial investors onboard since 2013, the foundations for exponential growth were already laid with significant investments in digital transformation, corporate governance, and export operations," says Ahmad A. Sallakh, CEO, Nabil.


Ahmad Sallakh
CEO - Nabil Foods

Today, Nabil's product portfolio includes 200 products and it exports to 20 countries in the region, and despite the supply chain challenges and growing inflation, the company achieved double digit growth in 2022.

"I credit Nabil's on ground teams for our continued success. Because of their foresight, diligence and experience, Nabil faced minimal disruption and limited shortages of some raw materials which were managed swiftly. We have experienced the support that Agthia can lend us, not only in terms of building more supply chain resilience, but also in terms of leveraging economies of scale, distribution, and synergies between different Agthia companies," concludes Sallakh.

Over the past year, Nabil has become an anchor of Agthia's growing protein and frozen business. It is also a sector leader in research and development, unlocking opportunities to develop new by-products with higher margins in line with evolving consumer trends.

Together with Atyab in Egypt, it forms a nexus for accelerated regional expansion and revenue growth.

Key Stats 2022

12
Countries of export

907
Employees

AED 463 mn
2022 Revenue

AED 69 mn
2022 EBITDA

Synergising a multi-brand regional protein business

Nabil Foods and Ismailia Investments (Atyab) share several commonalities and together they provide the foundation of Agthia's processed protein business unit. With a strong local and regional presence, the potential for accelerated portfolio growth and diversification is immense. This is a three-year integration journey, commencing in 2022 and targeted for completion by the end of 2024.

The focus of phase one is on uplifting Atyab's operations and standards from current levels to Nabil Foods' standards and to execute initiatives that reduce overheads and drive efficiency in the overall cost structure.

Phase two and three of the integration (H2 2023 and 2024) will focus on joining forces in both businesses to create one strong, integrated protein business unit. The integrated protein business is expected to bring sizable benefits to Agthia with attractive growth and margin potential.

Atito Raslan,
Chairman and CEO of Ismailia Agricultural and Industrial Investments

Egypt's market leader in frozen protein renews focus on product quality and regional expansion

Ismailia Agricultural and Industrial Investments Company is a renowned Egyptian processed meat producer with a wide variety of products focusing on the value-added segments of the chicken and beef sectors in the region's largest consumer market. Established in 2008 by Atito Raslan, an industry veteran with more than 30 years of experience in the value added and processed food sector, the company owns four brands; Atyab, the flagship premium brand and market leader in Egypt, the other three value brands are Meatland, Shiketita and Furaty.

The company initially launched chicken-based products in the Egyptian market in 2009, and beef products followed in 2010. In the same year, the company secured significant distribution deals and by 2015, Atyab had attained market leadership in the Egyptian market. The following year distribution capacity expanded by 50% and sales continued to grow exponentially.

"Building a market leading brand such as Atyab was an incredible dream and a labour of love for me and the founding team. From day one, we had an unspoken contract with our customers. We wanted to give families quality products at reasonable price points, and over the years, we walked the walk and delivered the best quality across all our ranges. Our biggest asset is our team of over 2,400 initiative-taking, loyal, dedicated, and dynamic individuals. I feel proud of our ability to maintain growth, commitment to the company, and our customers." says Atito Raslan, Chairman and CEO of Ismailia Agricultural and Industrial Investments.

Ismailia Agricultural and Industrial Investments has a comprehensive product portfolio comprising over 200 SKUs, and its multi-brand strategy enables it to target different consumer segments. For more than a decade, the company attained incredible success. It achieved a 28 per cent compound annual growth rate between 2016 and 2020 and increased capacity to process 70,000 tonnes of meat per year through its various facilities. Due to its consistency in product quality and retaining the most experienced product delivery and management teams, Atyab also earned significant customer loyalty.

"We needed a partner to take Atyab to the next level of growth and expansion and build on our success story. Agthia shares our vision in terms of focus on product quality and passion for people and what they bring to the business. Its financial strength, wide regional reach and industry expertise were important considerations, especially as we look to strengthen technology deployment and optimise HSE standards throughout our facilities. To me personally, the UAE is a second home, and we share great affinity with Agthia's leadership and our Emirati colleagues." Raslan concluded.

Key Stats 2022

2431	AED 541 mn	AED 89 mn
Employees	2022 Revenue	2022 EBITDA

Fueling snacking innovation and regional growth of home-grown confectionary brands

The global healthy snacks market size was valued at USD 85.6 billion in 2021 and is expected to expand at a compound annual growth rate (CAGR) of 6.6% from 2022 to 2030. In the GCC, the healthy snack market has soared in recent years, as customers become more health-conscious, the demand for nutritious yet delicious products is booming.

Bilal Ballout was 21 years old when he established BMB with his brother and cousin in 2007, after working at his father's sweets business led him to develop a strong interest in the chocolate and confectionery sectors.

"Back then, I was quite surprised by the traditional mentality and old-fashioned ways of doing business. The sector was years behind more mature markets and was ready for disruption. I saw the opportunity to bring in more innovation immediately", explains Ballout, who in his attempt to grasp the technical know-how and spearhead product innovation, qualified as a master chocolatier.

BMB started out as a local business that sells chocolate ingredients to UAE-based retailers who typically relied on imported ingredients. Ballout had realised that there was a gap in the market for high quality and locally available ingredients, so he acquired a GCC distribution licence for a Singaporean chocolate producer. And while expanding the raw materials trading business, BMB also pivoted towards manufacturing for private labels customers, and consequently the company's first factory was set up in 2009.

Bilal Ballout & Mohamed Khachab
Co-Founders, BMB Group

"We were able through the diverse range of equipment and the team that we have on board, to customise chocolate for independent stores and multinationals alike. This is very valid for the world we live in today, where everyone's looking for customisation", reflects Ballout.

Throughout the following decade, Ballot and BMB Group's Co-Founder and Managing Director, Mohamad Khachab, went on to build an innovative food company with chocolate, Mediterranean sweets, healthy snacks, and healthy food brands. The company remains active in the B2B market and entered the B2C market with its own range of brands, Freakin' Healthy and Smart Gourmet in 2019.

"We were able to scale up fast because of the way we have set up our manufacturing facilities and operations. Today, we have all our product portfolio manufactured in-house; our chocolate, our Mediterranean sweets, our snacks, they are all produced under two roofs, but they all have the same supporting functions, which also means we are very cost efficient. We have optimised our production process to be able to scale up into different categories using the same team essentially," he concluded.

What was once a modest start-up is now one of the largest Mediterranean confectionery and chocolate manufacturers in the GCC. The company has grown exponentially and operates numerous offices in the MENA region, Europe, Asia, and the US. With the Agthia acquisition of BMB Group in December 2021, the company is leveraging, manufacturing, and ingredients synergies and accelerating market growth opportunities in the US and the GCC. Importantly, the acquisition enables BMB Group to empower food brands to think innovatively, manufacture efficiently, and grow globally.

Key Stats 2022

23+
Countries of export

950
Employees

AED 273 mn
2022 Revenue

AED 7 mn
2022 EBITDA

Protect innovation while integrating with snacking business

During the first three quarters of 2022, the focus was on easy to execute synergies, including shifting BMB's Jebel Ali operations to Agthia's Abu Samra facility.

This served two objectives: achieving cost savings and promoting Group best practices, primarily in quality assurance and HSE.

The plan for 2023 is to fully integrate BMB into the Agthia snacking business unit. This has been initiated with integration of BMB's operations and support functions with Al Foah's. We expect to capture significant synergies and efficiency gains, allowing us to free up resources and investments.

The brand that put organic healthy snacks on the map in Egypt accelerates export operations

Abu Auf Group (Abu Auf) was founded by three brothers in Cairo in 2010. Ahmed, Mohamed, and Ayman Auf were the fourth generation to manage a family-owned business that focused on importing quality nuts, herbs, and seeds and ran a successful B2B operation for eight decades. The three brothers set out to establish their retail brand which they affectionately named 'Abu Auf'. The Arabic name roughly translates to 'The fathers of Auf', in a tribute to their father and grandfather, who had preceded them in growing and expanding the family business.

"We saw an opportunity to connect directly with customers through our first branded store. It opened in December 2010 and sold a few varieties of nuts and dried fruits. Our vision was to use this store to test the market and better understand customers' tastes and then harness these insights to spearhead more product innovation," reflects Ahmed Auf, Chief Executive of Auf Group.

The initial successful launch of Abu Auf's first store in Heliopolis, a historic and affluent Cairo suburb, was disrupted by the 2011 revolution. The store closed only a month after opening. However, the disruption was only temporary and two years on, Abu Auf opened ten stores across Cairo, selling a growing portfolio of healthy snacking products and delivering exceptional customer experiences.

In 2019, Abu Auf introduced various coffee blends into its stores and the customer response was instant. "In Egypt, coffee is a staple of our everyday lives and there is a great synergy between coffee and the snacks we sell, especially our gourmet dates. We started looking at expanding into coffee as early as 2014 and it took five years for us to get the first bags on the shelves. Our coffee quickly became a customer favourite, and our uniquely crafted coffee blend has become our signature product and currently ranks in the top three in Egypt in terms of sales columns," continues Auf.

Ahmad Auf
CEO, Auf Group

Abu Auf's focus on quality, customer experience, and product innovation proved to be a winning strategy, and these are the attributes that company is best known for "Once we established our market presence with core products that have a loyal customer-base, we started branching into complementary product lines, such as nut-based butters, protein bars, honey, and many other niche products that reflect emerging consumer trends, such as a growing interest in health and wellness," continues Auf.

By the end of 2020, Abu Auf had a portfolio of 1000 products, a thriving retail network comprising 160 branches throughout Egypt and 6,000 points of sale.

Abu Auf also succeeded in growing its export operations to 15 countries including the UK and the US, with coffee products making up 60 percent of its overall export volumes.

In July 2022, Agthia acquired a 60 per cent stake in Abu Auf. "Partnering with Agthia adds tremendous value to Abu Auf. As it is an established holding company with a strong track record with other entrepreneurial businesses in the F&B space, we see unprecedented opportunities to expand our reach, grow our footprint regionally and to leverage synergies with other Agthia companies," concludes Auf.

Key Stats 2022

15+
Countries of export

2588
Employees

AED 34 mn*
2022 Revenue

AED 8 mn*
2022 EBITDA

*As reported for last 45 days in 2022

Accelerating revenue synergies and footprint optimisation

The immediate focus after the deal completion was on revenue synergies with Al Foah, BMB, and consumer business division in the UAE, supporting optimisation of Abu Auf's infrastructure.

Other value creation measures, that were initiated in 2022, include utilising Abu Samra and Agthia KSA's facilities for Abu Auf coffee and nuts operations, debottlenecking Abu Auf's coffee facility in Egypt and defining long-term sourcing strategy. Other initiatives include offering Group resources and support to Abu Auf's management to drive improvements in critical processes, including demand, and logistics planning.

Going forward the plan is to define the long-term value creation agenda for Abu Auf as part of Agthia's snacking business unit, alongside Al Foah and BMB.

Business Performance

Creating Data-driven Power Brands

Ahmad Yahya
EVP - Consumer Business Division (GCC)

Agthia's Consumer Business Division delivered positive 2022 results amid ongoing market volatility and challenging economic headwinds, as the world contends with a choppy recovery from COVID-19 and faces high levels of inflation. Despite these challenges, Agthia continued its disciplined and methodical consolidation of its Consumer Business Division and review of its growing house of brands.

Today, the company has a clear ambition to transform these local businesses into data-driven, consumer-centric power brands. To do this, Agthia is evaluating the present brand portfolio from the perspective of category, country, consumer channel, and customer to design an investment and scaling strategy for each.

23.4%	2022 contribution to overall business
AED 951mn	2022 Revenue in Million

Key consumer trends

Focus on sustainability

Consumers are making decisions with sustainability and the environment in mind, creating a growing need for brands to embrace a sense of responsibility and sustainability. Additionally, most Generation Z consumers prefer to purchase sustainable brands, and most are prepared to pay extra for sustainable items, while three-quarters of them value sustainability over brand names. As a result of these trends, certain product categories with sustainability claims grew twice as fast as those without.

However, the proportion of people who prefer eco-friendly products and services that go on to purchase them is still relatively low. In a recent poll, 65 per cent of respondents stated they would want to purchase purpose-driven products that promote sustainability, yet just 26 per cent did. This presents an opportunity for Agthia to establish and communicate its brands' sustainability credentials to consumers in a manner that enhances brand relevance, increases market share, and fuels a change toward a culture of sustainable living.

Proactive health

According to the conclusions of multiple global studies, consumer commitment to health is expanding and in a global poll conducted by McKinsey & Company, more than 70 per cent of respondents expressed a desire to be healthy. Availability of healthy food is vital to attaining this objective, and around 50 per cent of consumers, across all age groups, consider healthy eating a key priority.

For this portion of customers, healthy eating entails limiting the intake of processed foods and sugar (their primary concerns), as well as fat, salt, and in certain cases, red meat.

In the UAE, annual expenditure on healthy food is estimated at $500 million and is projected to increase significantly in future years. Traditional food and snacking categories, where taste and enjoyment are of great importance, will continue to dominate the food market for years to come, with predicted spend of $2 billion.

Rediscovering wholesomeness

Across cultures and geographies, taste plays an important role in food choice. And despite a growing emphasis on healthy eating, health and nutritional value do not supersede taste as a priority for most UAE customers, according to findings from Agthia-commissioned research.

These findings give us confidence that there will be strong and long-term demand for some of Agthia's more indulgent food brands. They also provide an expansive scope for research into how the sensory profile of food, including how taste interacts with personal choices and habits (e.g., health motivations, taste preferences) affects consumption of various food types. Such insights provide vital input to guide innovation and new product development and roll out.

Protein & Frozen Business takes off in 2022

The acquisitions of Nabil Foods in Jordan and Atyab in Egypt were a cornerstone for a strong Protein & Frozen business that added 1.004 billion to Agthia's revenues in 2022.

Success in the Protein & Frozen sector is amplified through integration plans and optimisation initiatives that are currently being implemented. Once completed, the integration will pave the path for new product innovation in the frozen categories, particularly as consumers increasingly seek frozen snack and meal options. Agthia's entry into this high-margin, high-growth sector is essential to the company's growth strategy, as it satisfies the current customer demand for tasty, convenient, and quality frozen food options.

28.2%	2022
Contribution to business	

AED 1147	2022
Revenue in Million	

Driving growth in the Snacking Business

The Snacking Business has had a fair year, despite an increase in the cost of raw materials and transportation. Four out of six companies acquired by Agthia are in the snacking sector and collectively, they offer an exciting portfolio of well-known and established brands with hundreds of snacking product lines.

They also accelerate Agthia's move into the healthy snacking market, as nutrition benefits matter more than ever to a growing base of customers across the region.

The snacking category is vibrant with new products and line extensions. For Agthia's cluster of snacking brands, cost-effective innovation remains paramount. Innovation must focus on product, sustainability, being agile, and future proofing Agthia's businesses, by staying ahead of consumer trends.

23.3%	2022
Contribution to business	

AED 946	2022
Revenue in Million	

Market leadership in the UAE holds strong for Water Business

Agthia maintained its leadership position in the UAE bottled water market throughout 2022. A planned focus on innovation and premiumisation helped to underpin our market leading position with steady growth in retail, food service, and the home delivery subscription base.

The complete lifting of COVID-19 related restrictions led to a spike in outbound travel, and this resulted in a more subdued performance in water over the summer months.

However, the long-term growth prospects are positive, especially with the buoyant hospitality sector in the UAE post-pandemic. With more inbound travel, the demand for packaged drinking water will rise. This positive macro picture, along with planned product innovation will help Agthia stay ahead of the curve in this highly competitive segment.

Regional sales also saw a steady increase in Kuwait, Turkey, and Oman. High single-digit growth in international markets is encouraging, with the benefits of Agthia's recent restructuring in KSA expected to materialise more fully in 2023.


VOSS
SPARKLING
VOSS


ALPIN


al bayan
al bayan


al ain
SPARKLING
al ain


al ain
zero
Sodium less than 0.0001%
al ain
zero


al ain
PLANT BOTTLE
العين
عبوة من النبات

A resilient Agri Business maintains profit margins.

Declan Bennett
EVP - Food & Feed

In 2022, the Agri Business for both flour and animal feed, faced another year of significant commodity inflation and supply chain challenges driven by geopolitical issues, including the Ukraine conflict and India's wheat export ban.

Despite these challenges and the increasing inflationary pressure on customers, we successfully managed to protect annual profit on higher revenue.

This was achieved through operational efficiencies and advantageous pricing that improved our overall market leading position in core channels, along with strong in-market execution and improved product quality, in line with our strategy.

25.2%	2022
Contribution to business	

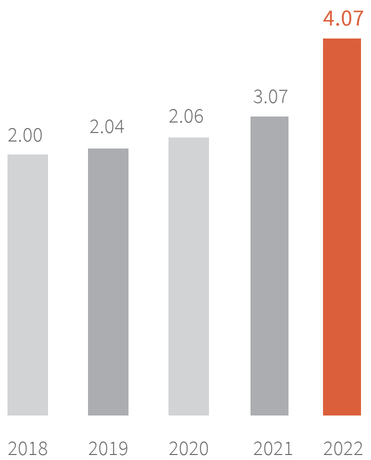
AED 1023	2022
Revenue In Million	

Operational Highlights

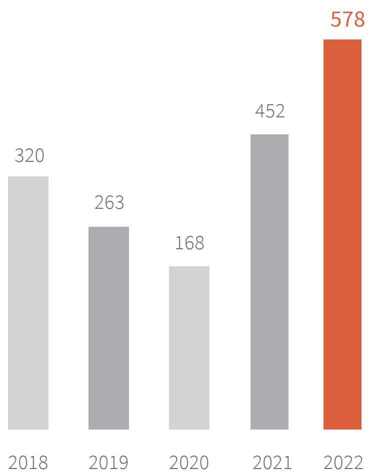
Business Review

Key Performance Indicators

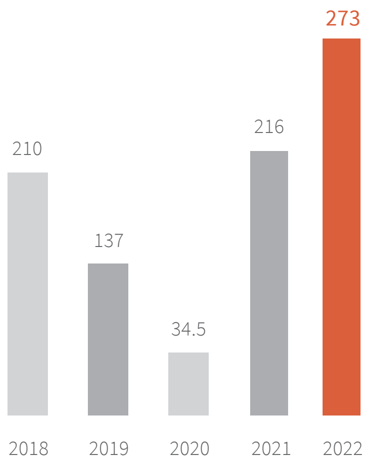
Net Revenue
4.07
AED billion



EBITDA
578
AED million



Group Net Profit
273
AED million



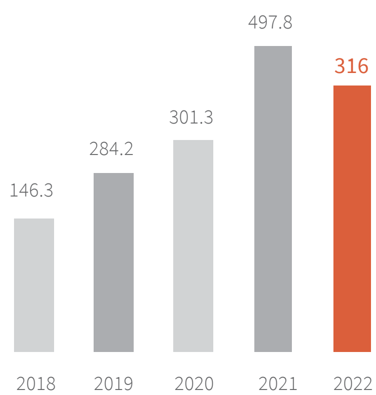
Total Assets
6.8
AED billion

Cash & Bank Balances
1.04
AED billion

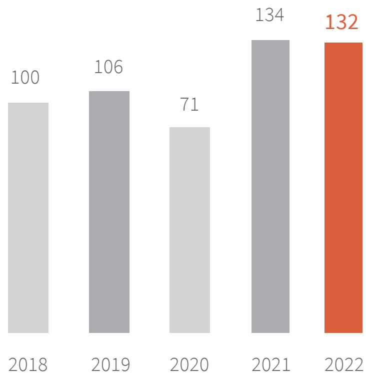
Bank Borrowings
2.4
AED billion

Key Performance Indicators

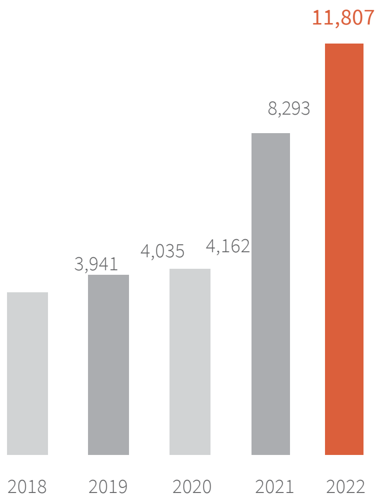
Cash from Operations
316
AED million



Capital Expenditure
137
AED million
Includes CAPEX of acquired companies



Group headcount
11,807



Shareholder's Equity
2.81
AED billion

R&D Expenditure
9
AED million

CSR Spending
0.6
AED million

Re-engineering Agthia's value chain

Ramy Merdan
Chief Operating Officer

The recent pandemic, Russian invasion of Ukraine and their respective consequences have affected many aspects of Agthia's value chain in 2022, from raw material sourcing and a rise in energy prices, to labour constraints and shipping disruptions in certain markets.

These factors tested Agthia's operations and supply chain resilience. They came at a time when the company was kicking off an ambitious value chain strategy to accelerate the execution of the company's five-year growth strategy and to support the integration of newly acquired companies. This value chain strategy, designed, and delivered in tandem with Agthia's business units, encompasses manufacturing footprint optimisation, integrated business planning, production innovation, leveraging economies of scale, centralising strategic sourcing, digitisation, and people, and performance management.

Key milestones covered in 2022 include:

Manufacturing Footprint Consolidation

In 2022, Agthia started consolidation of its manufacturing hubs across the Middle East and Africa, including 16 manufacturing plants in 7 countries. Key manufacturing consolidation measures in 2022 included moving BMB's manufacturing facilities from Jebel Ali to the Abu Samra location in Al Ain. Agthia plans to consolidate other production hubs in 2023.

Leveraging scale to drive efficiency

With the acquisition of 6 companies over the past two years, Agthia's capacity to leverage economies of scale increased significantly. From a procurement and deployment perspective, efficiency was maximised through consolidation of the supply chain, standardisation of raw materials, and packaging materials specifications, designed strategic sourcing, and vertical sourcing integration frameworks. Value chain optimisation measures have contributed to 50 per cent of all cost savings across the Group in 2022.

Staying Ahead of Supply Chain Disruptions

To help manage disruptions and to support business continuity, Agthia applies an agile and forward-looking procurement strategy, that is focused on building a network of trusted supply chain partners and suppliers. Cultivating a resilient supply chain enables Agthia to better anticipate, plan for and react to any unexpected disruptions, through close collaboration with its ecosystem of vendors. This proved particularly critical as the Russia-Ukraine conflict erupted, Agthia was already one step ahead and closed wheat supply deals from India, and before the Indian government's ban on wheat came into effect, new wheat supply flows out of Romania were already secured.

Doubling Down on Technology Investment

Automating key nodes within the supply chain is a priority for Agthia. This includes intelligent work process automation to enable efficient and safe operations in stores, warehouses, and manufacturing facilities and adopting more advanced digital enablers to enhance critical supply chain planning capabilities, across all Agthia businesses.

Strategically, the Group looks carefully at where it is doubling its investment in technology. Automation means simplifying the manufacturing process, yet depending on the market and region - the impact of human intelligence on quality assurance and drive towards efficiency is valuable and cannot be replaced.

Other than automation, Agthia pays great attention to digitising many of its processes, such as auctions, e-platforms, and procurement platforms. Agthia has a mature automation agenda which provides valuable learning, as we advance on our digitisation journey.

Food Safety at the Forefront

Agthia maintains the highest standards in food safety and in full compliance with Global Food Safety Initiatives (GFSI). The food safety frameworks that govern our operations include pre-requisite Programmes (PRPs), HACCP, Good Manufacturing Practices (GMP), Good Warehousing Practices (GWP), Good Laboratory Practices (GLP), internal audits and training, and regulatory compliance.

Throughout 2022, we conducted periodical analysis focused on people, systems, and infrastructure, implemented in accordance with Agthia's corporate policies and procedures. All Agthia sites, including newly acquired businesses, passed all third-party audits, including that of regulatory authorities and certifying bodies. This is a testament to the effectiveness of the quality assurance and food safety systems implemented across the Group.

Quality Assurance

Agthia has designed and developed its quality assurance programmes around international standards, such as FSSC 22000, BRC, ISO 22000, ISO 9001, to ensure that best practices are implemented. Agthia's manufacturing sites are regularly audited by third party certification and regulatory bodies, to verify the design, implementation, and effectiveness of our systems. Furthermore, we have defined robust standard operating procedures and specifications that govern the manufacturing process.

Strong controls are in place to ensure that physical, chemical, and microbiological risks are addressed at every step of the process, across all manufacturing lines. Food safety is built into the DNA of Agthia, beginning with vendor assurance and manufacturing, right through to delivery to customers. The cross-functional food safety team has accumulated years of experience and learnings, which ensure that every effort is taken to produce and distribute safe food. Additionally, products are verified through a sampling and testing framework to ensure that they meet stringent food safety and regulatory requirements.

As a result of Agthia's quality assurance measures, there were no product recalls and no major non-conformances across the Group in 2022.

Corporate Communications

Bigger Outside, Better Inside

Corporate communications play a vital role in conveying an organisation's purpose, values, and growth to its consumers, employees, business partners, investors, and other stakeholders.

The objective of the 2022 corporate communications strategy of "Bigger Outside, Better Inside" was twofold: first, to increase brand and product awareness among all stakeholders and second, to align our values and purpose with our internal stakeholders so that they feel personally connected to the Agthia growth story.

Using a variety of communication tools, such as the website, press releases, traditional and new media, internal communications, and events, and with clear, consistent, and crisp messaging, ultimately yielded results that surpassed the achievements and benchmarks set in 2021.This is our way of living our purpose of growing for the greater good, by doing things for the better.

Key 2022 highlights

17	Press Releases	3107	Media Exposure Increase
61	Leadership Interviews	51%	Growth in Share of Voice
93	Social Media Posts	43%	Overall average growth in number of followers on social media
21%	Growth in website visits	5	Major interactive internal activation campaigns covering topics such as mental health, employee CSR, town halls, rewards, and recognitions

Sustainability synopsis

Sustainable Living for the better

At Agthia, we are dedicated to shaping a better future for our stakeholders, customers, and the environment by taking a holistic view of our operations. Our long-term sustainability vision of "Sustainable Living for the Better" is a guiding principle that drives us to continuously innovate, progress, and make our products better for people and the planet.

Our commitment to sustainability is rooted in the belief that what we do today will create a better tomorrow. We are committed to promoting a sustainable future for all by supporting initiatives that promote the long-term health of the environment and its people.

This chapter of our Annual Report outlines our approach to sustainability management for the Group. We aim to continuously reduce our environmental impact and engage with our communities while ensuring our employees are empowered to make a positive difference.

We are determined to become a highly respected, innovative, and recognised food and beverage company in the region. Through our tireless efforts and commitment and the support of others with a shared vision, we are confident that sustainable living for the better will become a reality.

Double Materiality Assessment

At Agthia, we are determined to establish our sustainability agenda as a regional benchmark. To this end, we have adopted a double materiality approach to ensure that our sustainability framework is comprehensive, accurate and focused on the topics most important to our stakeholders. This approach is a first for the region and is based on the Global Reporting Initiative (GRI) concept of double materiality.

The two perspectives of double materiality, Financial Materiality and Impact Materiality, provide greater insight into Agthia's sustainability priorities. As our business continues to grow, this approach will remain an integral part of our sustainability journey, providing a sound financial foundation for all our sustainability endeavours.

Listening to our Stakeholders

At Agthia, we understand the importance of engaging with our stakeholders and listening to their perspectives. Stakeholders are essential to the process of determining double materiality.

As a first step, we evaluate the impact and relevance of each stakeholder group and gather their perspectives through surveys. Our stakeholders with a finance-focused perspective provide input on financial matters, while those with an impact-focused perspective offer insights on environmental and social issues. By engaging in this process, we gain a comprehensive understanding of our stakeholders' views and priorities, allowing us to prioritise our material topics effectively.

Stakeholder engagements provide valuable insights and feedback on our operations and performance. This feedback is essential in helping us to identify opportunities for improvement and innovation in our sustainability performance.

We are committed to continually engaging with our stakeholders and ensuring that our sustainability strategy accurately reflects their interests and incorporates them into our own. We believe this approach enables us to create a comprehensive and meaningful sustainability strategy for the better.

Our Stakeholders

Employees	Suppliers
Board of Directors & Senior Management	Local Communities & NGOs
Investors & Shareholders	Government Entities
Customers	Industry Peers

Our Priority Sustainability Material Topics

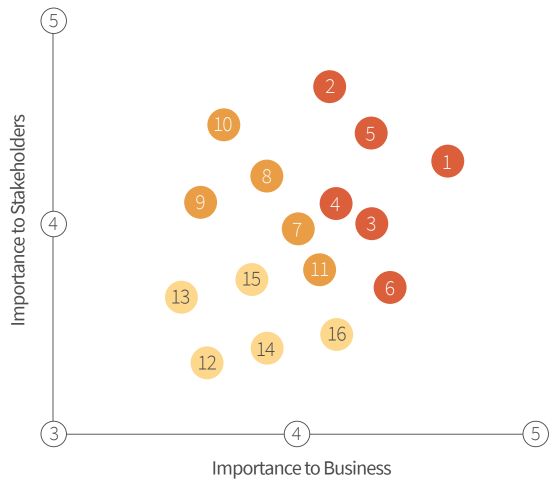
To determine the crucial sustainability issues Agthia's facing, we consider a comprehensive range of factors, including our company's strategic direction, topics of most importance to sustainability rating agencies, sector benchmarking data and the insight of industry experts. The analysis also highlights the key stakeholders affected by our operations and strategies, as well as their expectations and priorities.

In addition, we factor the ever-evolving nature of sustainability, legislation requirements and international standards, and the company's processes and systems for responding to these changes. Finally, we consider internal and external trends that could affect our progress towards our sustainability goals.

By considering all these factors, we are able to determine the most pressing sustainability issues for Agthia's sustainability agenda, as defined below, and ensure our long-term success by addressing them.

	Rank	Material Topics
Highly Material	1	Product Safety & Quality
	2	Corporate Governance
	3	Responsible Supply Chain Management & Sourcing
	4	Water Stewardship
	5	Packaging Innovation & Circular Economy
	6	Workplace Health and Safety
Material	7	Data Privacy & Digitalisation
	8	Community Contribution & Investment
	9	Human Rights
	10	Consumer Awareness through Marketing & Communications
	11	Food Loss & Waste Reduction
Importnant	12	Responsible Growth
	13	Nutritional Product Portfolio
	14	GHG Emissions & Energy
	15	Employee Development, Retention & Well-being
	16	Workplace Diversity & Equal Opportunity

Materiality Matrix



Our Sustainability Framework

As a responsible corporate citizen, Agthia is committed to creating shared value with its stakeholders and the broader community. To this end, we have developed a sustainability framework built on four pillars that prioritise action on the most critical sustainability issues.

Environmental Integrity

We are committed to reducing pollution and waste and managing natural capital and emissions. We strive to ensure that our operations are run in a way that minimises negative environmental impacts and that our products are produced and distributed in an environmentally responsible way.

Fostering Positive Potential

We are committed to protecting our people and empowering them. We focus on creating a safe and healthy workplace, investing in our workforce and fostering individual and collective growth.

Scaling Health & Wellness

We believe that each one has the right to access high-quality, nutritious food, and we are committed to prioritising consumer health and wellness. We also recognise the importance of investing in communities and are committed to accelerating community development.

Shared Accountability

We believe we are responsible for ensuring that our operations are conducted with integrity and in accordance with the highest standards of ethical practices. We are committed to strong governance and standards and engaging in a transparent and fair dialogue with our stakeholders.

Pillar	Environmental Integrity	Scaling Health & Wellness	Fostering Positive Potential	Shared Accountability
Commitments	To Reduce Pollution and Waste	To Prioritise Consumer Wellness	To Protect Our People	To Strong Governance & Ethical Standards
	To Manage Natural Capital & Emissions	To Accelerate Community Development	To Empower Our People	
Material Topics	Food Waste Reduction	Product Safety & Quality	Workplace Health & Safety	Corporate Governance
	Responsible Supply Chain Management & Sourcing	Community Contribution & Investment	Employee Development, Retention & Well-being	Cyber Security & Digitalization
	Packaging Innovation & Circular Economy	Consumer Awareness through Marketing & Communications	Human Rights	Responsible Growth
	Water Stewardship	Nutritional Product Portfolio	Workplace Diversity & Equal Opportunities	
	GHG Emissions & Energy			

At Agthia, we are committed to making a lasting positive difference through our sustainability agenda. With the four pillars of our sustainability framework, we are confident that we can create a brighter, more sustainable and equitable future for our people, our planet, and our communities.

2022 Key Sustainability Highlights

The subsequent table outlines our most momentous accomplishments in line with our sustainability pillars, with more details available in our Sustainability Report 2022, which can be accessed from our corporate website. These achievements are demonstrated through the specified key performance indicators:

Environmental Integrity

38% recycled materials going into packaging

5% reduction in the weight of paper-based packaging*

7% reduction in the weight of plastic packaging

48 KG of CO_2 per tonne of production

14,540 tonnes of recycled waste

13% landfilled waste from total waste

1.17 cubic metre of water per tonne of production

558 tonnes of recyclable waste collected through RECAPP

*From 2021 baseline

Scaling Health & Wellness

0 (Zero) product recall from markets

0 (Zero) non-compliances in communications and regulations

91.55 GMP Score

99% lab proficiency

3 awards won for sustainable packaging

<1 customer complaints per million products sold

AED 1.45 billion in procured goods and services

100% of suppliers are screened on quality, social and environmental criteria

22 supplier site audits conducted

Fostering Positive Potential

58% of newly hired employees are under 30 years of age

10.6% turnover rate

3.3% Increase in female employees in Management positions

58 different nationalities work at Agthia

AED 0.8 million investment on L&D training

4.08 average hours of health & safety training to employees

71% of vehicles have GPS installed

AED 0.65 million in community investments

Shared Accountability

0 (Zero) discrimination cases

0 (Zero) bribery cases

0 (Zero) complaints received concerning breaches of customer privacy

0 (Zero) product recall from markets

Corporate Governance Report - 2022

Khalifa Sultan Al Suwaidi

Board Chairman's Message

On behalf of the Board of Directors, I am pleased to present Agthia's Corporate Governance Report for 2022. We have an effective and robust governance framework based on global best practices, defined by our regulator- the Security, and Commodities Authority, as well as international bodies including, the Organization for Economic Cooperation and Development (OECD) and Committee of Sponsoring Organization (COSO). Our commitment to corporate governance compliance is reflected in our persistent success and demonstrated through integrity, transparency, and a meticulous approach.

In 2022, the Board and its committees provided oversight on policies and practices that support Agthia's corporate governance as well as growth. We reshaped our whistle-blower mechanics and will be introducing whistle-blower platform Ethix360 degree in 2023, we also rephrased the delegation of authority to build trust, increase transparency, and establish accountability. We are committed to fully complying with all governance requirements, to ensure Agthia's long-lasting growth is sustainable and built on pillars of transparency, accountability, fairness, and independence.

We augmented digital transformation, which demands data privacy and compliance to remain at its core. As risk management and compliance were at the forefront this year, they will continue to be in forefront of all decision-making. We continually review our risk appetite and identified Key Business Risks. Our focus will be on managing geopolitical risks.

We take pride in our in-house Governance, Risk, and Compliance systems. We have a robust track record in continuously maturing our corporate governance practices and we will ensure that this remains a priority as we develop our framework further in 2023.

Finally, I want to take this opportunity to thank all my colleagues on the Board and Agthia's Executive Management team, Corporate Governance & Risk team, and the employees for their commitment to creating an ethos of responsibility, transparency, and accountability that promotes good governance at all levels of Agthia.

"As risk management and compliance were at the forefront this year, they will continue to be in forefront of all decision-making."

Corporate Governance Overview

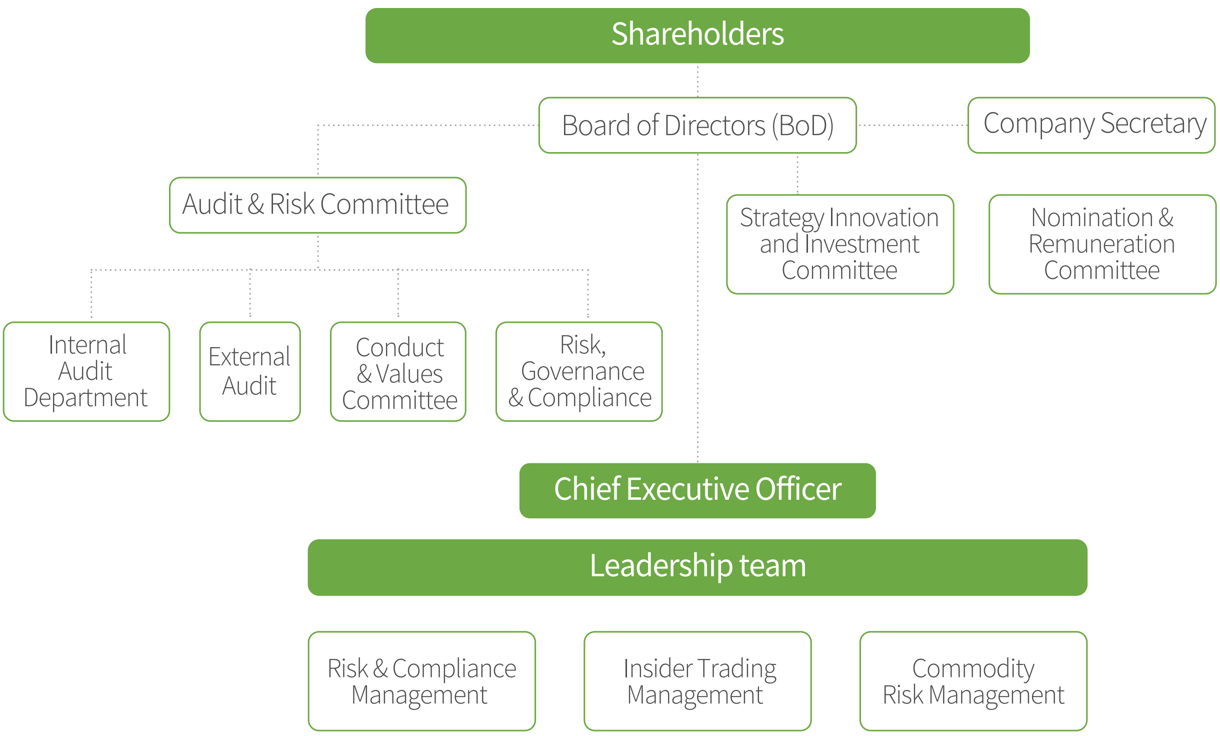
At Agthia, we believe that a solid foundation of good corporate governance and business ethics significantly contributes to our company's ability to compete effectively and realize our full value potential. For our company, this means leadership by a management team of uncompromising integrity under disciplined oversight from our Board of Directors, a commitment to shareholder and stakeholder engagement, and the creation of sustainable value through business fundamentals, corporate social responsibility, and environmental stewardship.

Agthia Group PJSC (the Group) complies with the requirements of the 'Chairman of Authority's Board of Directors' Resolution No. 3/RM of 2020 concerning the approval of joint-stock companies' Governance Guide (Resolution 3). This report gives an overview of the Group's corporate governance systems and procedures as of December 31, 2022, and has been filed with Securities and Commodities Authority (SCA) and posted on the Abu Dhabi Exchange (ADX) website and the Group's website. The Board is fully committed to consistently protecting the interests of all shareholders through the application of high standards of corporate governance.

Implementation of Corporate Governance Principles

Effectively applied corporate governance guidelines are the foundation of business integrity and support management's commitment to delivering value to shareholders through sustainable business results. The Group maintains high levels of transparency and accountability which includes adopting and monitoring appropriate corporate strategies, objectives, and procedures that comply with its legal and ethical responsibilities.

Group Governance Structure



The Group's Corporate Governance Manual is approved by the Board to reflect the requirements of Resolution 3, determines the structures and processes by which the Group is controlled through its Board and the guiding governance principles followed by the Group. The manual clarifies the roles and responsibilities of all stakeholders involved in governance processes including the General Assembly of Shareholders, the Board of Directors including the Chairman of the Board and Board Committees, the Chief Executive Officer, the Executive Management, relevant Management Committees, Risk, Compliance, Internal Audit, External Audit, Company Secretary, and other stakeholders.

The Board has established and approved several group policies and guidelines for achieving robust corporate governance standards. Following are the pertinent policies in this regard:

- **Code of Business Ethics and Conduct** to guide the conduct of Directors and Employees and prevent any influence on the employees' independence and objectivity addressing matters such as conflict of interest and integrity, gifts, and confidentiality.
- **Anti Bribery and Anti-Corruption policy** to guide employees on the ethical practises and restricted practises related to Gifts, Hospitality, Entertainment and Bribes.
- An appropriate **Delegation of Authority** to ensure efficient and effective decision-making which balances empowerment against controls.
- **Investors Relations Policy** to inform Shareholders and Stakeholders of how the Group intends to keep them aware of material developments as well as to provide a framework of processes upon which Agthia can successfully implement its Investors Relations Program.
- **Insider Trading Policy** to ensure that Directors and Employees do not make improper use of price-sensitive information, gained through their positions in the Group.
- **Dividend Distribution Policy** to define the Group's position on the appropriation of profit and declaration/ distribution of dividend.
- **Risk Management Policy** to promote adequate and consistent risk management practices as well as a structured process for identifying, assessing, prioritizing, managing, and reporting material risks across the Group.
- **Business Continuity Management Policy** to implement a Business Continuity Management System, compliant with international and local standards, to improve the overall business resilience of the Group.
- **Information Security Policy** to underscore Agthia's commitment and support towards the management of information security at Agthia.
- **Whistle Blower Policy** to provide Employees a mechanism to confidentially report any violations of the Code of Business Conduct, internal policies and procedures, or applicable laws and regulations.

Dealing in Company Securities

None of the Board Members have traded in the Company's shares during 2022.

Board Member Name	Position	Owned shares as on 2022/12/31	Total Sale	Total Purchase
Khalifa Sultan Al Suwaidi	Board Chairman	Nil	Nil	Nil
Salmeen Obaid Alameri	Board Vice-Chairman	Nil	Nil	Nil
Khamis Mohamed Buharoon Al Shamsi	Board Member	Nil	Nil	Nil
Khalaf Al Hammadi	Board Member	Nil	Nil	Nil
Gil Adotevi	Board Member	Nil	Nil	Nil
Gianluca Fabbri	Board Member	Nil	Nil	Nil
Sharmila Murat	Board Member	Nil	Nil	Nil

Additionally, none of the Board Members' direct family members have traded in the Company's shares during 2022.

The Board of Directors

The Board of Directors' role is to represent the shareholders and be accountable to them for creating and delivering sustainable value through the effective governance of the business. It is the Board's responsibility to ensure that effective management is in place to implement the Group's strategy.

The Board is the primary decision-making body for all matters that are material to the Group. The Board has a rolling agenda to ensure that the key areas remain in focus throughout the year.

Board Structure and Composition

The present Board of Directors was elected at the Annual General Meeting held on April 16, 2020, for a term of three years. The Board currently has seven members, comprising an Independent Non-Executive Chairman and six Independent Non-Executive Directors.

The Group supports the inclusion and participation of women in business and believes that diversity contributes to the quality and effectiveness of governance. For the last election of the Board, the Group invited nominations from both male and female candidates; and Agthia was successful in electing the woman as the board of directors in January 2022.

The Board ensures, on an ongoing basis, that directors possess the required skills, knowledge, and experience necessary to fulfil their obligations. Composition of the current Board of Directors:

Khalifa Sultan Al Suwaidi
Chairman

Non-Executive, Independent
Director since: April 2020

Experience:
He is the Chief Executive Officer at Abu Dhabi Growth Fund ("ADG") which is a sovereign investment fund established by ADQ. He brings a broad set of skills and experience to his additional role through serving on multiple boards and in other senior capacities across a variety of Abu Dhabi government assets.

Other Board memberships:
Chairman, SENAAT General Holding Corporation
Vice Chairman, Abu Dhabi Ports
Board Member, TAQA

Salmeen Obaid Alameri
Vice Chairman

Non-Executive, Independent
Director since: April 2020

Experience:
He holds the position of Chief Executive Officer at Silal since January 2022 and has more than 20 years of commercial and operational management expertise, notably in the feed and food sector. In his current role at Silal, Alameri is responsible for driving the strategic growth of the company and achieving its operational target objectives.

Other Board memberships:
Board Member, DSV
Board Member, Abu Dhabi Sewerage Services Company (ADSSC)

Khamis Mohamed Buharoon Al Shamsi
Member

Non-Executive, Independent
Director since: April 2014

Experience:
Mr. Khamis was re-elected to serve another term on Agthia Group's Board. With over 30 years he has held various distinguished leadership positions in the banking and finance sector.

Other Board memberships:
Chairman, Abu Dhabi National Takaful Co. PSC
Board Member, Aran Group Sharjah
Managing Director of Royal Capital

Gil Adotevi
Member

Non-Executive, Independent
Director since: April 2020

Experience:
Mr. Gil Adotevi is Investment Director for Food and Agri sector at ADQ, and brings with him expertise in managing a portfolio of investments within the food and agriculture sectors of large asset management and investment corporations.

Other Board memberships:
Board Member - Silal
Board Member - LDC

Gianluca Fabbri
Member

Non-Executive, Independent
Director since: April 2020

Experience:
He is Group Chief Financial Officer of Al Dahra and brings with him expertise in the Agri Business managing large finance teams and partnering with stakeholders including governments, banks, suppliers, shareholders, and customers.

Other Board memberships:
Board Member, Al Dahra BayWa Agriculture LLC (UAE)
Board Member, Al Dahra Food SP LLC (UAE)
Board Member, Al Dahra Food Industries SP LLC (UAE)
Board Member, Al Dahra Barlett LLC (UAE)
Board Member, Al Dahra Serbia D.O.O (Serbia)
Board Member, Al Dahra Agriculture Spain SL (Spain)
Board Member, Al Dahra Europe Srl (Italy)
Board Member, Fagavi Canarias (Canaries)
Board Member, Al Dahra Agriculture Company USA Inc (USA)
Board Member, Al Dahra ACX Inc. (USA)
Board Member, ACX Intermodal Inc. (USA)
Board Member, Hualapai Valley Farms LLC (USA)
Board Member, Al Dahra ACX Mexico S. de R.L. de C.V. (Mexico)
Board Member, Al Dahra ACX Mexico Servicios (Mexico)
Board Member, Al Dahra Food India Ltd (UAE)

Sharmila Jennifer Murat
Member

Non-Executive, Independent
Director since: January 2021

Experience:
Currently serves as Chief Investment Officer of Chalhoub Group, where she spearheads global expansion and investment efforts within the consumer goods retail sector. She has done Master of Business Administration (MBA), from the Wharton School at the University of Pennsylvania. She also holds Bachelor of Science in Electrical Engineering (BSEE), degree from the Grainger College of Engineering at the University of Illinois at Urbana-Champaign.

Other Board memberships:
Board Member, Threads Styling Ltd (United Kingdom)
Board Member, Portfolio Zona Libre SA (Panama)
Board Member, La Bouche Rouge SAS (France)
Board Member, StarME FZCO (UAE)

H.E. Khalaf Al Hammadi
Member

Non-Executive, Independent
Director since: April 2020

Experience:
He brings over 25 years of executive management experience in government and semi-government sectors, and in his current position as Director General of Abu Dhabi Retirement Pensions Benefits Fund.

Other Board memberships:
Board Member, Social Development Committee, Executive council, Abu Dhabi
Board Member, Daman

Directors' Fees and Remuneration

Remuneration of the Group's Board of Directors is determined in accordance with the provisions of the Group's Articles of Association. The Directors' fees are a fixed fee and are not linked to Board meeting attendance. Directors' fees of AED 2.33 million relating to 2021, was approved in the General Assembly held in 2022, and thereafter paid in 2022.

Total Director's fees of AED 2.45 million relating to 2022, towards Board of Directors', Audit, and Nomination & Remuneration Committee Members' fees, are to be paid in 2022, subject to shareholder approval. No additional allowances, salaries, or fees were received by the Board members for the year 2022.

Board / Board Committee Member	Board/ Committee Term	Board Committee Membership	Board Director's fees in AED	Number of Board meetings attended*	Committee Members' fees in AED	Number of Committee meetings attended*
Khalifa Sultan Al Suwaidi– Chairman	1 Jan - 31 Dec	Board	500,000	7	-	-
Salmeen Obaid Alameri – Vice-Chairman	1 Jan - 31 Dec	NRC & SIC	250,000	7	90,000	9
Gil Adotevi	1 Jan - 31 Dec	NRC & SIC	250,000	7	90,000	9
Khamis Mohamed Buharoon Al Shamsi	1 Jan - 31 Dec	ARC	250,000	7	60,000	6
Gianluca Fabbri	1 Jan - 31 Dec	ARC	250,000	7	60,000	6
Khalaf Al Hammadi	1 Jan - 31 Dec	NRC & ARC	250,000	7	110,000	11
Sharmila Jennifer Murat	1 Jan - 31 Dec	SIC	250,000	7	40,000	4

*Including proxy attendance

Board Meetings

During 2022, seven Board of Directors meetings were held.

Board Member	07-Mar	09- May	30- May	14-July	04-Aug	25-Oct	08-Nov
Khalifa Sultan Al Suwaidi – Chairman	P	P	P	P	P	P	P
Salmeen Obaid Alameri – Vice Chairman	P	P	P	P	P	P	P
Gil Adotevi	P	P	P	P	P	P	P
Khamis Mohamed Buharoon Al Shamsi	P	P	P	P	P	P	P
Gianluca Fabbri	P	P	P	P	P	P	P
Sharmila Murat	P	P	P	P	P	P	P
Khalaf Al Hammadi	P	P	P	P (Proxy to HE Khalifa)	P	P (Proxy to HE Khalifa	P

P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s),

Circular Resolutions passed by the Company

The Board of the Company passed a Circular Resolution on 13th January 2022

Board Effectiveness Evaluation

An evaluation to assess the performance of the Board as a whole, its committees, and that of the individual director is conducted annually, with the aim of improving the effectiveness of the Board, its members and committees, and the performance of the Group. Our Board Performance Evaluation set out requirements for every principal component of effective governance including but not limited to skills, training, accountability, effective communication, quality discussions, and succession planning. Based on the individual evaluation performed by the Board members, the Board believes that it is functioning effectively to discharge its' duties towards the shareholders.

Board Induction and Development

The Chairman, with the support of the Company Secretary, is responsible for the induction of new directors and the continuing development of directors. All directors receive a tailored induction upon joining the Board, covering their duties and responsibilities as directors. Directors also receive a full briefing on all key areas of the Group's business, and they may request further training as they consider necessary.

Company Secretary

The Company Secretary is the focal point for communication with the Board of Directors and senior management and plays a key role in the administration of important corporate governance matters. Our Company Secretary, Mr. Yasser Abdelkhalek Omar was appointed by the Board on 3 May, 2021 and reports to the Board in relation to secretarial responsibilities. The Company Secretary has the following key responsibilities:

- To organize director's meetings in accordance with procedures to be agreed upon from time to time by the Board Chair and the Board.
- Prepare notices, agendas of meetings, and supporting reports and documentation in a timely manner.
- To attend Board meetings and undertake secretarial responsibilities, including organizing minute-taking responsibilities at each meeting.
- In conjunction with the CEO and other senior management, carry out instructions of the Board and give practical effect to the Board's decisions.
- To report to the Board with respect to all corporate secretarial responsibilities.
- Arrange/organize shareholders' meetings

External Auditors

The Board nominates the Group's external auditors based on the recommendation of the Audit Committee. The appointment and remuneration of the external auditors are approved by the General Assembly of Shareholders. At the Annual General Meeting held on 7th April 2022, the shareholders appointed Deloitte & Touche (M.E.), one of the leading international audit firms, as the external auditors for the year 2022. Deloitte is a multinational professional services firm. It is one of the Big Four audit firms.

Deloitte & Touche (M.E.) had been the only external auditor of the Company for five years, since their appointment at the General Assembly Meeting held on April 26, 2018. Mr. Badr El Hassan is the Deloitte partner assigned as Engagement Partner effective Q2 2021.

Audit and non-audit related fees and costs of the services provided by the external auditors during 2022 were AED 2,345,000.

Deloitte	AED
Total audit fees for 2021	2,125,000
Other Non-Audit services (Misc review, Electricity Tariff Incentive Program, ICV)	220,000
Total	2,345,000

No other services of the external auditors were utilized during 2022.

There have been no qualified opinions reported by our external auditors on Agthia Group's interim and annual consolidated financial statements as of 31 December 2022. Please refer to the Independent Auditors' Report in the Financial Statements for further details.

Board Committees

The Board has established three Board Committees to assist the Board in discharging its responsibilities. The Committees operate in line with their respective charters approved by the Board. The charters set out their roles, responsibilities, the scope of authority, composition, and procedures for reporting to the Board.

Audit and Risk Committee Chairman's Message

Khamis Mohamed Buharoon Al Shamsi

During 2022, the ARC held six meetings, during which the committee:
Reviewed the development the group-wide risk governance framework, which includes Agthia's risk culture, risk appetite, and risk limits; Agthia's liquidity and business position, amongst other matters; reviewed Agthia's key risks, including strategy, people and behaviour, sustainability, data management, organisational change management regulatory compliance, fraud and operational risks and associated policies, and ensured that they were managed within Agthia's risk framework and appetite and in full compliance with regulations, reviewed Agthia's IT security and cyber polices, and ensured that Agthia had implemented a proactive approach towards managing these risks. In addition to the quarterly Committee meetings reviewing and endorsing the financial statements, outcome of the internal audits and governance related matters, the Committee also convened to review and endorse the hedging strategy in 2022. The committee also reviewed the annual Corporate Governance Report.

Looking Ahead in 2023

In 2023 in line with the Securities and Commodities Authorities' Corporate Governance Regulation and Standards, we are creating a new committee Risk & Compliance Management Committee (RCMC), this is an internal management Committee chaired by the Chief Executive Officer. The primary responsibility of our committee (ARC) will remain to provide oversight governance and independence to Audit, Risk, and Compliance functions at the same time, RCMC primarily will help ARC in managing the Risk Operations. The RCMC will meet monthly in 2023 to focus on Risk and Compliance.

The ARC will ensure strong communication across the Board's committees to effectively make any necessary adjustments to Agthia's risk governance framework to maintain resilience and a clear strategic focus in the current operating environment. The ARC shall also be overseeing applicable Agthia policies. The Audit Committee, appointed by the Board of Directors, consisted of three members. Three members were Independent Non-Executive Directors.

The Chairman of the Audit and Risk Committee, HE Khamis Mohamed Buharoon Al Shamsi, acknowledges responsibility for discharging the Audit and Risk Committee's mandate across the Group including review of its work mechanism and ensuring its effectiveness in line with the approved charter of the Audit Committee. During 2022, six Audit Committee meetings were held:

Audit and Risk Committee members	07-Mar	09-May	03-Aug	17-Oct	08-Nov	23-Nov
Khamis Mohamed Buharoon Al Shamsi – Chairman	P	P	P	P	P	P
Gianluca Fabbri	P	P	P	P	P	P
Khalaf Al Hammadi	P	P	P	P	P	A*

*The Chairman acted as a proxy for Mr. Khalaf in the 23rd Nov'22 meeting.
P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s).

Total fee for the year 2022 is AED 0.18 million (2021: AED 0.14 million).

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for the review of the Group's HR framework and compensation programs. The Committee makes recommendations to the Board on the remuneration, allowances, and terms of service of the Group's senior executives to ensure they are fairly rewarded for their individual contribution to the Group. All three Committee members are Independent Non-Executive Directors of the Board.

NRC & SIC Chairman's statement

Salmeen Obaid Alameri

In 2022, the Nomination and Remuneration Committee (NRC) held five meetings, during which it: – considered the internal and external assessment of Agthia's remuneration framework and oversaw the implementation of recommendations/ action plans arising from this assessment, reviewed and approved Agthia's remuneration framework, including its fixed and variable pay schemes, and performance recognition reviewed the Directors' remuneration and fees, received updates on the decisions made at the Board level (or any of its Board committees) that may create any potential conflict of interest for Board members, considered the performance evaluation, key performance indicators, and remuneration of the Group Chief Executive Officer, reviewed the Board composition, including its diversity, mix of skills, knowledge, and experience, in relation to the Securities & Commodities Authority governance regulations, reviewed the assessment of the Board's independence, under the guidelines set by the Securities & Commodities Authority, considered the internal assessment of Agthia's culture and values, reviewed the results of the Board evaluation survey conducted by Agthia's governance team and Board; including information in Agthia's Annual Report and on Agthia's website, and ensured compliance with the regulations, and best practices; – reviewed the strategy and performance of Group Human Resources, training policies and procedures, managed Agthia's long-term succession strategy, assessed succession plans for key executives, and focused on talent management, oversaw the process for identifying, evaluating and selecting candidates for senior management. In 2022, the NRC continued to develop KPIs to assess the effectiveness of Agthia's variable remuneration schemes and to ensure they align with Agthia's strategy, objectives, culture, values, and risk appetite.

While it is the Committee's responsibility to exercise independent judgment, it does request advice from management and third-party independent sources as appropriate, to ensure that its decisions are fully informed given the internal and external environment.

The Chairman of the Nomination and Remuneration Committee, Salmeen Obaid Alameri, acknowledges responsibility for discharging the Nomination and Remuneration Committee's mandate across the Group, review of its work mechanism and ensuring its effectiveness in line with the approved charter of the Nomination and Remuneration Committee. During the year, five Nomination and Remuneration Committee meetings were held:

Present Nomination and Remuneration Committee Member	18- Mar	30- Mar	18-Mar	26-May	21- Sep
Salmeen Obaid Alameri - Chairman	P	P	P	P	P
Khalaf Al Hammadi	P	P	P	P	P
Gil Adotevi	P	P	P	P	P

P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s).

Total fee for the year 2022 is AED 0.15 million (2021: AED 0.15 million).

Strategy, Investment and Innovation Committee

Strategy, Innovation, and Investment Committee is formed to assist the Board by reviewing and endorsing:

1. The Group's strategy.
2. Business development activities, including merger & acquisition, and greenfield and brownfield development, and disposals of assets and businesses.
3. Proposals for capital expenditure or abandonment expenditure by a member of the Group, whether such proposals are for projects that are part of the approved annual budget or the approved capital program, which are not within the approval authority of the Group Chief Executive Officer according to the Delegation of Authority.
4. Receive quarterly treasury report and financing activity as defined in DOA.
5. Annual budget and business plans, as well as overruns defined in DOA.
6. This Committee also oversees the implementation of the strategies and investments, or disposals approved by the Board.

The Committee shall be authorized to undertake the following activities:

Strategy, Investment and Innovation committee	16th June	4th July	18th July	28th Aug
Salmeen Obaid Alameri	P	P	P	P
Gill Adotevi	P	P	P	P
Sharmila Jennifer Murat	P	P	P	P

P: Present, A: Apologies sent/leave of absence was granted to members not attending the meeting(s).
Total fee for the year 2022 is AED 0.12 million.

Conduct and Values Committee

The Conduct and Values Committee is appointed as a sub-committee of the Audit Committee by the Board of Directors to assist the Audit Committee to review arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties including fraud, and to ensure that a process is in place for the independent investigation of such matters and for appropriate follow-up action. The Committee is entrusted by the Audit Committee with responsibilities for receiving, reviewing, assessing the credibility of allegations, and investigating allegations. The Committee through its' established mechanism has reviewed all such cases or allegations reported in 2022 and reported the conclusion of the proceedings to the Audit Committee. The Committee convened twice in 2022 to discuss on all matters relating to employee conduct including the framework to enhance employee awareness around code of business conduct, the roll-out strategy of a revised (new) Whistle-blower hotline which is expected to go-live in the 1st quarter of 2023 and the status of the allegations reported on the Whistle-blower hotline.

The Committee members are:

- Head of Internal Audit (Chairman)
- Head of Human Capital
- Vice-President – Legal Affairs
- Director Governance, Risk and Compliance

Delegation of Authority

The Board is and shall remain responsible for the overall governance of the Group and for those matters that are reserved for the Board. The Board through a resolution provided the Chairman, powers, and authorities on behalf of the Board with the right of delegation. The Chairman, under Special Power of Attorney, delegated key authorities to the CEO – Alan Smith and the CHC &CSO– Mubarak Al Mansoori to be exercised jointly, which is valid for three years until April 15, 2023.

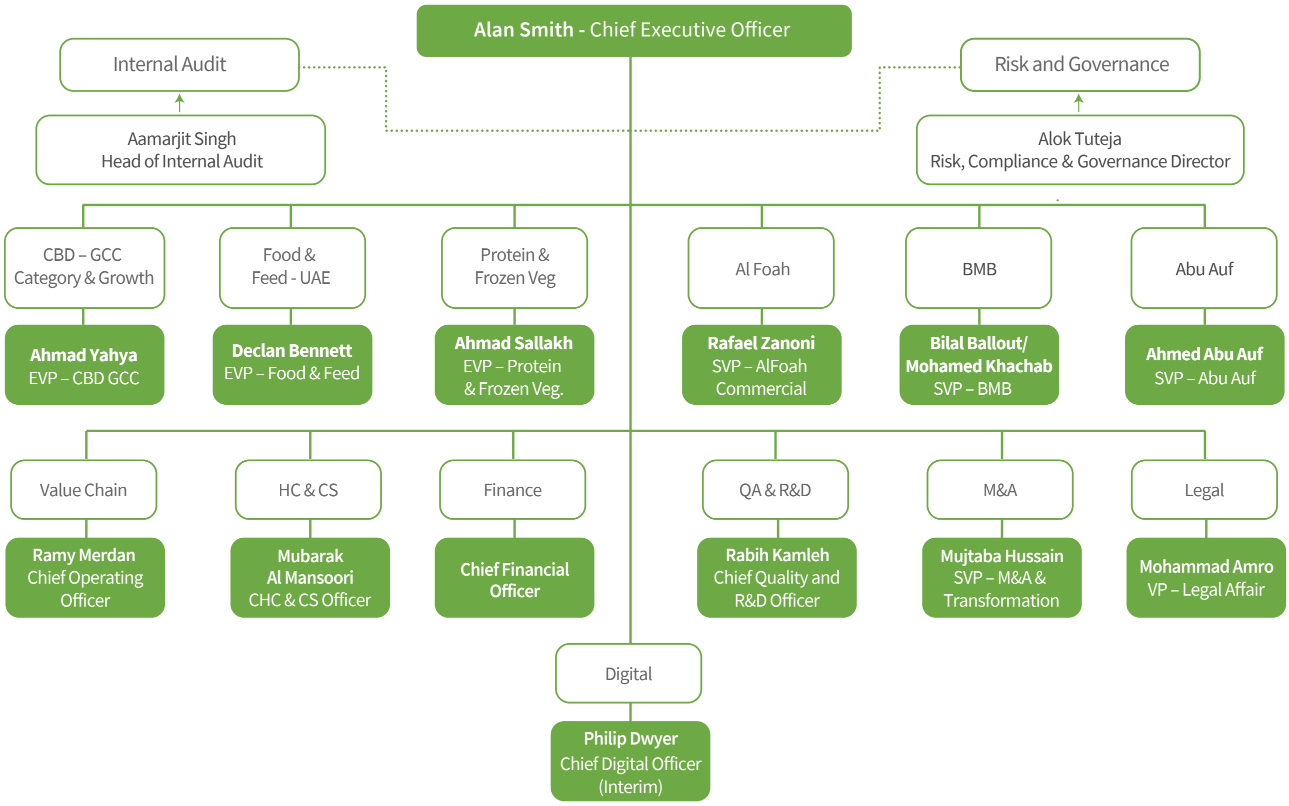
Some of the key authorities delegated by the Board are as follows:

- To jointly manage the Company and its subsidiaries' operations.
- To represent and jointly manage the Company and its subsidiaries in all transactions and documents before the Government.
- To sign jointly all contracts and agreements on behalf of the Company inside and outside of the United Arab Emirates;
- To represent the Company jointly in any manufacturing and/or distribution deals;

- To represent the Company jointly before the banks for opening and closing accounts, applying for loans and financial facilities, and signing LCs, bank guarantees, and other bank documents.
- To incorporate companies and branches in the United Arab Emirates or abroad and sign their articles of association jointly.

In pursuance of the special powers and authorities delegated to the company management as stated above (CEO and CHC&CSO) , the Board has delegated some of their decision-making and approval authorities to the management as specified in the Authority Matrix approved by Board. The Delegation of Authority framework and policy is established to define the limits of authority designated to specified positions of responsibility within the Group. The Authority Matrix ensures efficient and effective decision making which balances empowerment against controls.

Organization Structure



Leadership Team Members

The Leadership Team is composed of senior executives of the Group responsible for the management of the business and meets on a regular basis. The committee members report to the CEO. The prime role of the Leadership Team is to review business performance, and organizational and operational matters; set strategies/initiatives and monitor their successful execution; and review key business KPIs, progress on key projects etc.

Alan Smith
Chief Executive Officer
Date of joining: July 5, 2020

Qualifications:
Bachelor of Engineering in Mechanical Engineering (UK)
Executive Master of Business Administration (INSEAD)

The Chief Executive Officer (CEO) is appointed by the Board. The CEO is responsible to delivering sustained growth and must direct the Group towards the achievement of its business objectives, as defined by the Board. The primary role of the CEO is to define and execute the business vision, mission, and strategy of the Group and to ensure that all operations are managed efficiently in terms of allocating resources appropriately and profitably.

Alan Smith was appointed as CEO of the Group on July 5, 2020. Prior to his appointment, Alan was the Managing Director – the Middle East and Pakistan for Mondelez International, where he spent more than 19 years across multiple roles, overseeing sales, logistics, and operations for the GCC. He has strong cross-functional experience having led strategic initiatives, business turnarounds, manufacturing buildouts, and led multi-country operations as a business leader.

CEO's Message

Alan Smith
Chief Executive Officer

Agthia grows businesses in the F&B sector by aiming to achieve prosperity and realize dreams through ethical business activities. In 2022 in line with our 2025 strategy, we delivered on growth by upscaling in priority markets, expanding into value-add categories, and driving margin improvement. Apart from focusing on growth, we kept our governance in line with best practices. Our commitment to corporate governance compliance is reflected in our persistent success and demonstrated through integrity, transparency, and a meticulous approach.

In 2022, our Head of Governance, Risk & Compliance joined and one of our initiatives was to further strengthen risk management. We updated Enterprise Risk Framework, and updated Risk Appetite statement. We engaged with the Board on all risk governance issues. The executive leadership team provided commitment toward all risk-related issues. In 2022, another initiative was to focus on compliance with various regulations and strengthening programs like sanctions, we updated our whistle-blower platform and rephrased the compliance framework.

We have an effective and robust governance framework based on global best practices, defined by our regulator, the Security, and Commodities Authority, as well as international bodies including, the Organization for Economic Cooperation and Development (OECD) and Committee of Sponsoring Organization (COSO).

Looking Forward to 2023

The executive leadership team will continue to support corporate governance and commitment to transparency and ethical values. We will further work on strengthening risk programs related to geopolitical risk and compliance programs like sanctions.

Total Reward Philosophy

Agthia Group provides compensation & benefits packages to attract, retain and motivate highly talented employees capable of providing diverse and responsibly produced brands; driven by innovative, passionate people.

Our compensation & benefits packages are designed to reflect relevant & measurable rewards linked to best practices and are reviewed regularly based on corporate and individual performance. Reviews are based on the results of a robust performance review and approvals process.

Our framework has appropriate focus on short- and long-term incentives that align the interests of employees & shareholders.

Parameters	Definition	Components & Governance	2022 Compensation in AED '000

Fixed Compensation	Fixed compensation is aligned to the market practice for each job level and is reviewed regularly to ensure competitiveness.	Basic Salary and fixed allowances (Grade wise different)
		• Job specific allowances
		• Benefits based on grade, such as:
		  • Medical Insurance
		  • Annual leave
		  • Airfare
		  • Life Insurance
		  • Savings Plan
		  • Education allowance
		  • Club membership
		  • Utilities
		Fixed compensation reviews depend on whether the employee achieved expected goals and delivered a prescribed performance level and based on market trends in line with the established performance management process.
			Leadership Team members -10
			Total Fixed Compensation 17,322
			Of which, cash based. – 14,212
			[basic salary, housing allowance, transportation allowance, and any other guaranteed job specific allowance, as applicable]
			
			Of which other benefits -3,110
			[Schooling, medical insurance, life insurance, leave airfare, company savings plan, mandatory pension, club membership etc.]

Variable	Variable pay (Annual Performance Bonus) is designed to promote the culture of pay-for-performance. Agthia uses a scorecard approach to measure performance based on relative KPIs	Annual Performance Bonus amounts are dependent on the following: • Overall Group Performance. • Business Unit performance, and • Individual performance. The Nomination & Remuneration Committee of the Board of Directors oversees the design, governance and effectiveness of the framework and allocation of awards, including overall amounts, and actual awards to Leadership Team.	Leadership Team members -10 Total Fixed Compensation 6,529 Agthia uses a scorecard approach to measure business performance based on financial KPIs such as • Revenue, Net Profit, Free Cash Flow on Equity, etc. For individuals, performance is measured based on KPIs that are linked to Agthia strategic pillars, i.e. • Growth, • Efficiency, • Capability and • Any other function specific KPIs.
Bonus& LTI	Agthia Long Term Incentive (LTI) framework is designed to drive achievement of long-term goals leading to shareholder value, and retention of high potential leaders.	Long Term Incentive awards are based on: • Performance; and • Potential. Such awards are used to purchase Agthia shares in line with the SCA rules and vested every three years based on tenure and Earnings per Share growth. The Nomination & Remuneration Committee of the Board of Directors oversees the design, governance and effectiveness of the framework and allocation of awards, including overall amounts, and actual awards to Leadership Team.	Leadership Team members- 8 Total Fixed Compensation 4,862 LTIs are vested as following: • Restricted shares as per tenure • Performance shares as per Earnings per Share growth.

Remuneration Type	Details	Total number of employees in 2022	Amount in AED'000
Total Fixed Compensation	Cash Based	10	14,212
	Other Benefits		3,110
	Total		17,322
Variable Pay	Annual Bonus	10	6,529
	Long Term Incentives	8	4,862
Total			28,713

Insider Trading Management Committee

The Insider Trading Management Committee is appointed by the Board as a Management Committee to oversee and follow up on insiders' trading and their holdings. The Committee is entrusted by the Board with the following responsibilities:

- Ensuring that the reputation of the Group is not adversely impacted by perceptions of trading in the Group's securities at inappropriate times or in an inappropriate manner by employees of the company.
- Evaluating where the employee or third party (such as the Group's auditors, bankers, lawyers, or other professional advisors) may be classified as an insider who has direct or indirect access to "inside information" which may affect the Group's share price and/ or trading of Group's shares.
- Prepare and maintain a special and comprehensive register of all insiders, including Directors, Executive Management, and persons who could be considered as insiders on a temporary basis.
- Developing, reviewing, and continuously improving the Trading in Group Shares Policy including guidelines and procedures, ensuring compliance with the policy, and assessing any indicative non-compliance to the policy.
- Annual review of movement in insider shareholdings and report to the Board on compliance with the policy and regulatory requirements, highlighting any exception cases noted.
- Effective communication with ADX and SCA regarding blackout days, temporary suspension of trading and insider trading

The above activities were adequately discharged in 2021by the Committee members and no exceptions were noted.

The Chairman of the Insider Trading Management Committee, Mr. Neeraj Jain - Senior Director Corporate Finance, acknowledges responsibility for the follow-up and supervision system on transactions of the insiders in the Company through discharging the Insider Trading Management Committee's mandate across the Group, review of its work mechanism and ensuring its effectiveness in line with the approved charter.

The Committee members are:

Position	Name
Senior Director, Corporate Finance (Chairman)	Neeraj Jain
Vice President, Legal Affairs	Mohammad Amro
Director Governance, Risk and Compliance	Alok Tuteja
Senior HR Director, Centre of Excellence	Aby Varghese

Director-Governance, Risk and Compliance Statement

Risk Management

Agthia adopts a risk profile aligned with our purpose and business strategy. We aim to create long-term value through a balance of sustainable growth and resource efficiency. Our culture and values rooted in respect for ourselves & others, diversity. The future guide our decisions and actions. Our approach of Creating Shared Value helps to prioritize those areas that maximize value creation for shareholders and cultivate positive societal and environmental impacts. The Agthia Group Enterprise Risk Management (ERM) framework is designed to assess and mitigate risks to minimize their potential impact and support the achievement of Agthia's long-term objectives and business strategy. A top-down assessment is performed at the group level once a year called Key Business Risk (KBR). A bottom-up assessment occurs in parallel, resulting in aggregation of the individual risk assessments. This creates a good understanding of the company's key risks to allocating ownership to drive specific actions around them and take any relevant steps to address them.

Additionally, Agthia engages with stakeholders to better understand the issues that are of most concern to them. The risk appetite rates the degree of the Board's concern and potential business impact. This helps to ensure that wider sustainability issues are incorporated into the risks and opportunities under consideration across the company. Risk assessments and any mitigating actions are the responsibility of the individual line management. If Group-level intervention is required, responsibility for mitigating actions will generally be determined by the leadership team.

Governance

Our governance provides the base for our actions leading to sustainable value creation. We continue to balance the pursuit of top-line and bottom-line growth with good governance mechanism. We use our scale, resources, and expertise to create shared value for all our stakeholders.

Our diverse Board of Directors is engaged to oversee the direction of our company. We have strengthened the Board through seven independent directors with diverse experience and expertise directly relevant to Agthia's business. We continue to engage with our shareholders.

Our Nomination & Remuneration Committee, chaired by our Independent Director, evaluates Board composition, performance, structure, and succession planning. It assesses candidates for nomination to the Board and ensures alignment of our remuneration systems with our values, strategies, and performance in 2022.
Our Audit & Risk Committee comprises all independent directors and oversees internal and external audits, financial reporting, internal controls, compliance, and risk management. It reviews reports of internal audit, external audit, compliance, fraud, enterprise risk management.

Our Strategy, Innovation & Investment Committee comprises of all independent directors and oversees the strategic creation , long and short term investment management and creating innovative products and solutions.

We recognize that for our company to be successful over time and create sustainable value for shareholders, we must also create value for society. Our governance helps us strike the right balance in our pursuit of long-term, sustainable value creation.

Compliance

Business ethics and compliance are the foundations of how we do business and the conditions for creating shared value. Our commitments to ethics, integrity, fairness, and authenticity are enshrined in our Purpose and Values, the Corporate Business Principles, and the Agthia Code of Business Conduct. Our Compliance Management System (CMS) helps our employees do the right thing for the right reason while protecting and strengthening our reputation. Our Board of Directors and compliance team overseas and promote good practices throughout the company. Our dedicated Corporate Compliance function provides guidance and functional leadership and is engaged in our risk- and principles-based Compliance program. Our Audit & Risk Committee supported by Risk and Compliance Management Committee ensures a continuous evolution of our Compliance Framework. Head of Governance, Risk, and Compliance, and relevant Committees ensure a consistent approach across the Group and help identify local compliance priorities. In 2022, a significant increase in the number of mandatory trainings on topics such as the Code of Business Ethics and conduct, Conflict of Interest, Fraud Awareness, and Sanctions was conducted. We monitor compliance through our corporate functions, our internal audit function, and our external auditors. We are in process of launching our new single reporting channel for non-compliance concerns and questions, using Ethix360 platform, which replaces the traditional reporting system. All complaints are investigated, and remedial actions are taken as needed. Our Compliance culture helps in creating sustainable value for all our stakeholders and making Agthia a force for good.

Mr. Alok Tuteja is the Director of Governance, Risk and Compliance function.

Qualifications:

Bachelor of Commerce
Master of Business Administration
Certified Internal Auditor (CIA)
Certified Information System Auditor (CISA)
Certified in Risk and Information Systems Control (CRISC)
Certified in the Governance of Enterprise IT (CGEIT)
Certified Data Privacy Solutions Engineer (CDPSE)
Certified Information Systems Security Professional (CISSP)

Internal Control (Audit)

The Group's system of internal control aims to ensure that the Board and management can fulfil the Group's business objectives. An effective internal control framework contributes to safeguarding the shareholders' investment and the Group's assets.

The objective of the Group's internal control framework is to ensure that internal controls are established; those policies and procedures are properly documented, maintained, and adhered to, and are incorporated by the Group within its normal management and governance processes.

In accordance with the requirements set out in Abu Dhabi Accountability Authority (ADAA) Resolution No (1) of 2017. Management performs an ongoing process of identifying, evaluating, and managing the risks faced by the Group and establishes and maintains effective controls for the risks identified including those over financial reporting.

The Group carries out the review of its internal controls over financial reporting on an annual basis with respect to all material financial balances whereby the Management assesses the adequacy of design and operating effectiveness of such internal controls over financial reporting. This management assessment is reviewed by the Group's independent auditors.

Management has adopted the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2013 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements.

Management has assessed the adequacy of design and the operating effectiveness of the Company's internal controls over financial reporting as of 31 December 2022. Based on the assessment, management has concluded that the internal controls over financial reporting are adequately designed and operating effectively with no material weaknesses being identified.

The Group's operating policies and procedures are adequate and effective while recognizing that such a system is designed to mitigate rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss. The Board of Directors acknowledges its responsibility for the Group's internal control framework. The Board has delegated responsibility for oversight of the Internal Control Department (ICD) to the Audit and Risk Committee. The Head of Internal Control and Compliance is appointed by the Audit and Risk Committee. The Audit and Risk Committee reviews the effectiveness of the ICD function.

The objective of the Internal Controls (Audit) function is to provide independent assurance and consulting services using a disciplined systematic approach to improve the effectiveness of risk management, internal control, compliance and governance process, and the integrity of the Group's operations. The function is also responsible for monitoring the compliance of the Group and its employees with the law, regulations, and resolutions, as well as internal policies and procedures. A Charter sets out the purpose, authority, and responsibility of the function.

31 reports prepared by Internal Controls (Audit) are submitted to the Audit Committee and copied to the senior management of the Group for action. The overall internal controls environment remains robust across the Group. During the course of the year, there were certain process level internal control enhancements that were identified and accepted for implementation towards continuous improvement of internal controls across the Group. On an ongoing basis, the Audit Committee monitors the progress that management has made with respect to remedial actions taken on issues and findings raised by Internal Controls (Audit).

On 14 May 2017, Aamarjit Singh was appointed as the Head of Internal Audit Control. He has the following qualifications:

Qualifications:

Master of Business Administration - Manchester Business School
Fellow Member - Association of Chartered Certified Accountants, UK
IBM Cybersecurity Professional (Analyst)

Violations

During the year 2022, the Group was not subject to any material fines or penalties imposed by SCA or any statutory authority on any matter related to capital markets. Additionally, there have been no cases of material non-compliance with any applicable rules and regulations. No major incidents occurred in 2022.

Corporate Social Responsibility (CSR)

The Group's approach to Corporate Social Responsibility focuses on the idea of creating shared value for all of its stakeholders through economic, environmental, and social actions. Accordingly, the Group's CSR program has four pillars: Community, Workplace, Nutrition & Well-being, and Environment & Sustainability. The Group believes that in the heart of the shared value concept rests the ability of a company to create private value and to transform this into public value for society.

The total amount spent in 2022 on CSR initiatives was AED 0.65 million Agthia group joined hands with UAE Food Bank. In the month of giving "Ramadan", we share our gratitude by donating our products to the underprivileged. Agthia distributes over 500 care packages of its products to families in need across UAE Agthia covered a student education tuition for the academic year of 2022 and provided financial support to few needy families for medical aid. As part of corporate social responsibility, blood donation campaign was arranged in 4 locations in the UAE (105 employees donated the blood as part of campaign).

As part of CSR, Agthia give twice a year, product to food bank and red crescent for the families in need. Agthia also sponsored some of the initiatives by providing free drinking water bottles in UAE Tour 2022, Adnoc Marathon, Mother of the Nation-2022, Triathlon World, Goodness begins here, etc. Major other CSR activities were also undertaken by its business entities across geographies.

The Group is also a stout believer in national talent development. Of over 60 different nationalities in Agthia, UAE nationals constitute the third largest and the top one in senior management. Agthia Group's Emiratization percentage as of December 31, 2022, is 21% (excluding blue-collar contracted workers) in the United Arab Emirates (Emiratisation % for December 2019: 19.2%; Emiratisation % for December 2020: 19.2%, Emiratisation % for December 2021: 23.4%).

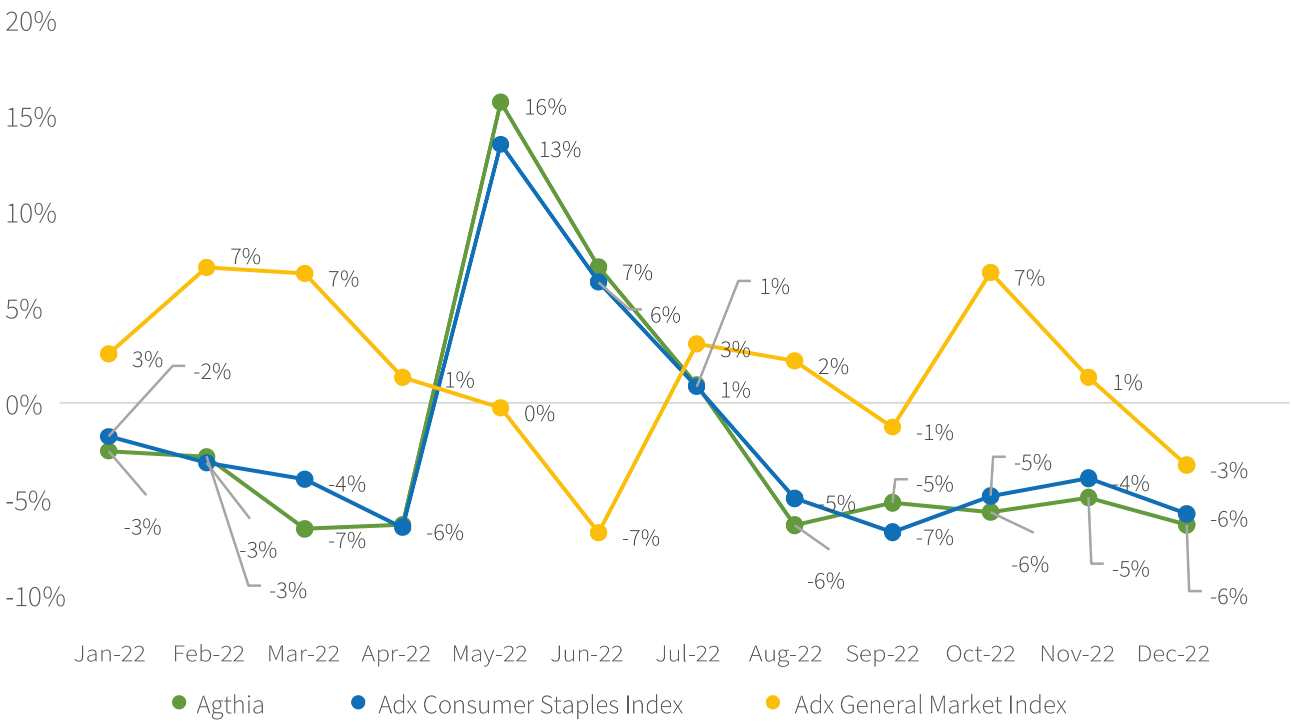
Related Party Transactions

Note 13 of Financial Statements provides details of related party transactions. There were no related party transactions equal to or more than 5% of equity. below is a summary of related party transactions.

Particulars	As of 31 Dec 2021 AED '000	Sales AED'000	Collection AED'000	Expenses AED'000	Opening Balance AED'000	Others AED'000	As of 31 Dec 2022 AED '000
Due from related parties							
Emirates Iron and Steel Company	288	552	(413)				427
General Holding Corporation	-						
ADQ				723			723
Kouttouf & Hala	14,352	84,693	(85,665)				13,380
Dubai Cable Company	138	134	(108)				164

Share performance 2022

Share performance versus ADI and sector Index 2022(Based on a monthly average)



Month-end share price (AED)

Month	Open	High	Low	Close
Dec-22	3.98	4.26	4.3	3.87
Nov-22	4.25	4.47	4.8	4.25
Oct-22	4.47	4.71	4.85	4.3
Sep-22	4.74	4.98	5.1	4.71
Aug-22	5	5.39	5.39	4.87
Jul-22	5.34	5.26	5.48	5.11
Jun-22	5.29	4.93	5.39	4.72
May-22	4.94	4.27	5.17	4.25
Apr-22	4.27	4.56	4.76	4.2
Mar-22	4.56	4.88	4.98	4.31
Feb-22	4.88	5	5.15	4.65
Jan-22	5.02	5.1	5.2	4.65

Shareholder category (number of shares in thousands)

As of December 31, 2022

Category	Government	Institutional	Individuals	Total	Percentage
UAE	527,578	51904	118,278	697,760	88.2%
GCC	57	16648	698	17,403	2.2%
Arabs		39	2,569	2,608	0.3%
Foreign		67632	6173	73,805	9.3%
Total	527,635	136,223	127,718	791,576	
Percentage	66.7%	17.2%	16.1%		

Shareholders Owning 5% or More

As of December 31, 2022

Shareholders	No. of shares	Percentage
General Holding Company SENAAT	497,577,090	62.9%

Distribution Of Shareholders According To The Size Of Ownership

As of December 31, 2022

Share ownership	No. of shareholders	No. of shares owned	Percentage
Less than 50,000	67,005	96,134,974	12.1 %
From 50,000 to less than 500,000	204	27,785,644	3.5 %
From 500,000 to less than 5,000,000	58	74,148,124	9.4 %
5,000,000 and more	7	593,508,348	75.0%
Total	**67,274**	**791,577,090**	**100%**

Investor Relations

The Board is committed to effective communication between the Group and its shareholders. The Group regularly announces its results to SCA, ADX, and shareholders by way of interim management statements, quarterly results, and the annual report and annual financial statements. Significant matters relating to share trading or business development are disclosed to SCA, ADX, and the general public by way of market disclosures and announcements in accordance with the related provisions of applicable laws and regulations, in addition to press releases and postings on the Group's website. The annual investor relations program of the Group includes:

- Quarterly conference calls on financial results with investment community;
- Responding to inquiries from shareholders through the Group's investor relations function;
- Meetings between investors, analysts, and senior management;
- Regular investor roadshows and conferences organized by the investment community; and
- A section dedicated to investors on the Group's website, which comprises annual reports, quarterly results, corporate governance reports, analyst coverage, investor presentations, share price and dividend information (http://www.agthia.com/en-us/Investor-home)
- Our mobile application 'Agthia IR' is available for download on Apple Store or Google Play

Shareholders and investors can utilise the following channels to reach Agthia's investors' relations team:

Phone: +971 2 596 0672
Email: ir@agthia.com

Resolutions passed in General Assembly

Two General Assembly Meetings were held in 2022.

- The following resolutions were passed, following which all the resolutions were implemented.

Annual General Assembly held on 7 April 2022:

- Approval for the Board's Report about the Company's activities and financial position for the financial year ending on 31/12/2021.
- Approval of Ms Sharmila Jennifer Murat as Board member to replace Mr. Saifuddin Rupawala who resigned from the board.
- Approval of Board of Director's report
- Approval of Director's remuneration
- Approval of Auditor's report
- Approval of the Board of Directors' proposal for a cash dividend of 8.25%, equivalent to 8.25 fils per share, in line with the Group's semi-annual dividend policy. Total dividends distributed for the year amounted to AED 130.6 million, a 9.9% increase relative to the AED 118.8 million distributed in 2020.

New Projects undertaken or under-development

Acquisition of Abu Auf in Egypt

Agthia Group on 30th Nov 2022, announced that its Board of Directors met and approved the acquisition of a a 60% stake in Auf Group, a specialized healthy snacks and coffee manufacturer and retailer in Egypt. The acquisition enhances Agthia's footprint in the attractive Egyptian snacking market, which is forecast to grow from around AED 8.7 billion ($2.3 billion) in 2020 to around AED 11.2 billion ($3.05 billion) by the end of 2024, according to Euromonitor. It also strengthens Agthia's position as a leading regional consumer packaged goods (CPG) company, building on last year's acquisitions of BMB Group (a leading manufacturer of healthy snacks), Al Foah (the world's largest dates receiving and processing business), Al Faysal Bakery and Sweets (a leading industrial bakery in Kuwait), Nabil Foods (a Jordan-based leading regional processed meat producer), and Atyab (an Egyptian processed meat producer).

Key Highlights

Seven Agthia products win the Superior Taste Awards from the International Taste Institute

Agthia Group PJSC, one of the region's leading food and beverage companies, announced that seven of its products have won the 2022 "Superior Taste Award" granted by the International Taste Institute in Brussels, Belgium.

The products from its brands such as Al Ain Water, Date Crown, Nabil Foods, and Alpin Water were evaluated against thousands of other food products from across the globe by a jury comprising over 200 world-class chefs. The accolades are granted to the most high-quality products, making the Superior Taste Award one of the world's most prestigious in food production.

Products win two 3-Star and five 2-star awards. Al Ain Water and Date Crown are the only winners of their categories. Al Ain Water only beverage to get 3-stars for two consecutive years. Awards evaluated by a jury comprising over 200 world-class chefs.

Agthia Group Board of Directors approve further expansion in KSA through a greenfield investment

The Board of Directors approved an AED 90 million investment in May'22 for the construction of a manufacturing facility for Nabil, one of Agthia's protein brands, in the city of Jeddah. CAPEX spending is expected to start in the coming months, with first sales from the new facility expected in H2 2023.

The project, which is in response to strong demand from local customers, will further strengthen Agthia's footprint in the KSA – the Gulf's largest and one of the fastest growing consumer markets, and support the company's strategy of becoming one of the leaders in the MENA consumer packaged goods sector.

Agthia Q3 revenue grows 20% to AED 954 million underpinned by strong performance from recent acquisitions.

Agthia Group PJSC, one of the region's leading food and beverage companies, announced on 8th Nov'22, net revenue of AED 954 million for Q3 2022, up 20% year-on-year, following the successful consolidation and integration of recent acquisitions. Group EBITDA increased 23% year-on-year to AED 128 million notwithstanding significant upwards pressure on raw material costs in the period, testament to both strong cost discipline and leveraging synergies across new verticals. Net profit was AED 40.5 million, up 14% on the prior year.

Organizational Changes

As Agthia continues to look to the future and delivering on our ambitious 2025 growth ambition, it has always looked at how best to structure its organization to support that agenda. Accordingly, the following changes were made in 2022. These changes are with effect from 1st January 2023.

- Mubarak Al Mansoori will be appointed as President – Snacks & Government Relations for the group. In this new role Mubarak has the responsibility for leading our Al Foah, BMB & Abu Auf businesses, with a view to enabling and unlocking one of our biggest opportunities for growth in the group. In addition, and in view of his expertise and the network he has built over the years with the regulatory authorities in UAE and abroad, he continues to handle Government Relations.
- Abdulla Al Marzooqi is promoted to Senior Vice President – Human Capital, leading the Human Capital function for the entire Group. Abdulla was managing the Human Capital Business Support function for GCC effectively in the past. His expertise & knowledge in this domain, along with his previous experience, will enable Agthia to manage its Human Capital effectively.
- Mujtaba Hussain is promoted to the role of Chief M&A Officer. Mujtaba will continue to lead Agthia's end to end M&A and integration activities for the Group and this appointment is in recognition of the significant role M&A has played in our recent story and our commitment to keep this important function at the heart of our growth agenda.
- Ammar Ghoul had decided to step down from his roles and responsibilities in Agthia from Aug'22. Neeraj Jain- Senior Director, Corporate Finance function had been serving as acting CFO for the interim period. Sherif Elfaham has been appointed as the Chief Financial Officer of the organization with effect from January 2023. He holds a master's degree in Financial Strategy from Oxford University and is a Certified Management Accountant (CMA) from the Institute of Management Accountants (IMA). Sherif has spent over 20 years with Unilever in the UK, North Africa, the Middle East, and Turkey. Most recently, he served as CFO of its multi-billion-dollar Global Fabric Care business and Home Care Business Group performance management, where he co-led the future formats acceleration strategy and stepped-up value creation of the business.

Khalifa Sultan Al Suwaidi
Board Chairman
February 8, 2023

Salmeen Obaid Alameri
NRC & SIC Chairman
February 8, 2023

Khamis Mohamed Buharoon Al Shamsi
ARC Chairman
February 8, 2023

Alok Tuteja
Director - GRC
February 8, 2023


21,690
15,761

Report and consolidated financial statements

for the year ended 31 December 2022

Independent Auditor's Report
To the Shareholders of Agthia Group PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the applicable requirements of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter

Carrying value of goodwill

Refer to note 3 and note 8 of the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
As of 31 December 2022, the carrying value of goodwill amounted to AED 1,859 million, or 27.3% of total assets, as disclosed in Note 8. In accordance with IAS 36 Impairment of Assets, an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment. Goodwill is monitored by management at the level of cash-generating units ("CGUs"). Management carried out an impairment exercise as at 31 December 2022 in respect of goodwill allocated to each CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which was based on the most recent formal business plan prepared by the Group's management. An impairment is recognized on the consolidated statement of financial position when the recoverable amount is less than the net carrying amount in accordance with IAS 36, as described in Note 3 to the consolidated financial statements. The determination of the recoverable amount is mainly based on discounted future cash flows. We considered the impairment of goodwill to be a key audit matter, given the method for determining the recoverable amount and the significance of the account in the Group's consolidated financial statements. In addition, the recoverable amounts are based on the use of significant assumptions, estimates or assessments made by management, in particular future cash flow projections, the estimate of the discount rates and long-term growth rates.	We have familiarized ourselves with the process implemented by the Group to determine the recoverable amounts of goodwill allocated to Cash-Generating Units (CGU). Our work consisted of: (i) Evaluating the design and implementation of controls over the Group's initial recognition and testing of goodwill for impairment; (ii) assessing the principles and methods used for determining the recoverable amounts of the CGU to which the goodwill is allocated and assessing that the methods used are in accordance with the requirements of IAS 36; (iii) reconciling the net carrying amount of the goodwill allocated to the CGU tested with the Group's accounting records; (iv) engaging our valuation specialists to review management's discounted cash flow models and to assess the discount and growth rates applied by benchmarking against independent data; (v) substantiating the results of sensitivity analyses carried out by management by comparing them to those realized by us; (vi) verifying the arithmetical accuracy of the valuations used by the Group. We have also assessed the disclosures provided in Note 8 to the consolidated financial statements against the requirements of IFRSs.

Other Information

The Board of Directors and Management are responsible for the other information. The other information comprises the Annual Report 2022, which will be made available to us after the auditor's report date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

When we will read the Annual Report 2022, if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of Management and Those Charged with Governance for the ConsolidatedFinancial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of the Company and the UAE Federal Decree Law No. (32) of 2021, and for such internal control as management determine 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.

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 ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities 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 ISAs and the applicable requirements of ADAA Chairman's Resolution No. 88 of 2021 Regarding financial statements Audit Standards for the Subject Entities, 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 risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 disclosure 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other Legal and Regulatory Requirements

As required by the UAE Decree Federal Law No. (32) of 2021, we report for the year ended 31 December 2022 that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- the Group has maintained proper books of account;
- Note 1 and Note 37 to the consolidated financial statements disclose the shares purchased by the Group during the financial year ended 31 December 2022;
- Note 1 to the consolidated financial statements of the Group discloses social contributions made during the financial year ended 31 December 2022;
- Note 13 to the consolidated financial statements discloses the material related party transactions and balances, and the terms under which they were conducted; and
- based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or of its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2022.

Pursuant to the requirements of Article 5 of Abu Dhabi Accountability Authority ("ADAA") Chairman Resolution No. 88 of 2021 regarding the examination of internal financial controls over financial reporting, we have been engaged to perform assurance engagement to provide a reasonable assurance report on the effectiveness of internal financial controls over financial reporting for Agthia Group PJSC, excluding certain subsidiaries, but not on the consolidated financial statements of the Group.

Further, as required by the ADAA Chairman Resolution No. 88 of 2021 regarding financial statements Audit Standards for the Subject Entities, except for above, we report, in connection with our audit of the financial statements for the year ended 31 December 2022, that nothing has come to our attention that causes us to believe that the Group has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the consolidated financial statements as at 31 December 2022:

(i) its Article of Association; and

(ii) relevant provisions of the applicable laws, resolutions and circulars that have an impact on the Subject Entity's Consolidated financial statements.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
7 March 2023
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as of 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Non-current assets			
Right-of-use assets	5	87,323	109,444
Property, plant, and equipment	6	1,446,027	1,500,436
Investment in an associate and a joint venture	7	16,976	24,251
Goodwill	8	1,858,593	1,524,389
Intangible assets	9	563,292	493,500
Other non-current asset		222	-
Total non-current assets		3,972,433	3,652,020
Current assets			
Inventories	10	847,275	708,241
Trade and other receivables	11	891,034	815,943
Government compensation receivable	12	40,866	10,283
Due from related parties	13	14,694	14,778
Cash and bank balances	14	1,042,502	1,123,257
Total current assets		2,836,371	2,672,502
Total assets		6,808,804	6,324,522

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

Consolidated statement of financial position
as of 31 December 2022 (continued)

	Notes	2022 AED'000	2021 AED'000
EQUITY AND LIABILITIES			
Equity			
Share capital	20	791,577	791,577
Share premium	20	652,097	652,097
Legal reserve	21	251,942	227,263
Translation reserve		(150,531)	(77,742)
Other reserve		222	-
Retained earnings		1,267,967	1,166,698
Equity attributable to the owners of the Company		2,813,274	2,759,893
Non-controlling interests	34	272,619	209,504
Total equity		3,085,893	2,969,397
Non-current liabilities			
Provision for employees' end of service benefits	15	115,943	123,817
Bank borrowings	16	1,710,816	1,636,953
Lease liabilities	17	55,551	74,107
Deferred government grant	18	23,615	28,940
Total non-current liabilities		1,905,925	1,863,817
Current liabilities			
Bank borrowings	16	675,651	422,224
Lease liabilities	17	30,394	33,092
Deferred government grant	18	9,362	11,245
Trade and other payables	19	990,121	976,283
Contingent consideration	37	111,458	48,464
Total current liabilities		1,816,986	1,491,308
Total liabilities		3,722,911	3,355,125
Total equity and liabilities		6,808,804	6,324,522

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, financial performance and cash flows of the Group as of, and for, the years presented therein.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 7 March 2023 and signed on its behalf:

Khalifa Sultan Al Suwaidi
Chairman

Alan Smith
Chief Executive Officer

Sherif Elfaham
Chief Financial Officer

Consolidated statement of profit or loss
for the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Revenue	23	4,067,394	3,067,614
Cost of sales	24	(2,909,812)	(2,110,937)
Gross profit		1,157,582	956,677
Selling and distribution expenses	25	(507,956)	(449,041)
General and administrative expenses	26	(345,825)	(270,997)
Research and development costs	27	(9,298)	(9,598)
Other income	28	52,229	28,185
Operating profit		346,732	255,226
Finance income	29	27,419	16,731
Finance expense	30	(75,897)	(20,855)
Share of profit / (loss) of an associate and a joint venture	7	3,071	(2,900)
Profit before tax and zakat		301,325	248,202
Income tax and zakat expenses	31	(28,742)	(16,997)
Profit for the year		272,583	231,205
Attributable to:			
Owners of the Company		246,785	216,039
Non-controlling interests		25,798	15,166
		272,583	231,205
Basic and diluted earnings per share (AED)	32	0.312	0.286

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

Consolidated statement of comprehensive income
for the year ended 31 December 2022

	2022 AED'000	2021 AED'000
Profit for the year	272,583	231,205
Other comprehensive loss:		
Item that may be subsequently reclassified to profit or loss		
Foreign currency translation difference on foreign operations	(92,845)	(13,309)
Cash flow hedges – effective portion of changes in fair value	222	-
Item that will not be subsequently reclassified to profit or loss		
Re-measurement of employees' end of service benefits	10,018	(882)
Other comprehensive loss	(82,605)	(14,191)
Total comprehensive income for the year	189,978	217,014
Attributable to:		
Owners of the Company	183,991	201,815
Non-controlling interests	5,987	15,199
	189,978	217,014

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

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Attributable to the owners of the Company AED'000	Non-controlling interests	Total AED'000
Balance at 1 January 2021	600,000	-	205,659	(64,254)	-	1,157,104	1,898,509	29,662	1,928,171
Profit for the year	-	-	-	-	-	216,039	216,039	15,166	231,205
Other comprehensive (loss)/ income:									
Foreign currency translation difference on foreign operations	-	-	-	(13,488)	-	-	(13,488)	179	(13,309)
Re-measurement of employees' end of service benefits	-	-	-	-	-	(736)	(736)	(146)	(882)
Total comprehensive (loss)/ income for the year	-	-	-	(13,488)	-	215,303	201,815	15,199	217,014
Dividends (note 22)	-	-	-	-	-	(184,105)	(184,105)	-	(184,105)
Issuance of share capital and share premium (note 20)	191,577	652,097	-	-	-	-	843,674	-	843,674
Non-controlling interests arising on business combinations	-	-	-	-	-	-	-	153,765	153,765
Transfer to legal reserve	-	-	21,604	-	-	(21,604)	-	-	-
Balance at 31 December 2021	791,577	652,097	227,263	(77,742)	-	1,166,698	2,759,893	198,626	2,958,519

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

Consolidated statement of changes in equity
for the year ended 31 December 2022 (continued)

	Share capital AED'000	Share premium AED'000	Legal reserve AED'000	Translation reserve AED'000	Other reserve AED'000	Retained earnings AED'000	Attributable to the owners of the Company AED'000	Non-controlling interests	Total AED'000
Balance at 31 December 2021	791,577	652,097	227,263	(77,742)	-	1,166,698	2,759,893	198,626	2,958,519
Reclassification (note 38)	-	-	-	-	-	-	-	10,878	10,878
Balance at 31 December 2021 (reclassified)	791,577	652,097	227,263	(77,742)	-	1,166,698	2,759,893	209,504	2,969,397
Profit for the year	-	-	-	-	-	246,785	246,785	25,798	272,583
Other comprehensive (loss)/ income:									
Foreign currency translation difference on foreign operations	-	-	-	(72,789)	-	-	(72,789)	(20,056)	(92,845)
Re-measurement of employees' end of service benefits	-	-	-	-	-	9,773	9,773	245	10,018
Cash flow hedges – effective portion of changes in fair value	-	-	-	-	222	-	222	-	222
Total comprehensive (loss)/ income for the year	-	-	-	(72,789)	222	256,558	183,991	5,987	189,978
Dividends (note 22)	-	-	-	-	-	(130,610)	(130,610)	-	(130,610)
Dividends paid to non-controlling interests		-	-	-	-	-	-	(3,382)	(3,382)
Non-controlling interests arising on business combinations (note 37)	-		-	-	-	-	-	60,510	60,510
Transfer to legal reserve	-		24,679	-	-	24,679	-	-	-
Balance at 31 December 2021	791,577	652,097	251,942	(150,531)	222	1,267,967	2,813,274	272,619	3,085,893

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

Consolidated statement of cash flows
for the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
Cash flows from operating activities			
Profit before tax and zakat expenses		301,325	248,202
Adjustments for:			
Depreciation of property, plant and equipment	6	164,795	151,930
Amortisation of right-of-use assets	5	41,395	35,531
Amortisation of intangible assets	9	25,193	12,672
Interest income	29	(27,419)	(16,731)
Interest expense	30	72,013	16,416
Provision for employees' end of service benefits	15	17,177	13,837
Allowance for impairment losses of trade receivables, net	11	6,397	12,674
Gain on sale of property, plant and equipment	28	(2,023)	(1,587)
Movement in allowance for slow moving inventory, net	10	5,798	17,992
Interest expense on lease liabilities	17	6,011	3,768
Gain on sale of a joint venture	7	(2,443)	-
Share of (profit) / loss of an associate and a joint venture	7	(3,071)	2,900
		605,148	497,604
Movements in working capital:			
Inventories		(122,760)	(117,940)
Trade and other receivables		(23,342)	147,582
Due from related parties		84	8,066
Government compensation receivable		(30,583)	2,168
Due to a related party		-	(4,895)
Deferred government grant		(7,208)	(1,082)
Trade and other payables		(64,199)	(16,976)
Cash generated from operations		357,140	514,527
Payment of employees' end of service benefits	15	(14,810)	(16,291)
Income tax and zakat paid		(26,364)	(390)
Net cash generated from operating activities		315,966	497,846
Cash flows from investing activities			
Payment for purchase of property, plant and equipment	6	(136,601)	(134,204)
Investment in fixed deposits, net		124,849	(275,015)
Investment in subsidiaries, net of cash acquired	37	(327,341)	(1,252,426)
Interest received		23,035	16,989
Proceeds from sale of property, plant and equipment		4,835	2,360
Dividends received	7	7,375	-
Payment of a contingent consideration		(17,025)	-
Proceeds from sale of joint venture	7	5,414	-
Net cash used in investing activities		(315,459)	(1,642,296)

Consolidated statement of cash flows
for the year ended 31 December 2022 (continued)

	Notes	2022 AED'000	2021 AED'000
Cash flows from financing activities			
Dividends paid to shareholders	22	(130,610)	(184,105)
Dividends paid to non-controlling interests		(3,382)	-
Proceeds from long term borrowings		275,475	1,402,493
Repayments of long term borrowings		(206,838)	(11,884)
Movement in short term borrowings, net		185,341	68,667
Repayments of principal amount of lease liabilities	17	(60,122)	(39,969)
Interest paid		(51,175)	(13,048)
Net cash from financing activities		8,689	1,222,154
Increase in cash and cash equivalents		9,196	77,704
Effect of foreign exchange rate changes		(15,938)	(5,312)
Cash and cash equivalents as at 1 January	14	227,863	155,471
Cash and cash equivalents as at 31 December	14	221,121	227,863
Non-cash transaction			
Acquisition of subsidiaries through issuance of shares	20	-	843,674

The accompanying notes from an integral part of these consolidated financial statements

Notes to the consolidated financial statements
for the year ended 31 December 2022

1. General Information

Agthia Group PJSC ("the Company") was incorporated as a Public Joint Stock Company pursuant to the Ministerial Resolution No. 324 for 2004 in the Emirate of Abu Dhabi. General Holding Corporation PJSC (SENAAT) owns 62.9% of the Company's shares. Pursuant to Law No (02) of 2018 and Executive Council Resolution No. (33) of 2020, SENAAT became wholly owned by Abu Dhabi Development Holding Company "Public Joint Stock Company" (ADQ) which is wholly owned by the Government of Abu Dhabi.

Principal activities of the Company and its subsidiaries (together referred to as the "Group") are to establish, invest, trade and operate companies and businesses that are involved in the food and beverage sector.

The registered office of the Company is at Al Reem Island, Sky Towers, 17th Floor, P.O. Box 37725, Abu Dhabi, United Arab Emirates.

The Group made social contributions amounting to AED 654 thousand during the year ended 31 December 2022 (2021: AED 825 thousand).

Principal activities, country of incorporation and operation, and ownership interest of the Company in its sizable subsidiaries are set out below:

Name of the subsidiary	Place of incorporation and operation	Legal ownership interest (%)		Beneficial ownership interest (%)		Principal activities
		2022	2021	2022	2021	
Grand Mills Company PJSC (Agri business division)	UAE	100	100	100	100	Production and sale of flour and animal feed.
Al Ain Food and Beverages PJSC (Al Ain Water)	UAE	100	100	100	100	Production and sale of bottled water, flavored water, juices, yogurt, tomato paste, frozen vegetables, frozen baked products and trading products.
Agthia Group Egypt LLC (Agthia Egypt)	Egypt	100	100	100	100	Processing and sale of tomato paste, chilli paste, fruit concentrate and frozen vegetables.

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

Notes to the consolidated financial statements as at 31 December 2022 (continued)

1. General information (continued)

Name of the subsidiary	Place of incorporation and operation	Legal ownership interest (%)		Beneficial ownership interest (%)		Principal activities
		2022	2021	2022	2021	
Al Bayan Purification and Potable Water LLC (Al Bayan)	UAE	**100**	100	**100**	100	Production, bottling and sale of bottled water.
Delta AlAgthia for Manufacturing Company Limited (Delta)	KSA	**100**	100	**100**	100	Production, bottling and sale of bottled water.
Al Rammah National for General Trading and Contracting Company WLL (Al Rammah)	Kuwait	**50**	50	**50**	50	Production, bottling and sale of bottled water.
Al Foah Company LLC (Foah)	UAE	**100**	100	**100**	100	Sourcing, processing and trading of dates related products
Al Faysal Bakery and Sweets Company WLL (Al Faysal)	Kuwait	**100**	100	**100**	100	Manufacturing and trading in bakery and foodstuff
Al Nabil Food Industries LLC (Al Nabil)	Jordan	**80**	80	**80**	80	Manufacturing and trading in processed protein food products
Ismailia Agricultural and Industrial Investment (Furat) (Atyab)	Egypt	**75.02**	75.02	**75.02**	75.02	Manufacturing and trading in processed protein food products
Mediterranean Confectionery Company Limited (BMB) (note 37)*	KSA	**100**	100	**80**	80	Trading of foodstuff and bakery products.
Baklawa Made Better Investments LLC (BMB) (note 37)*	UAE	**100**	100	**80**	80	Manufacturing and trading of sweets and snacking items.
A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E. (Abu Auf) (note 37)	Egypt	**60**	-	**60**	-	Manufacturing and trading of healthy snacks, nuts and coffee.

* Represents the Group beneficial ownership after excluding the economic interest of the management party. Agthia Group legally owns 100% of these companies issued share capital (note 37).

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

2. Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 3 Reference to the Conceptual Framework	The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.
Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use	The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the consolidated statement of comprehensive income, the consolidated financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the consolidated statement of comprehensive income include(s) such proceeds and cost.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

2.2 New and amended IFRSs in issue but not yet effective and not early adopted

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.	1 January 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	1 January 2023

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimates The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications: • A change in accounting estimate that results from new information or new developments is not the correction of an error • The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.	1 January 2023

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises: • A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with: - Right-of-use assets and lease liabilities - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset • The cumulative effect of initially applying the amendments as an adjustment to the` opening balance of retained earnings (or other component of equity, as appropriate) at that date	1 January 2023
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.	1 January 2023
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.	1 January 2024

Management anticipates that these new standards, interpretations, and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Notes to the consolidated financial statements
for the year ended 31 December 2022 (continued)

3. Summary of significant accounting policies

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the Articles of Association of the Company, as amended, and wherever applicable, with the UAE Decree Federal Law No. (32) of 2021.

Federal Decree Law No. (32) of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and has come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Company has applied the requirements New Companies Law during the year ended 31 December 2022.

Basis of preparation

These consolidated financial statements are presented in UAE Dirhams (AED), rounded to the nearest thousands, which is the functional currency of the Group.

These consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

IFRS 10 governs the basis for consolidation where it establishes a single control model that applies to all entities including special purpose entities or structured entities.

The definition of control under IFRS 10 is that an investor controls an investee when it 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. To meet the definition of control in IFRS 10, all the following three criteria must be met, including:
(a) the investor has power over an investee;
(b) the investor has exposure to, or rights, to variable returns from its involvement with the investee; and
(c) the investor has the ability to use its power over the investee to affect the amount of the investor’s returns.

Subsidiaries

Subsidiaries are investees that are controlled by the Group. The Group controls the investee if it meets the control criteria. The Group reassesses whether it has control if, there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Business combination

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, together with the fair value of any contingent consideration payable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. Gains or losses on disposals of non-controlling interests are also recorded in the consolidated statement of changes in equity.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive management.

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 Group's executive management to make decisions about resources to be allocated to the segment and assess its performance, and for which financial information is available (note 36).

Foreign currency

(a) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss within "finance expense".

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within "finance expense".

(b) Group companies

The results and financial position of all the Group subsidiaries (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the Group's functional and presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the date of the consolidated statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at the rate prevailing on the date of the transaction; and

(iii) all resulting exchange differences are recognised in the consolidated statement of other comprehensive income.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Freehold land is not depreciated though it is subject to impairment testing. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Plant and equipment	2-20 years
Motor vehicles	4-8 years
Software	4-8 years
Furniture and fixtures	4-8 years

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 (see note 3 "impairment of non-financial assets"). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income' in the consolidated statement of profit or loss.

Capital work in progress

The Group capitalises all costs relating to the construction of property, plant and equipment as capital work in progress, up to the date of completion and commissioning of the assets.

These costs are then transferred from capital work in progress to the appropriate asset class upon completion and commissioning and are depreciated over their useful economic lives from the date of such completion and commissioning.

Goodwill and Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Calculations are performed based on the expected cash flows of the relevant cash generating units and discounting them at an appropriate discount rate, the determination of which requires the exercise of judgement.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

Acquired intangible assets

Intangible assets acquired separately are measured initially at fair value which reflects market expectations of the probability that future economic benefits embodied in the asset will flow to the Group.

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Based on an analysis of all the relevant factors for premium brand names, there is no foreseeable limit to the period over which it is expected to generate net cash inflows for the Group and is therefore considered to have an indefinite useful life. Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised. Useful lives of intangible assets are stated below.

Brand names	20 years - ∞
Customer relationships	10-12 years

Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets– are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or 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 costs to disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion cost and other costs incurred in bringing them to their existing location and condition. In case of manufactured inventories cost includes an appropriate share of production overheads based on normal operating capacity. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash and bank balances

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, cash at banks, and deposits held at call with banks with original maturities of not more than three months adjusted for bank overdrafts and restricted cash.

In the consolidated statement of financial position, cash and bank balances include cash on hand, cash at banks, deposits held at call with banks, and restricted cash.

Bank overdrafts are shown within current bank borrowings.

Share capital and share premium

Ordinary shares are classified as equity. Share premium related to ordinary shares is classified as equity.

Trade payables

Trade payables are obligations to pay for goods or 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss 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 recognised in the consolidated statement of profit or loss over the period of loan.

Employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Bonus and long-term incentive plans

The Group recognises the liability for bonuses and long-term incentives in the consolidated statement of profit and loss on an accrued basis. The benefits for the management are subject to board’s approval and are linked to business performance.

Defined contribution plan

Monthly pension contributions are made in respect of UAE national employees, who are covered by the Law No. 2 of 2000. The pension fund is administered by the Government of Abu Dhabi, Department of Finance, represented by the Abu Dhabi Retirement Pensions and Benefits Fund. Pension is accounted for in accordance with the local and regulatory requirements for non-UAE GCC national employees.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group currently operates an unfunded scheme for defined benefits in accordance with the applicable provisions of the UAE Federal Labour Law and is based on periods of cumulative service and levels of employees› final basic salaries. The Group›s net obligation in respect of defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods discounted to determine its present value. Any unrecognised past service costs are deducted. The discount rate is the yield at the valuation date on US AA-rated corporate bonds, which in the absence of a deep market in corporate bonds within the UAE is the relevant proxy market as determined by the Group.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When benefits of the plan are improved, the portion of the increased benefit related to past service by employees is recognised in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the consolidated statement of profit or loss. The Group recognises all actuarial gains and losses arising from defined benefit plans in the consolidated statement of other comprehensive income and all expenses related to defined benefit plans within the consolidated statement of the profit or loss.

Provisions

Provisions for claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required and settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Finance income and finance expenses

Finance income comprises interest income on call deposits and gains on derivative financial instruments. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expenses on borrowings, interest expenses on lease liabilities, and foreign exchange results. All borrowing costs are recognised in the consolidated statement of profit or loss using the effective interest method.

Dividends

Dividends are recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by the Group's shareholders.

Zakat and foreign income tax

The Group's operations in the Kingdom of Saudi Arabia is subject to Zakat. Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations.

Income tax for overseas subsidiaries operating within taxable jurisdiction is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred tax assets / liabilities

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the way the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Earnings per share

The Group presents earnings per share data for its shares. Earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with customers and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group accounts for that revenue at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Some contracts for the sale of goods provide customers with several considerations including a right of return and volume rebates. Rights of return and volume rebates give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

Right of return

When a contract provides a customer with a right to return the goods within a specified period, the consideration received from the customer is variable because the contract allows the customer to return the products, if any. The Group uses the expected value method to estimate the goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. If significant, the Group presents a refund liability and an asset for the right to recover products from a customer separately in this consolidated statement of financial position.

Volume rebates

The Group provides retrospective volume rebates to selected customers and products as per the terms specified in the contract. Rebates are offset against amounts payable by the customer on subsequent purchases. Retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Group applied the method to each customer as per the agreed upon rebate scheme that best predicts the amount of variable consideration. The Group then applies the requirements on constraining estimates of variable consideration. Accordingly, the Group recognised contract liabilities for the expected future rebates.

Considerations paid or payable to customers

The Group pays exclusivity fees, display fees, remodeling fees, opening fees, and listing and other fees to certain customers for the provision of various services. The Group assesses whether these services are distinct when compared to the goods sold to the customers. The distinct or non-distinct services are then recognised as selling and distribution expenses or netted against revenue, respectively.

Leases

The Group as lessee

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

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

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

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

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

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

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Property, plant and equipment' policy.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group›s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group›s net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Financial instruments

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in the consolidated profit or loss.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and measurement - Financial assets

Financial assets at amortised cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the consolidated statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Classification and measurement - Financial assets

Financial assets at FVTPL

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in consolidated statement of profit or loss

Impairment

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Group's historical experience and informed credit assessment and including forward-looking information. Forward looking information considered includes the future prospects of the industries in which the Group's receivables operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has an external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due. For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Measurement of ECL

The Group employs statistical models for ECL calculations for its trade and other receivables, government compensation receivables, due from related parties and cash and bank balances. ECLs are a probability-weighted estimate of credit losses. The parameters used in calculation are derived from the Group's internally developed statistical models and other historical data and adjusted to reflect forward-looking information. The Group assess impairment loss on its trade and other receivables portfolio using an expected loss measurement basis using the simplified approach.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade payables and accruals and lease liabilities, classified as 'financial liabilities', are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term liabilities when the recognition of interest is immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in consolidated statement of profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non current asset or a non current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in consolidated statement of other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in consolidated statement of profit or loss, and is included in the 'other income' line item.

Amounts previously recognised in consolidated statement of other comprehensive income and accumulated in equity are reclassified to consolidated statement of profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non financial asset or a non financial liability, the gains and losses previously recognised in consolidated statement of other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non financial asset or non financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to consolidated statement of profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to consolidated statement of profit or loss.

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

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

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

Investments in an associates and joint ventures (continued)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Government compensation and grants

Compensation pertains to funds that compensate the Group for selling flour and animal feed at subsidised prices within the Emirate of Abu Dhabi and are recognised in the consolidated statement of profit or loss, as a deduction from the cost of sales, on a systematic basis in the same period in which the sales transaction is affected.

Grants from Abu Dhabi Government are provided to the Group to finance some of the operational and capital expenditures of the Group and are recognised at their nominal value where there is reasonable assurance that grants will be received. The nominal value is deemed to be the cost to the donor. There are no explicit conditions attached to the government grants received except that these should be utilised by the Group for the purpose these are provided for.

Any surplus of government grants which is not utilised in the year it is received by the Group, is deferred to the subsequent period. This deferred government grant is included in non-current and current liabilities. Any excess expenditure over government grants received is recorded as balance receivable from government in the consolidated statement of financial position.

Grants related to assets

Non-monetary government grants related to assets are recognised at the carrying amount of the assets and presented as deferred government grant in the consolidated statement of financial position. The grant is amortised over the life of the depreciable assets and is offset with the relevant depreciation expense of the assets.

Grants related to operations

Other government grants, which relate to operational expenditures, are recognised in consolidated statement of profit or loss over the periods necessary to match them with the costs that they are intended to compensate, on a systematic basis. Grants related to income are shown net of the related expenses when reporting these in profit or loss.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Group's accounting policies (see note 3); management has made the following judgements and estimates which have a significant effect on the amounts of the Group assets and liabilities recognised in these consolidated financial statements.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer channels that have similar loss patterns (i.e. customer type and rating, and coverage by letters of guarantees).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the market, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is within these consolidated financial statements (see note 3 and note 35 "Financial Instruments").

Useful lives of property, plant and equipment

Management assigns useful lives and residual values to items of property, plant and equipment based on the intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from the initial estimates.

Impairment of non-current assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained within these consolidated financial statements (notes 8 and 9).

Determination of acquisition date in a business combination

One of the critical steps in a business combination is to identify the acquisition date. As per IFRS 3 “Business Combinations”, the acquisition date is defined as the date on which the acquirer obtains control of the acquiree. The acquisition date is critical because it determines when the acquirer recognizes and measures the consideration transferred, the assets acquired, and liabilities assumed. The acquiree’s results are consolidated from this date. In a business combination affected by a sale and purchase agreement, the acquisition date is generally the specified closing or completion date. It is often readily apparent from the structure of the business combination and the terms of the sale and purchase agreement (if applicable) but this is not always the case.

IFRS 3 explains that the date on which the acquirer obtains control of the acquiree is generally the date on which the acquirer legally transfers the consideration, acquires the assets, and assumes the liabilities of the acquiree - the closing date. However, the acquirer should consider all pertinent facts and circumstances in identifying the acquisition date, including the possibility that control is achieved on a date that is either earlier or later than the closing date.

During the year, the Group entered into new business combination transaction (note 37). Management has considered all legal aspects of the sale and purchase agreements and the pertinent facts and circumstances around each transaction in order to determine the acquisition dates of this transaction in accordance with IFRS 3.

Fair value measurement of contingent considerations

Contingent considerations from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent liabilities meet the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on detailed assessment of performance targets. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

As part of the accounting for the acquisitions of Baklawa Made Better Investments and Mediterranean Confectionery Company Limited and A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E., contingent considerations with an estimated fair value of AED 111,458 thousand were recognised at the acquisition date and remeasured as at the reporting date (refer note 37). Future developments may require further revisions to the estimate.

5. Right-of-use assets

	Land and buildings AED'000	Plant and equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost				
At 1 January 2021	44,103	-	74,399	118,502
Additions	7,838	-	15,803	23,641
Acquired through business combinations	35,801	11,269	4,320	51,390
Terminations	(4,120)	-	-	(4,120)
Exchange differences	23	-	(4)	19
At 31 December 2021	83,645	11,269	94,518	189,432
Additions	13,555	-	3,364	16,919
Acquired through a business combination (note 37)	29,380	-	-	29,380
Terminations	(21,449)	-	(1,140)	(22,589)
Exchange differences	(9,193)	(4,119)	(1,489)	(14,801)
At 31 December 2022	95,938	7,150	95,253	198,341
Accumulated amortisation				
At 1 January 2021	16,983	-	28,432	45,415
Charge for the year	16,200	673	18,658	35,531
Terminations	(1,282)	-	-	(1,282)
Exchange differences	199	61	64	324
At 31 December 2021	32,100	734	47,154	79,988
Charge for the year	19,090	1,822	20,483	41,395
Terminations	(6,798)	-	(847)	(7,645)
Exchange differences	(1,488)	(691)	(541)	(2,720)
At 31 December 2022	42,904	1,865	66,249	111,018
Carrying amount				
At 31 December 2022	53,034	5,285	29,004	87,323
At 31 December 2021	**51,545**	**10,535**	**47,364**	**109,444**

The amortization charge for the year is mainly allocated to the cost of sales and selling and distribution expenses amounting to AED 13,165 thousand (2021: AED 9,244 thousand) and AED 26,988 thousand (2021: AED 26,043 thousand) respectively.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

6. Property, plant and equipment

	Land and buildings AED'000	Plant and equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost						
At 1 January 2021	787,437	1,197,616	65,732	71,891	31,634	2,154,310
Additions	3,211	39,196	3,340	6,201	82,256	134,204
Acquired through business combinations	246,391	158,758	11,670	8,503	50,015	475,337
Disposals	(3,560)	(29,733)	(58)	(6,381)	(45)	(39,777)
Transfers	5,374	24,405	1,371	1,211	(32,361)	-
Exchange differences	(3,521)	(6,578)	(253)	(111)	342	(10,121)
At 31 December 2021	1,035,332	1,383,664	81,802	81,314	131,841	2,713,953
Additions	10,807	46,356	7,483	3,727	68,228	136,601
Acquired through a business combination (note 37)	9,130	14,140	12,972	3,403	1,186	40,831
Disposals	(3,116)	(20,754)	(370)	(4,386)	-	(28,626)
Transfers	39,634	41,316	1,501	176	(82,627)	-
Exchange differences	(21,786)	(29,150)	(5,234)	(3,598)	(15,097)	(74,865)
At 31 December 2022	**1,070,001**	**1,435,572**	**98,154**	**80,636**	**103,531**	**2,787,894**

6. Property, plant and equipment (continued)

	Land and buildings AED'000	Plant and equipment AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Accumulated depreciation						
At 1 January 2021	297,182	705,791	44,308	57,039	-	1,104,320
Charge for the year	46,089	90,034	8,113	7,694	-	151,930
Disposals	(3,431)	(29,194)	(58)	(6,321)	-	(39,004)
Exchange differences	(433)	(2,969)	(194)	(133)	-	(3,729)
At 31 December 2021	339,407	763,662	52,169	58,279	-	1,213,517
Charge for the year	42,789	103,722	9,985	8,299	-	164,795
Disposals	(1,121)	(20,088)	(264)	(4,341)	-	(25,814)
Exchange differences	(1,718)	(5,682)	(2,101)	(1,130)	-	(10,631)
At 31 December 2022	**379,357**	**841,614**	**59,789**	**61,107**	**-**	**1,341,867**
Carrying amount						
At 31 December 2022	**690,644**	**593,958**	**38,365**	**19,529**	**103,531**	**1,446,027**
At 31 December 2021	695,925	620,002	29,633	23,035	131,841	1,500,436

Capital work in progress represents the buildings, plant and equipment under construction across the Group companies.

6. Property, plant and equipment (continued)

Property, plant and equipment depreciation expenses during the year is charged to the consolidated statement of profit or loss as set out below:

	2022 AED'000	2021 AED'000
Cost of sales (note 24)	137,400	129,284
Selling and distribution expenses (note 25)	12,444	10,964
General and administrative expenses (note 26)	14,659	11,493
Research and development costs (note 27)	292	189
	164,795	151,930

7. Investment in an associate and a joint venture

	2022 AED'000	2021 AED'000
Investment in a joint venture	-	5,167
Investment in an associate	16,976	19,084
	16,976	24,251

Investment in a joint venture

Investment in joint venture represents 50% ownership interest in Palmera for Dates Cultivation and Trading LLC (incorporated in Jordan) acquired in 2021 through the acquisition of Al Foah Company LLC. The joint venture is accounted for using the equity method in these consolidated financial statements. The principal activity of the joint venture is agricultural land reclamation, cultivation and production of all types of agricultural products, packing and wrapping vegetables and fruits, agricultural crops development, owning and setting up date farms and trading in their products.

During the year, the Group entered into a Sale and Purchase Agreement with a third party to dispose the joint venture for an amount of AED 5,414 thousand. The disposal resulted in a gain of AED 2,443 thousand for the year 2022 and recorded within other income in the consolidated statement of profit or loss.

Movement in investment in joint venture during the year is set out below:

	2022 AED'000	2021 AED'000
At 1 January	5,167	-
Acquired through a business combination	-	8,067
Share of loss of a joint venture	(2,196)	(2,900)
Gain on disposal of a joint venture	2,443	-
Sales proceeds on disposal of a joint venture	(5,414)	-
At 31 December	-	5,167

Investment in an associate

Investment in an associate represents 31% ownership interest in Kottouf & Hala Trading Co. a limited liability company registered in the Kingdom of Saudi Arabia. The Group acquired the associate in 2021 through the acquisition of BMB Group (note 37). The associate is accounted for using the equity method in these consolidated financial statements. The principal activity of the associate is trading in foodstuff and snacking products.

Movement in investment in an associate during the year is set out below:

	2022 AED'000	2021 AED'000
At 1 January	19,084	-
Acquired through a business combination (note 37)	-	19,084
Share of profit of an associate	5,267	-
Dividends received	(7,375)	-
At 31 December	16,976	19,084

Summary of the latest available financial information on investment in an associate is set out below:

	2022 AED'000	2021 AED'000
Current assets	18,670	23,028
Non-current assets	62,407	68,380
Current liabilities	(31,020)	(33,968)
Non-current liabilities	(10,065)	(12,803)
Net assets	39,992	44,637
Revenue	231,192	289,569
Profit before zakat	19,822	29,412
Profit for the year	18,847	27,959

8. Goodwill

	2022 AED'000	2021 AED'000
Opening balance	1,524,389	275,933
Acquired through business combinations (note 37)	334,204	1,248,456
Closing balance	1,858,593	1,524,389

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

8. Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to the Group's Cash Generating Units ("CGUs") where the goodwill is monitored for internal management purposes. The aggregate carrying amount of goodwill allocated to each unit is as set out below:

	Country	2022 AED'000	2021 AED'000
Consumer business division (Atyab)	Egypt	425,401	425,401
Consumer business division (BMB)	UAE	359,338	359,338
Consumer business division (Al Nabil)	Jordan	264,092	264,092
Consumer business division (Foah)	UAE	102,465	102,465
Consumer business division (Al Faysal)	Kuwait	97,160	97,160
Consumer business division (Al Bayan)	UAE	92,864	92,864
Consumer business division (Delta)	KSA	87,597	87,597
Agri business division	UAE	61,855	61,855
Consumer business division (Al Ain Water)	UAE	31,131	31,131
Consumer business division (Agthia Turkey)	Turkey	2,486	2,486
Consumer business division (Abu Auf)	Egypt	334,204	-
		1,858,593	1,524,389

The recoverable amounts of Agri Business Division and Consumer Business Divisions CGUs were based on their values in use determined by management. The recoverable amounts of these CGUs were determined to be higher than their carrying amounts.

Values in use were determined by discounting the future cash flows generated from the continuing use of the units. Cash flows were projected based on past experience and the five-year business plan approved by the management. CGUs related to the Group's recent acquisitions of Consumer business division (Abu Auf) is assumed to be similar to its carrying amount stated as at 31 December 2022 due to its recent acquisition and valuation.

Key assumptions used for the Group's CGUs impairment testing are set out below:

Anticipated annual revenue growth (%)

	2022	2021
Agri business division	0.3% - 11.7%	1% - 2.1%
Consumer business division (Al Ain Water)	1.2% - 14.8%	2.7% - 3.8%
Consumer business division (Agthia Turkey)	4.2%-30.3%	5% - 6%
Consumer business division (Al Bayan)	6.3% - 9.7%	1.5% - 9.5%
Consumer business division (Delta)	4.9% - 13.8%	4% - 6%
Consumer business division (Foah)	5% - 11.7%	3.8% - 5%
Consumer business division (Al Faysal)	2.3% - 5.1%	0% – 3.3%
Consumer business division (Al Nabil)	10.8% - 19.6%	12.2% - 18.6%
Consumer business division (BMB)*	0% - 36.8%	-
Consumer business division (Atyab)*	2.6% - 25.9%	-

Discount rate (%)

	2022	2021
Agri business division	8.67%	9.1%
Consumer business division (Al Ain Water)	9.43%	8.4%
Consumer business division (Agthia Turkey)	11.4%	13%
Consumer business division (Al Bayan)	9.38%	8.4%
Consumer business division (Delta)	8.30%	8.5%
Consumer business division (Foah)	8.56%	9.6%
Consumer business division (Al Faysal)	9.25%	8.1%
Consumer business division (Al Nabil)	10.94%	9.6%
Consumer business division (BMB) *	8.78%	-
Consumer business division (Atyab) *	8.97%	-

* BMB and Atyab were acquired near to the year end 31 December 2021 and accordingly were not subject to goodwill impairment assessment exercise as at 31 December 2022.

The values assigned to the key assumptions represent the management's assessment of future trends in the food and beverage industry and are based on both external and internal sources.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used by 50 basis points to determine the recoverable amount for each of the group of CGUs to which goodwill is allocated. Management anticipates that no reasonably possible change in any of the key assumptions above would cause the carrying value of any of the CGU including goodwill to materially exceed its recoverable amount.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

9. Intangible assets

	Brand names AED'000	Licenses AED'000	Customer relationships AED'000	Spring water rights AED'000	Others AED'000	Total AED'000
At 1 January 2021	49,604	26,521	-	3,138	247	79,510
Acquired through business combinations	282,011	24,563	58,068	-	9,000	373,642
Amortisation	(8,530)	-	(4,130)	-	(12)	(12,672)
Reclassification (note 38)	6,990	-	47,400	-	-	54,390
Exchange differences	149	-	-	(1,431)	(88)	(1,370)
At 31 December 2021	330,224	51,084	101,338	1,707	9,147	493,500
Acquired through a business combination (note 37)	95,800	-	-	-	-	95,800
Amortisation	(11,581)	(242)	(11,524)	-	(1,846)	(25,193)
Exchange differences	(301)	-	-	(485)	(29)	(815)
At 31 December 2022	**414,142**	**50,842**	**89,814**	**1,222**	**7,272**	**563,292**

Spring water rights is considered to have an indefinite life as per agreement terms, while licenses have been acquired with the option to renew at the end of the period at little or no cost allowing the Group to determine that these licenses have indefinite useful life. Upon acquisition of BMB Group and A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E, the Group recognized their respective brand names which are considered to have an indefinite life. The Group is not aware of any material legal, regulatory, contractual, competitive, economic or other factor which could limit its useful life. Accordingly, spring water rights and licenses are not amortised.

For the purpose of impairment testing, values in use were determined by discounting the future cash flows generated from the continuing use of these units. Cash flows were projected based on experience to build a five-year business plan for spring water rights and license using the following key assumptions:

Anticipated annual revenue growth (%)

	2022	2021
Spring water rights	4.2%-30.3%	5% - 6%
License (Al Rammah)	2.3% - 8%	4% - 14%
License (Al Faysal)	2.3% - 5.1%	0% – 3.3%
Brand name (BMB)	0% - 36.8%	-

Discount rates (%)

	2022	2021
Spring water rights	11.4%	13%
License (Al Rammah)	10.66%	9.3%
License (Al Faysal)	9.25%	8.1%
Brand name (BMB)	8.78%	-

BMB was acquired near to the year end 31 December 2021 and accordingly was not subject to intangible assets impairment assessment exercise as at 31 December 2022.

The values assigned to the key assumptions represent management's assessment of future trends in the food and beverage industry and are based on both external and internal sources.

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used by 50 basis points to determine the recoverable amount for intangible assets. Management anticipates that no reasonably possible change in any of the key assumptions above would cause the carrying value of any of the above intangible assets to materially exceed its recoverable amount.

10. Inventories

	2022 AED'000	2021 AED'000
Raw and packing materials	536,139	468,118
Work in progress	26,915	25,793
Finished goods	215,617	152,138
Spare parts and consumable materials	99,363	97,753
Goods in transit	6,155	5,960
	884,189	749,762
Provision for slow-moving inventory	(36,914)	(41,521)
	847,275	708,241

Movement in the provision for slow-moving inventory during the year is set out below:

	2022 AED'000	2021 AED'000
Opening balance	41,521	32,088
Acquired through business combinations	-	11,354
Charge for the year, net	5,798	17,992
Written off	(10,405)	(19,913)
Closing balance	36,914	41,521

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

11. Trade and other receivables

	2022 AED'000	2021 AED'000
Trade receivables	846,171	826,183
Allowance for impairment losses	(125,342)	(141,850)
	720,829	684,333
Other receivables	62,536	59,460
Prepayments	57,191	39,706
Advances	50,478	32,444
	891,034	815,943

Movement in the allowance for impairment losses of trade receivables during the year is set out below:

	2022 AED'000	2021 AED'000
Opening balance	141,850	116,345
Acquired through business combinations	970	27,776
Charge for the year, net	6,397	12,674
Written off	(23,875)	(14,945)
Closing balance	125,342	141,850

The following table details the risk profile of trade receivables based on the Group's provision matrix. The Group's historical credit loss experience is analysed based on different customer channels.

Ageing analysis of gross receivables and ECL is set out below:

As at 31 December 2022:

	Gross receivables AED'000	ECL %	ECL provision AED'000
Not due	486,283	3.3%	15,995
0 – 90 Days	108,603	5.9%	6,354
91 – 180 Days	28,841	16.3%	4,705
181 – 270 Days	13,772	22.4%	3,089
271 – 360 Days	31,599	16.8%	5,308
361 Days and above	177,073	50.8%	89,891
	846,171	14.8%	125,342

As at 31 December 2021:

	Gross receivables AED'000	ECL %	ECL provision AED'000
Not due	440,687	6.6%	**28,880**
0 – 90 Days	108,961	11.2%	**12,213**
91 – 180 Days	17,163	33.4%	**5,735**
181 – 270 Days	14,694	17.3%	**2,537**
271 – 360 Days	32,261	31.4%	**10,116**
361 Days and above	212,417	38.8%	**82,369**
	826,183	17.2%	**141,850**

The Group recognises lifetime expected credit losses (ECL) for trade receivables using the simplified approach. To determine the expected credit losses all debtors were classified into five categories and ECL rate for each category was determined using a provision matrix:

- Category I – Government
- Category II – Municipalities
- Category III – Reprocessing / food service
- Category IV – Retail / distributors
- Category V – Others

These were adjusted for factors that are specific to the debtors and general economic conditions and an assessment of both the current as well as the forecast direction of the conditions at the reporting date, including time value of money, where appropriate.

12. Government compensation receivable

Government compensation receivables pertains to funds that compensate the Group for selling flour and animal feed in the Emirate of Abu Dhabi.

The movement in the government compensation receivable during the year is set out below:

	2022 AED'000	2021 AED'000
Opening balance	**10,283**	12,451
Compensation claimed during the year	**121,191**	150,708
Compensation received	**(90,608)**	(152,876)
Closing balance	**40,866**	10,283

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

13. Balances and transactions with related parties

The Group, in the ordinary course of business, entered into a variety of transactions at agreed terms and conditions, with companies, entities or individuals that fall within the definition of a related party as defined in IAS 24 Related Party Disclosures.

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions.

Related parties comprise major shareholders, key management personnel, Board of Directors and their related companies.

a) Key management personnel compensation

Key management personnel compensation for the year is set out below:

	2022 AED'000	2021 AED'000
Short term benefits	18,697	21,575
Long term benefits	3,866	3,983
	22,563	25,558

b) Amounts due from related parties

	2022 AED'000	2021 AED'000
Dubai Cable Company (Private) Limited - affiliated company	164	138
Emirates Iron & Steel Company LLC – affiliated company	427	288
Abu Dhabi Development Holding Company (ADQ) – ultimate parent company	723	-
Kottouf & Hala Trading Co. – associate company	13,380	14,352
	14,694	14,778

c) Transactions with related parties

Transactions with related parties during the year were as follows:

	2022 AED'000	2021 AED'000
Sales	85,379	611
Expenses recharged	723	211
Dividend received	7,375	-

14. Cash and bank balances

	2022 AED'000	2021 AED'000
Cash on hand	4,468	5,168
Current and savings accounts	292,826	248,032
Cash and bank balances	297,294	253,200
Restricted cash	(24,936)	(24,969)
Bank overdrafts (note 16)	(51,237)	(368)
Cash and cash equivalents in the consolidated statement of cash flows	221,121	227,863
Cash and bank balances	297,294	253,200
Fixed deposits	745,208	870,057
Cash and bank balances in the consolidated statement of financial position	1,042,502	1,123,257

Fixed deposits are for a period not more than one year and not less than three months (2021: not more than one year and not less than three months). Interest is earned on these deposits at prevailing market rates, the carrying amounts of these assets approximate to their fair value.

Restricted cash represents amounts mainly set aside for payment of dividend distribution from 2009 to 2014. Equivalent amount has been recorded as liability in trade and other payables. Restricted cash balance has not been included in the cash and cash equivalents for the purpose of consolidated statement of cash flows.

Balances with banks are assessed to have low credit risk of default. Accordingly, management estimates the loss allowance on balances with banks at the end of the reporting period to an amount equal to 12-month ECL. None of the balances with banks at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings of the bank, management anticipates that there is no impairment, and hence have not recorded any loss allowances on these balances.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

15. Provision for employees' end of service benefits

	2022 AED'000	2021 AED'000
Amounts recognised in the consolidated statement of financial position		
Opening balance	123,817	81,225
Service cost (including interest costs)	17,177	13,837
Acquired through business combinations	-	46,613
Benefit payments	(14,810)	(16,291)
Reclassification	-	(2,393)
Exchange differences	(223)	(56)
(Gain) / loss on remeasurement	(10,018)	882
Closing balance	115,943	123,817
Amounts recognised in the consolidated statement of profit or loss		
Current service cost	14,466	12,327
Interest cost	2,711	1,510
	17,177	13,837
Amounts recognised in consolidated statement of other comprehensive income		
Effect of changes in demographic assumptions	(4,443)	1,672
Effect of changes in financial assumptions	(7,555)	(3,085)
Effect of experience adjustments	1,980	2,295
	(10,018)	882
Significant actuarial assumptions		
Discount rate	3%	2%
Rate of salary increase	0.5% for all UAE entities and 1-3% for overseas entities	3% for all entities per annum
Sensitivity analysis		
Discount rate		
- 50 basis points	5,802	6,131
+ 50 basis points	5,690	5,747
Salary increase rate		
- 50 basis points	5,688	5,764
+ 50 basis points	5,803	6,111

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

16. Bank borrowings

Contractual terms of the Group's interest-bearing loans and borrowings is set out below:

	2022 AED'000	2021 AED'000
Current liabilities:		
Credit facilities	608,569	406,173
Bank overdrafts	51,237	368
Term loans	15,845	15,683
	675,651	422,224
Non-current liabilities		
Term loans	1,710,816	1,636,953

Terms and repayment schedule

(Amounts in AED' 000)

	Notes	Interest Rate	Year of maturity	2022		2021	
				Face value / limit	Carrying amount	Face value / limit	Carrying amount
Short term loans / bank overdrafts		Margin + Reference rate*	2023	517,453	276,853	389,534	62,088
Credit facilities		Margin + Reference rate*	2023	961,426	382,955	900,189	344,453
Term loan 1	(a)	LIBOR + margin*	2026	550,950	550,950	550,950	550,950
Term loan 2	(a)	LIBOR+ margin*	2026	550,950	550,950	550,950	550,950
Term loan 3	(a)	EIBOR+ margin*	2026	150,000	150,000	150,000	150,000
Term loan 4	(a)	LIBOR+ margin*	2026	150,593	150,593	150,593	150,593
Term loan 5	(b)	LIBOR+ margin*	-	-	-	9,894	9,894
Term loan 6	(c)	LIBOR+ margin*	-	-	-	183,670	183,670
Term loan 7	(d)	CBK + margin*	2026	17,284	17,284	19,666	19,666
Term loan 8	(e)	SAIBOR + margin*	2025	24,431	24,431	34,237	34,237
Term loan 9	(f)	SOFR + margin*	2027	275,475	275,475	-	-
Other term loans	(g)	EIBOR + margin *	-	-	-	3,824	2,676
Other term loans	(h)	Mid Corridor + margin*	2025	6,976	6,976	-	-
Total				3,205,538	2,386,467	2,943,507	2,059,177

* Reference rates include LIBOR/SOFR, EIBOR, SAIBOR, CBK, Mid corridor and Jordan PLR. Margin on the above loans and facilities varies from 0.40 % - 1.20 % (2021: 0.4 % - 1.05 %) for UAE and 0.50 % - 2.85 % (2021: 0.5 % - 2.85%) for overseas.

(a) The Group availed in 2021 four long-term loans of AED 1,402,493 thousand for a tenure of five years repayable in 2026. All loans payment term is a bullet repayment of principal amounts at maturity. Loans are secured against corporate guarantee.

(b) Upon the acquisition of Al Nabil Food Industries LLC in 2021, the Group has consolidated a liability of bank loan in Jordanian Dinar and US Dollar equivalent to AED 9,894 thousand as of 31 December 2021. The Group has settled these loans in 2022 and released all collaterals.

(c) The Group has availed a long-term loan of AED 183,670 thousand in USD original currency for a tenure of five years repayable in 2025. The loan payment term is a bullet repayment at maturity. The Group has settled this loan in 2022.

(d) One of the Group's subsidiaries availed a loan of KWD 1,800 thousand in 2020 for a tenure of six years repayable in annual instalments till 2026. The facility is secured by corporate guarantee. The current carrying value of the loan is AED 17,284 (KWD 1,440 thousand).

(e) One of the Group's subsidiaries availed a long term loan of SAR 50,000 thousand in 2020 for a tenure of five years repayable in semi-annual instalments till 2025. The facility is secured by corporate guarantee. The current carrying value of the loan is AED 24,431 (SAR 25,000 thousand).

(f) The Group has availed a long-term loan of AED 275,475 thousand in USD original currency for a tenure of five years repayable in 2027. The loan payment term is a bullet repayment at maturity. The loan is secured by corporate guarantee.

(g) Upon the acquisition of BMB in 2021, the Group has consolidated a liability of bank loans in the aggregate to AED 2,676 thousand as of 31 December 2021. The Group has settled these loans in 2022 and released all collaterals.

(h) Upon the acquisition of Abu Auf Holding Netherlands B.V, the Group has consolidated a liability of bank term loan equivalent to AED 6,976 thousand as of 31 December 2022. The Group is in the process of integrating the facility lines with the Group's other borrowing arrangements.

17. Lease liabilities

	2022 AED'000	2021 AED'000
Opening balance	**107,199**	72,233
Acquired through business combinations (note 37)	**30,882**	50,363
Additions during the year	**16,919**	23,641
Lease liabilities terminated	**(14,944)**	(2,838)
Payments made during the year	**(60,122)**	(39,968)
Interest cost	**6,011**	3,768
Closing balance	**85,945**	107,199

Lease liabilities as of 31 December is set out below:

	2022 AED'000	2021 AED'000
Current	**30,394**	33,092
Non-current	**55,551**	74,107
	85,945	107,199

The Group does not have a significant liquidity risk regarding its lease liabilities and does not have any significant variable component in lease payments.

Maturity analysis for the Group lease liabilities is set out below:

	2022 AED'000	2021 AED'000
Not later than 1 year	30,394	33,092
Later than 1 year and not later than 5 years	42,339	57,014
Later than 5 years	13,212	17,093
	85,945	107,199

18. Deferred government grant

The Government of Abu Dhabi provides an annual budget for capital expenditure in accordance with an approved budget. The capital grants are recorded as deferred government grants in the consolidated statement of financial position and classified as current and non-current liabilities.

	2022 AED'000	2021 AED'000
Current portion		
Unamortised government grants related to property, plant and equipment	9,362	11,245
Non-current portion		
Unamortised government grants related to property, plant and equipment	23,615	28,940
	32,977	40,185

19. Trade and other payables

	2022 AED'000	2021 AED'000
Trade payables	440,582	403,769
Accrued expenses	357,550	350,276
Advances and deposits	29,460	49,844
Unclaimed dividends (2009-2014)	25,365	25,651
Other payables	137,164	146,743
	990,121	976,283

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

20. Share capital

Share capital includes issued and fully paid 791,577 thousand shares (31 December 2021: 791,577 thousand shares) at a par value of AED 1 each.

	2022 AED'000	2021 AED'000
Authorised share capital (Ordinary shares of AED 1 each)	**1,200,000**	1,200,000
Issued and fully paid share capital	**791,577**	791,577

During 2021, the Company issued 191,577 thousand new shares with nominal value of AED 1 each as the acquisition price of Al Foah Company LLC and Al Nabil Food Industries LLC with an aggregate principal amount of AED 843,674 thousand on two tranches which resulted in issuance of a share premium of AED 652,097 thousand, the Company's issued and fully paid share capital increased from 600,000 thousand shares to 791,577 thousand shares.

21. Legal reserve

In accordance with the UAE Federal Decree Law No. (32) of 2021 and the Company's Articles of Association, 10% of the profit for each year attributable to the owners of the Company is transferred to the legal reserve until this reserve equals 50% of the paid-up share capital. The legal reserve is restricted and not available for distribution.

22. Dividends

At the Annual General Meeting held on 7 April 2022, the shareholders' approved cash dividends of AED 65,305 thousand for the year ended 31 December 2021 and were paid during the period which represents 8.25% of the 791,577 thousand issued share capital at the time of dividend declaration (at the Annual General Meeting held on 8 April 2021, the shareholders' approved cash dividends of AED 118,100 thousand for the year ended 31 December 2020 which represents 16.5% of the 720,000 thousand issued share capital at the time of dividend declaration).

At the Extraordinary General Meeting was held on 15 September 2022, the shareholders' approved interim cash dividends of AED 65,305 thousand for the six-month period ended 30 June 2022 which represents 8.25% of the 791,577 thousand issued share capital at the time of dividend declaration (At the Extraordinary General Meeting was held on 27 September 2021, the shareholders' approved interim cash dividends of AED 65,305 thousand for the six-month period ended 30 June 2021 which represents 8.25% of the 791,577 thousand issued share capital at the time of dividend declaration). Dividends were paid in full during the year.

23. Revenue

Revenues for the year ended 31 December 2022 amounting to AED 4,067,394 thousand (year ended 31 December 2021: 3,067,614 thousand) includes revenues from a newly acquired subsidiary (note 37) amounting to AED 33,931 thousand (year ended 31 December 2021: AED 1,072,095 thousand).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

24. Cost of sales

	2022 AED'000	2021 AED'000
Raw materials	2,293,680	1,590,566
Salaries and benefits	261,024	213,342
Depreciation of property, plant and equipment	137,400	129,284
Utilities	80,661	68,395
Maintenance	43,236	38,253
Rent expenses	10,177	6,973
Amortisation of right-of-use assets	13,165	9,244
Transportation	23,336	14,434
Insurance	6,934	6,567
Others	40,199	33,879
	2,909,812	2,110,937

Cost of raw materials for flour and feed products is stated after the deduction of the Abu Dhabi Government compensation amounting to AED 121,191 thousand (2021: AED 150,708 thousand). The purpose of the compensation is to partially reduce the impact of increased and volatile global grain prices on food retail prices for the consumers in the Emirate of Abu Dhabi (note 12).

25. Selling and distribution expenses

	2022 AED'000	2021 AED'000
Salaries and benefits	255,112	239,452
Marketing expenses	74,911	54,135
Transportation	77,834	53,829
Amortisation of right-of-use assets	26,988	26,043
Depreciation of property, plant and equipment	12,444	10,964
Maintenance	10,685	8,072
Rent expense	8,177	8,447
Utilities	4,921	5,533
Training and consulting	1,311	1,962
Others	35,573	40,604
	507,956	449,041

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

26. General and administrative expenses

	2022 AED'000	2021 AED'000
Salaries and benefits	195,982	155,099
Legal and professional fees	37,108	35,795
Amortisation of intangible assets	25,193	12,672
Maintenance	15,476	13,619
Depreciation of property, plant and equipment	14,659	11,493
Allowance for impairment loss of trade receivables, net	6,397	12,674
Rent expense	6,522	4,939
Amortisation of right-of-use assets	1,242	244
Others	43,246	24,462
	345,825	270,997

27. Research and development costs

	2022 AED'000	2021 AED'000
Salaries and benefits	8,613	8,796
Depreciation on property, plant and equipment	292	189
Others	393	613
	9,298	9,598

28. Other income / (expense)

	2022 AED'000	2021 AED'000
Grant income from receiving centres	8,400	8,400
Income on sale of raw materials / scrap	5,001	3,606
Income from filling / storage	4,099	5,924
Management fee	3,469	7,037
Gain on sale of property, plant and equipment	2,023	1,587
Gain on sale of a joint venture (note 7)	2,443	-
Release of excess provisions	11,606	-
Others	15,188	1,631
	52,229	28,185

29. Finance income

	2022 AED'000	2021 AED'000
Interest income	26,739	16,731
Others	680	-
	27,419	16,731

30. Finance expense

	2022 AED'000	2021 AED'000
Interest expense on borrowings	72,013	16,416
Interest expense on lease liabilities (note 17)	6,011	3,768
Foreign exchange (gain) / loss	(2,127)	671
	75,897	20,855

31. Income tax and zakat expenses

The Group's operation in Egypt, Turkey, Jordan and Oman are subject to corporate taxation. Provision is made for taxes at rates enacted or substantively enacted at the consolidated statement of financial position date on taxable profits of overseas subsidiaries in accordance with the fiscal regulations of the countries in which they operate.

Further, the Group's operation in the Kingdom of Saudi Arabia is subject to Zakat. Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia on accrual basis. The provision is charged to the consolidated statement of profit or loss. Differences, if any, resulting from the final assessments are adjusted in the year of their finalisation.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

32. Basic and diluted earnings per share

	2022	2021
Profit for the year attributable to the Owners of the Company (AED'000)	**246,785**	216,039
Weighted average number of ordinary shares in issue throughout the year ('000)	**791,577**	754,964
Basic and diluted earnings per share (AED)	**0.312**	0.286

Basic and diluted earnings per share are calculated by dividing the Group profit for the year attributable to the owners of the Company by the weighted average number of shares in issue throughout the year.

As of 31 December 2022 and 2021, the Group has not issued any instruments that have an impact on diluted earnings per share when exercised and accordingly diluted earnings per share are the same as basic earnings per share.

In 2021, the Company issued and fully paid share capital increase from 600,000 thousand shares to 791,577 thousand shares with a nominal value of AED 1 each (note 20).

33. Contingent liabilities and capital commitments

	2022 AED'000	2021 AED'000
Bank guarantees	**20,744**	39,660
Letters of credit	**45,476**	111,513
Capital commitments	**30,371**	44,971

Bank guarantees and letters of credits were issued in the normal course of business. These include deferred payment credit, performance bonds, tender bonds, deferred payment bills, inward bill and margin deposit guarantees.

34. Partly-owned subsidiaries

Financial information of sizeable subsidiaries that have material non-controlling interests is set out below:

Proportion of equity interest percentage held by non-controlling interests

	Country of incorporation and operation	2022	2021
Al Nabil Food Industries LLC	Jordan	20%	20%
Ismailia Agricultural and Industrial Investment (Furat)	Egypt	24.98%	24.98%
Ripplette Corp. and Mediterranean Confectionary Company Limited	UAE / KSA	20%	20%
Al Rammah National for General Trading and Contracting Company WLL	Kuwait	50%	50%
A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E.	Egypt	40%	-

Accumulated balances of individual non-controlling interests as at the reporting date

	2022 AED'000	2021 AED'000
Al Nabil Food Industries LLC	74,266	69,372
Ismailia Agricultural and Industrial Investment (Furat)	56,440	56,487
Ripplette Corp. and Mediterranean Confectionary Company Limited	49,179	51,732
Al Rammah National for General Trading and Contracting Company WLL	35,947	31,913
A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E.	56,787	-
	272,619	209,504

Profit / (loss) for the year allocated to individual non-controlling interests are set out below:

	2022 AED'000	2021 AED'000
Al Nabil Food Industries LLC	8,356	5,493
Ismailia Agricultural and Industrial Investment (Furat)	13,726	7,455
Al Rammah National for General Trading and Contracting Company WLL	5,296	2,218
Ripplette Corp. and Mediterranean Confectionary Company Limited	(2,552)	-
A.U.F. Egypt for Manufacturing and Distribution of Nuts S.A.E.	972	-
	25,798	15,166

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the reporting date is set out below:

	Notes	2022 AED'000	2021 AED'000
Trade receivables, net	11	**720,829**	684,333
Other receivables	11	**62,536**	59,460
Due from related parties	13	**14,694**	14,778
Government compensation receivable	12	**40,866**	10,283
Cash at banks	14	**1,038,034**	1,118,089
		1,876,959	1,886,943

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for expected credit losses as calculated using Expected Credit Loss approach based on lifetime expected credit losses using the Group's management prior experience and the current economic environment adjusted for forward looking factors. The Group has no significant concentration of credit risk, with overall exposure being spread over many customers.

35. Financial instruments

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

The Group ensures that it has sufficient cash on demand to meet expected operational and capital expenditures in accordance with the Group's working capital requirements, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Contractual maturities of the Group's financial liabilities as at the reporting date are set out below:

As at 31 December 2022:

Amounts in AED'000	Carrying value	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables	990,121	990,121	990,121	-	-	-
Bank borrowings	2,386,467	2,782,797	803,400	209,890	1,769,507	-
Lease liabilities	85,945	90,418	31,701	33,038	16,672	9,007
	3,462,533	3,863,336	1,825,222	242,928	1,786,179	9,007

35. Financial instruments (continued)

As at 31 December 2021:

Amounts in AED'000	Carrying value	Contractual cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
Trade and other payables	976,283	976,283	976,283	-	-	-
Bank borrowings	2,059,177	2,203,401	453,762	47,121	1,702,518	-
Lease liabilities	107,199	119,355	36,058	41,037	26,150	16,110
	3,142,659	**3,299,039**	**1,466,103**	**88,158**	**1,728,668**	**16,110**

Market risk

Foreign currency risk

Currency risk is the risk that the value of the Group financial instruments 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's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Turkish Lira ("TRY"), Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), United State Dollars ("USD"), Omani Riyals ("OMR"), Jordanian Dinars ("JOD") and Saudi Riyals ("SAR").

Management anticipates that the Group's exposure to currency risk is limited as the Group's currency, JOD and SAR are pegged to USD. The fluctuation in exchange rates against TRY, KWD, EGP, Euro, and OMR are monitored on a continuous basis.

The following tables demonstrate the sensitivity to a reasonably possible change in significant foreign currency exchange rates exposure mainly denominated in EGP, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in EGP rate	Effect on profit before ta AED'000
2022	**- / + 5%**	**- / + 3,366**
2021	- / + 5%	- / + 2,100

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing obligations with floating interest rates.

The Group manages its interest rate risk by entering into interest rate swaps arrangements, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. As at 31 December 2022, after taking into account the effect of interest rate swaps, approximately 22% of the Group's borrowings are at a fixed rate of interest (2021: 0%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

35. Financial instruments (continued)

	Increase / (decrease) in basis points	Effect on profit before tax AED'000
2022	- / + 5%	/ + 9,343
2021	- / + 5%	/ + 10,296

Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. In maintaining an appropriate capital structure and providing returns for shareholders in 2022, the Group provided returns to shareholders in the form of cash dividends for the year 2021 results, current details of which are included in the consolidated statement of changes in equity.

Fair value hierarchy

The Group measures financial instruments such as contingent considerations at fair value at each consolidated statement of financial position date and classified as level 3.

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 as at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value hierarchy levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as priced) 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).

During the year, there were no transfers between fair value levels.

The Group's management considers that the fair values of its financial assets and financial liabilities that are not measured at fair value approximates to their carrying amounts as stated in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

36. Segmental analysis

The Group has two reportable segments, as described below. Reportable segments offer different products and services and are managed separately because they require different technology and operational marketing strategies. For each of the strategic business units, the Group's executive management reviews internal management reports on at least a quarterly basis.

The following summary describes the operations in each of the Group's reportable segment:

Agri Business Division ("ABD")

- Flour and Animal Feed includes manufacturing and distribution of flour and animal feed.

Consumer Business Division ("CBD")

- Water and Food segment includes manufacturing, bottling, and distribution of drinking water, beverages, juices, dairy and trading products.
- Protein and Frozen Vegetables segment includes manufacturing, packaging, distribution and trading of tomato and chili paste, fruit concentrate, frozen vegetables and processed protein products.
- Snacks segment includes manufacturing, packaging, distribution of dates, sweets, baklawa, bakery products, healthy snacks, nuts and coffee.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports data reviewed by the Group's executive management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	Agri Business Division ("ABD")		Consumer Business Division ("CBD")								Total	
			Water and Food		Protein and FV		Snacks		Total CBD			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Revenues	1,057,839	955,981	996,182	981,995	1,164,633	671,765	952,075	544,903	3,112,890	2,198,663	4,170,729	3,154,644
Intra-group	(34,567)	(24,646)	(45,390)	(41,364)	(17,168)	(16,226)	(6,210)	(4,794)	(68,768)	(62,384)	(103,335)	(87,030)
External revenues	1,023,272	931,335	950,792	940,631	1,147,465	655,539	945,865	540,109	3,044,122	2,136,279	4,067,394	3,067,614
Gross profit	232,938	234,622	357,432	376,140	292,335	177,528	285,101	178,692	934,868	732,360	1,167,806	966,982
Reportable segment profit	146,118	145,045	39,053	40,942	90,113	51,124	143,820	90,049	272,986	182,115	419,104	327,160
Material non-cash item Impairment loss on trade receivables	3,852	3,517	3,494	8,276	573	881	1,112	-	5,179	9,157	9,031	12,674

	Agri Business Division (ABD)		Consumer Business Division (CBD)		Total Segments	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Others:						
Segment assets	649,301	606,456	2,740,987	2,786,099	3,390,288	3,392,555
Segment liabilities	177,274	221,156	1,049,068	1,053,757	1,226,342	1,274,913
Capital expenditure	9,321	8,283	123,427	125,553	132,748	133,836

Reconciliations of reportable segments' gross profit, finance income and expense, depreciation, and capital expenditure are set out below:

	2022			2021		
	Reportable segment totals	Unallocated	Consolidated totals	Reportable segment totals	Unallocated	Consolidated totals
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Gross profit / (loss)	1,167,806	(10,224)	1,157,582	966,982	(10,305)	956,677
Finance income	3,902	23,517	27,419	2,434	14,297	16,731
Finance expense	(10,201)	(65,696)	(75,897)	(9,239)	(11,616)	(20,855)
Depreciation of property, plant and equipment	160,788	4,007	164,795	147,986	3,944	151,930
Capital expenditure	132,748	3,853	136,601	133,836	368	134,204

Reconciliation of reportable segments' profit or loss for the year is set out below:

	2022 AED'000	2021 AED'000
Total profit for reportable segments	419,104	327,160
Unallocated amounts		
Other operating expenses	(103,290)	(97,788)
Net finance income, net	(43,231)	1,833
Profit for the year	272,583	231,205
Non-controlling interests	(25,798)	(15,166)
Profit for the year attributable to the owners of the Company	246,785	216,039

Reconciliation of reportable segments' assets and liabilities are set out below:

	2022 AED'000	2021 AED'000
Segment Assets		
Agri Business Division	649,301	606,456
Consumer Business Division	2,740,987	2,786,099
Total assets for reportable segments	3,390,288	3,392,555
Other unallocated amounts	3,418,516	2,931,967
Total assets	6,808,804	6,324,522
Segment Liabilities		
Agri Business Division	177,274	221,156
Consumer Business Division	1,049,068	1,053,757
Total liabilities for reportable segments	1,226,342	1,274,913
Other unallocated amounts	2,496,569	2,080,212
Total liabilities	3,722,911	3,355,125

37. Business combination

a) Ripplette Corp. and Mediterranean Confectionary Company Limited

On 31 August 2021, the Group Board of Directors' has approved a strategic acquisition of a 100% stake in Ripplette Corp. and Mediterranean Confectionary Company Limited (together "BMB") and subsequently obtained the control on 13 December 2021. BMB was launched in 2007 and has a large portfolio of confectionery and healthy food brands and distributes in more than 23 countries worldwide, including the UAE, Saudi Arabia, and USA. The acquisition has been accounted for using the acquisition method.

The Group has entered into a management agreement with previous owners pursuant to the SPA to govern the terms of the management party's economic interest in BMB which equals to 20% of the issued share capital.

These consolidated financial statements include fair values of the identifiable assets and liabilities of BMB as at the acquisition date as set out below:

	Fair value on acquisition AED'000
Assets	
Property, plant and equipment	43,634
Brand names	63,785
Non-compete clause	9,200
Customer relationships	84,200
Investment in an associate	19,084
Inventories	29,724
Trade and other receivables	40,585
Cash and bank balances	17,754
Other non-current assets	13,425
Other current assets	14,352
Total assets	335,743
Liabilities	
Employees' end of service benefits	(4,577)
Borrowings	(3,097)
Lease liabilities	(13,636)
Trade and other payables	(55,773)
Total liabilities	(77,083)
Total identifiable net assets at fair value	258,660
Goodwill	359,338
Non-controlling interests acquired	(51,732)
Total considerations	566,266

a) Ripplette Corp. and Mediterranean Confectionary Company Limited (continued)

Details of total considerations to acquire BMB is set out below:

	Fair value on acquisition AED'000
Satisfied in cash	539,802
Contingent consideration	26,464
Total considerations	566,266

As part of the SPA dated 13 December 2021, part of the consideration was determined to be contingent, based on the settlement of certain tax liabilities regarding capital gains in Saudi Arabia. As at 31 December 2022 and 2021, the fair value for the contingent consideration amounted to AED 26,464 thousand.

b) Abu Auf Holding Netherlands B.V

On 14 July 2022, the Group Board of Directors' has approved a strategic acquisition of a 60% stake in Abu Auf Holding Netherlands B.V and its subsidiaries (together "Abu Auf") and subsequently obtained the control on 18 November 2022. Abu Auf was launched in 2010 and has a large portfolio of healthy snacks, nuts and coffee brands. The acquisition has been accounted for using the acquisition method. The Group has acquired Abu Auf to expand its existing customer base in Egypt and to empower the snacking segment.

These consolidated financial statements include fair values of the identifiable assets and liabilities of Abu Auf as at the acquisition date as set out below:

	Fair value on acquisition AED'000
Assets	
Property, plant and equipment	40,831
Right of use assets	29,380
Brand name	95,800
Inventories	22,072
Trade and other receivables	53,762
Cash and bank balances	12,634
Total assets	254,479
Liabilities	
Borrowings	(22,476)
Lease liabilities	(30,882)
Trade and other payables	(49,847)
Total liabilities	(103,205)
Total identifiable net assets at fair value	151,274

b) Abu Auf Holding Netherlands B.V (continued)

	Fair value on acquisition AED'000
Total identifiable net assets at fair value	151,274
Goodwill	334,204
Non-controlling interests acquired	(60,510)
Total considerations	424,968

Details of total considerations to acquire Abu Auf is set out below:

	Fair value on acquisition AED'000
Satisfied in cash	339,974
Contingent consideration	84,994
Total considerations	424,968

As part of the SPA dated 14 July 2022 with the previous owners of Abu Auf, part of the consideration was determined to be contingent, based on the performance of the acquired entity. As at 31 December 2022, the fair value for the contingent considerations amounted to AED 84,994 thousand given the performance indicators of Abu Auf.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022 (continued)

38. Reclassification of comparative figures

The comparative figures for the year ended 31 December 2021 have been reclassified due to the finalisation of provisional amount of purchase price allocation within the measurement period related to BMB acquisition.

In the current period, Group's Management has finalized the purchase price allocation of the fair value of assets for the acquisition of BMB. The following adjustment is as required by IFRS 3 Business Combination and IAS 1 Presentation of financial statements the reclassification resulted in a retrospective adjustment of the comparative amounts for the year ended 31 December 2021. Retrospective reclassification to provisional amount to reflect new information obtained about facts and circumstances that existed as of the acquisition date and affect those amounts. Adjustment to increase the provisional amount of intangible assets, and other receivables by AED 54,390 thousand, and AED 2,899 thousand respectively by means of decreasing goodwill and contingent consideration by AED 121,643 thousand and AED 75,232 thousand respectively and increase in non-controlling interests by AED 10,878 thousand.

The above reclassification incorporated in the consolidated financial statements is as required by IFRS 3 Business Combination and IAS 1 Presentation of financial statements.

	As previously reported AED ('000)	Reclassification AED ('000)	As reclassified AED ('000)
31 December 2021			
Statement of financial position			
Goodwill	1,646,032	(121,643)	1,524,389
Intangible assets	439,110	54,390	493,500
Non-current assets	3,719,273	(67,253)	3,652,020
Trade and other receivables	813,044	2,899	815,943
Current assets	2,669,603	2,899	2,672,502
Total assets	6,388,876	(64,354)	6,324,522
Non-controlling interests	198,626	10,878	209,504
Equity	2,958,519	10,878	2,969,397
Contingent consideration	123,696	(75,232)	48,464
Total current liabilities	1,566,540	(75,232)	1,491,308
Total liabilities	3,430,357	(75,232)	3,355,125
Total equity and liabilities	6,388,876	(64,354)	6,324,522

39. Corporate Income Tax

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by way of a Cabinet Decision.

The Group is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

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Agthia Group PJSC
Sky Tower, 17th Floor, Al Reem Island,
P. O. Box 37725 Abu Dhabi, UAE
Tel : +971 2 596 0600. Email : info@agthia.com

@AGTHIAGROUP