

**HALWANI BROTHERS COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

HALWANI BROTHERS COMPANY  
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023

---

<u>INDEX</u>	<u>PAGE</u>
Independent auditor's report	2-5
Consolidated statement of comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9-10
Notes to the consolidated financial statements	11-62

## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF  
HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)  
JEDDAH, SAUDI ARABIA

### Opinion

We have audited the consolidated financial statements of Halwani Brothers Company - a Saudi joint stock company - "the Company" and its subsidiary (collectively referred to as the "Group"), which include the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements from (1) to (39), including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in "the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY) JEDDAH, SAUDI ARABIA (Continued)**

**Key audit matters (Continued)**

Revenue from contracts with customers	How the matter was addressed in our audit
<p>Group revenues for the year ended 31 December 2023 amounted to SR 0.89 billion (SR 1.02 billion for the year ended 31 December 2022)</p> <p>Management recognizes revenue in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.</p> <p>Most of the Group's sales arrangements are straightforward, being recognized at a specific point in time and requiring the exercise of some judgement. In some cases, the Group provides a right of return and volume discount to its customers; This increases the level of judgment in recognizing revenue at the end of the year.</p> <p>The determination of trade discount amount depends on the following; significant judgments, number of purchases made by the concerned customers, and on the potential arrangement (arrangements) between the Company and its customer. In addition, determining a provision for goods that the customers have the right to return requires taking into account historical indicators.</p> <p>We considered this matter to be a key audit matter given the risk that management could override controls by intentionally misrepresenting revenue transactions in order to achieve financial objectives, either by adjusting estimates at the end of the period or recording fictitious transactions.</p> <p>Note 3 to the accompanying consolidated financial statements states the relevant significant accounting judgments, estimates and assumptions, and Note 5 to the accompanying consolidated financial statements states the related disclosures.</p>	<p>We have performed the following procedures to audit revenue from contracts with customers:</p> <ul style="list-style-type: none"> <li>• Evaluate Group policy of recognizing revenue in accordance with International Financial Reporting Standards (15) "Revenue from contracts with customers".</li> <li>• Evaluate the design, implementation, and testing of the operating effectiveness of the Group's controls over revenue recognition.</li> <li>• Reviewed a sample of arrangements and historical indicators that management relied on in determining the discount for quantities and the right of return.</li> <li>• Tested a sample of sales transactions that occurred before and after the end of the year to evaluate whether revenues were recognized in the correct accounting period.</li> <li>• Tested a sample of sales transactions during the year and inspected the underlying goods delivery and acceptance notes to assess compliance with Company's revenue recognition accounting policy.</li> <li>• Review the presentation and disclosures in Note 5 of the accompanying consolidated financial statements related to revenue from contracts with customers.</li> </ul>



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY) JEDDAH, SAUDI ARABIA (Continued)**

**Other information mentioned in the annual report of the group**

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's December 31, 2023, annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this information, we are required to communicate that to those charged with governance.

**Responsibilities of management and Those Charged with Governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY) JEDDAH, SAUDI ARABIA (Continued)

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

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

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

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, taken to eliminate threats or safeguards applied.

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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For BDO Dr. Mohamed Al-Amri & Co.

Maher Al-Khatieb  
Certified Public Accountant  
Registration No. 514



07/09/1445 (H)  
17/03/2024 (G)

**HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

		2023	2022
	Note	SR	SR
Revenue from contracts with customers	5	889,046,415	1,024,321,362
Cost of Revenue	6	(706,668,073)	(753,561,976)
<b>GROSS PROFIT</b>		<b>182,378,342</b>	<b>270,759,386</b>
Selling and distribution expenses	8	(161,002,011)	(163,490,381)
General and administrative expenses	9	(75,875,257)	(68,787,653)
Other income, net	7	1,959,286	8,247,828
Asset impairment	16	(3,745,426)	-
<b>(LOSS) / PROFIT FROM OPERATIONS</b>		<b>(56,285,066)</b>	<b>46,729,180</b>
Finance costs, net	10	(22,832,921)	(12,741,722)
Loss on sale of derivative instruments at fair value through statement of comprehensive income	11	(324,693)	-
Gain on derivative instruments at fair value through statement of comprehensive income		40,166	326,895
Gain / (loss) on foreign currency differences		303,024	(5,204,004)
<b>(LOSS) / PROFIT BEFORE ZAKAT AND INCOME TAX</b>		<b>(79,099,490)</b>	<b>29,110,349</b>
Zakat expense	12(C)	(1,333,139)	(2,304,815)
Income tax expense	12(E)	(17,578,703)	(23,888,149)
<b>(LOSS) / PROFIT FOR THE YEAR</b>		<b>(98,011,332)</b>	<b>2,917,385</b>
Other comprehensive losses			
<i>Items that can be reclassified to the consolidated statement of profit or loss in subsequent periods</i>			
Foreign currency translation differences	13	(27,365,779)	(71,326,095)
<i>Other comprehensive losses / income not to be reclassified to the consolidated statement of profit or loss in subsequent periods:</i>			
(loss) / gain in assumptions of employee defined benefits' liabilities	13	(1,458,500)	2,861,700
<b>Total other comprehensive losses</b>		<b>(28,824,279)</b>	<b>(68,464,395)</b>
<b>Total comprehensive losses for the year</b>		<b>(126,835,611)</b>	<b>(65,547,010)</b>
<b>EARNING PER SHARE</b>			
Basic and diluted (loss) / earnings per share for the year attributable to ordinary shareholders from operating (loss) / profit	15	(1.59)	1.32
Basic and diluted (loss) / earnings per share for the year attributable to ordinary shareholders from net (loss) / profit	15	(2.77)	0.08

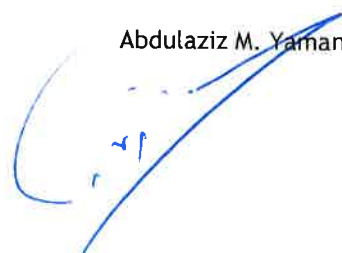
Acting as Chief Financial  
officer  
Fathy Mohamed Abdelhamid



Deputy Chief Executive officer  
Fawaz Mohammed Halwani



Chairman  
Abdulaziz M. Yamani



The attached notes 1 to 39 form an integral part of these consolidated financial statements

**HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023**

	Note	2023 SR	2022 SR
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant, and equipment	16	379,108,894	465,325,434
Intangible assets	18	2,659,006	2,863,569
Right of use assets	19	22,689,430	28,422,295
Investment Properties	17	45,134,328	-
Deferred tax assets	12	1,038,490	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>450,630,148</b>	<b>496,611,298</b>
<b>CURRENT ASSETS</b>			
Assets available for sale		2,954,779	5,272,034
Inventories	20	230,462,842	246,469,148
Trade receivables and other receivables	22	107,299,334	164,085,305
Investment at amortized cost	23	77,162,884	-
Cash and cash equivalents	24	33,797,441	97,529,513
<b>TOTAL CURRENT ASSETS</b>		<b>451,677,280</b>	<b>513,356,000</b>
<b>TOTAL ASSETS</b>		<b>902,307,428</b>	<b>1,009,967,298</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	25	353,571,450	353,571,450
Statutory reserve	26	106,071,435	106,071,435
Retained earnings		90,788,021	190,257,853
Foreign currency translation reserve		(243,595,177)	(216,229,398)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>306,835,729</b>	<b>433,671,340</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans	27	-	4,163,000
Islamic Murabaha contracts	28	-	7,915,762
Deferred tax liability	12	-	177,550
Lease contracts	19	17,356,594	22,812,504
Employees defined benefits' obligations	29	27,250,200	36,286,100
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>44,606,794</b>	<b>71,354,916</b>
<b>CURRENT LIABILITIES</b>			
Current portion of term loans	27	4,163,000	16,668,000
Current portion of Islamic Murabaha Contracts long term	28	911,497	7,610,049
Islamic Murabaha Contracts short-term	28-2	351,856,386	304,492,489
Letters of credit liabilities		-	18,291,178
Current portion of lease contract obligations	19	6,801,644	5,511,739
Trade payables		70,784,910	68,463,818
Accrued expenses and other current liabilities	30	99,957,817	66,469,759
Zakat and income tax	12	16,389,651	17,434,010
<b>TOTAL CURRENT LIABILITIES</b>		<b>550,864,905</b>	<b>504,941,042</b>
<b>TOTAL LIABILITIES</b>		<b>595,471,699</b>	<b>576,295,958</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>902,307,428</b>	<b>1,009,967,298</b>

Acting as Chief Financial  
officer  
Fathy Mohamed Abdelhamid

Deputy Chief Executive officer  
Fawaz Mohammed Halwani

Chairman  
Abdulaziz M. Yamani

The attached notes 1 to 39 form an integral part of these consolidated financial statements



**HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR  
THE YEAR ENDED 31 DECEMBER 2023**

	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign currency translation reserve SR	Total shareholders' equity SR
<b>As at 1 January 2023</b>	<b>353,571,450</b>	<b>106,071,435</b>	<b>190,257,853</b>	<b>(216,229,398)</b>	<b>433,671,340</b>
Net loss for the year	-	-	(98,011,332)	-	(98,011,332)
Other comprehensive losses	-	-	(1,458,500)	(27,365,779)	(28,824,279)
<b>Total comprehensive income/loss</b>	<b>-</b>	<b>-</b>	<b>(99,469,832)</b>	<b>(27,365,779)</b>	<b>(126,835,611)</b>
<b>Balance at 31 December 2023</b>	<b>353,571,450</b>	<b>106,071,435</b>	<b>90,788,021</b>	<b>(243,595,177)</b>	<b>306,835,729</b>
<b>As at 1 January 2022</b>	<b>353,571,450</b>	<b>106,071,435</b>	<b>255,193,058</b>	<b>(144,903,303)</b>	<b>569,932,640</b>
Net profit for the year	-	-	2,917,385	-	2,917,385
Other comprehensive loss	-	-	2,861,700	(71,326,095)	(68,464,395)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>5,779,085</b>	<b>(71,326,095)</b>	<b>(65,547,010)</b>
Dividends (note 31)	-	-	(70,714,290)	-	(70,714,290)
<b>Balance at 31 December 2022</b>	<b>353,571,450</b>	<b>106,071,435</b>	<b>190,257,853</b>	<b>(216,229,398)</b>	<b>433,671,340</b>

Acting as Chief Financial officer  
Fathy Mohamed Abdelhamid

Deputy Chief Executive officer  
Fawaz Mohammed Halwani

Chairman  
Abdulaziz M. Yamani

The attached notes 1 to 39 form an integral part of these consolidated financial statements

**HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)**
**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 SR	2022 SR
<b>OPERATING ACTIVITIES</b>			
(Loss) / Profit before zakat and income tax		(79,099,490)	29,110,349
Non cash adjustment for items to reconcile (Loss) / income before zakat and income tax			
Depreciation of property, plant and equipment	16	32,850,364	34,461,482
Amortization of intangible assets	18	438,467	422,275
Depreciation of right of use assets	19	8,018,776	10,729,868
Provision for Asset impairment	16	3,745,426	-
Provision for employees defined benefits' obligations	29	4,465,300	4,301,398
Gain on disposal of property, plant and equipment and intangible assets	7	(463,245)	(151,275)
Gain on disposal Assets available for sale	7	-	(8,512,023)
Gain on derivative instruments at fair value through statement of comprehensive income		(40,166)	(326,895)
Allowance for expected credit losses	22	4,835,471	3,740,418
Provision for slow moving inventory	20	2,765,490	6,997,954
Accrual for tax		3,761,375	3,169,461
Finance costs	10	22,832,921	12,741,722
Losses on sale of financial investments at fair value through profit or loss		324,693	-
Provisions no longer required		(628,898)	(609,300)
		<b>3,806,484</b>	<b>96,075,434</b>
<b>Changes in items of operating assets and liabilities</b>			
Inventories		(10,261,045)	(88,206,519)
Trade receivables and other receivables		47,707,298	(17,704,623)
Trade payables and other current liabilities		43,261,976	22,588,461
<b>Cash Flow generated by working capital</b>		<b>84,514,713</b>	<b>12,752,753</b>
Zakat paid	12(D)	(2,154,517)	(5,087,405)
Income tax paid	12(F)	(12,217,916)	(21,114,500)
Defined Employees benefits' obligations paid	29	(14,959,700)	(3,936,800)
Finance costs paid		(21,127,463)	(11,393,852)
<b>Net cash generated from / (used in) operating activities</b>		<b>34,055,117</b>	<b>(28,779,804)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant, and equipment	16	(6,870,666)	(29,849,793)
Purchase of intangible assets	18	(265,277)	(357,875)
The cost of acquiring financial investments at fair value through comprehensive income	11	(730,486)	-
Proceeds from the sale of financial investments at fair value through comprehensive income	11	405,793	-
Proceeds from sales of property, plant and equipment		1,959,241	391,651
<b>Net cash used in investing activities</b>		<b>(5,501,395)</b>	<b>(29,816,017)</b>

The attached notes 1 to 39 form an integral part of these consolidated financial statements

**HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

<b>FINANCING ACTIVITIES</b>	<b>Note</b>	<b>2023 SR</b>	<b>2022 SR</b>
Proceeds from Islamic Murabaha contracts		797,441,324	889,010,768
Payments of Islamic Murabaha contracts		(754,940,363)	(708,362,219)
Payment of lease liability contracts		(8,095,329)	(11,976,253)
Letter of credit liabilities		(18,291,178)	18,291,178
Payment of term loans	27	(16,668,000)	(22,918,000)
Dividends paid	31	-	(70,714,290)
<b>Net cash generated from / (used in) financing activities</b>		<b>(553,546)</b>	<b>93,331,184</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENT</b>		<b>28,000,176</b>	<b>34,735,363</b>
Foreign currency translation differences, net		(14,569,364)	(27,571,547)
Cash and cash equivalent at the beginning of the year		97,529,513	90,365,697
<b>CASH AND CASH EQUIVALENT AT THE END OF THE YEAR</b>	24	<b>110,960,325</b>	<b>97,529,513</b>
<b>SIGNIFICANT NON-CASH TRANSACTIONS:</b>			
Foreign currency translation reserve		(27,365,779)	(71,326,095)
Transfer of property, plant and equipment to real estate investments		45,925,272	-
Sales of available-for-sale assets at deduction from trade payables		1,869,011	-
Transfer from property, plant, and equipment to available for sale assets		419,018	1,869,011
Transfer from projects under construction to intangible assets		-	168,678
Transfer from projects under construction to property, plant, and equipment		17,701,899	27,223,402
Change in assumptions on employee defined benefits' liabilities		1,458,500	2,861,700

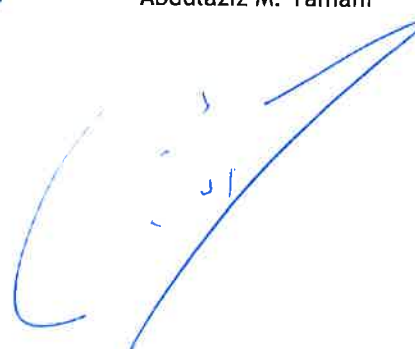
**Acting as Chief Financial officer**  
Fathy Mohamed Abdelhamid



**Deputy Chief Executive officer**  
Fawaz Mohammed Halwani



**Chairman**  
Abdulaziz M. Yamani



The attached notes 1 to 39 form an integral part of these consolidated financial statements



## **1. CORPORATE INFORMATION**

Halwani Brothers Company ("the Company" or "the Parent Company"), a Saudi Joint Stock Company established in accordance with the Company's regulations in the Kingdom of Saudi Arabia. It is registered in Jeddah city under Commercial Registration (CR) No. 4030005702 dated on 11 Rabi'al-thani 1388H (corresponding to 7 July 1968G).

The Company is listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia. It is also 55.5% owned by Aseer Al Arabiah for Industrial Investment Co., and 44.5% by other shareholders.

The Company is mainly engaged in the manufacturing, packaging, wholesale and retail trade of food products.

The registered address of the Company is in Jeddah, Industrial area, fourth stage, P. O. Box 690, Jeddah 21421, Kingdom of Saudi Arabia. The headquarters of the Company is located in Jeddah. The Parent Company operates in the Kingdom of Saudi Arabia, through its branches located in various regions of the Kingdom of Saudi Arabia, as shown in Note 35.

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of Halwani Brothers Egypt - a closed Egyptian Joint Stock Company - a wholly owned Subsidiary of the Parent Company, which is engaged in manufacturing, packaging and distribution of all foodstuffs (together referred as the "Group")

## **2. BASIS OF PREPARATION AND MEASUREMENT**

### **2.1 Statement of Compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The consolidated financial statements have been prepared on a historical cost basis except for derivative instruments that are measured at fair value and employee benefit obligations where the actuarial's present value calculations are used. The consolidated financial statements are presented in Saudi Riyals (SR), the Company's financial currency, unless otherwise stated.

### **2.2 Going concern assessment**

The group's management is fully convinced that the group has the ability and resources necessary to continue its activities and achieve profits, as it has evaluated the current situation, developed appropriate plans and solutions, attracted those with specialized expertise in the field of the group's activities and market study, in addition to opening new markets to sell the group's products inside and outside the Kingdom, which leads to increase current assets, work will also be done to reduce current liabilities, which will contribute to improving the company's business results to achieve the best return for shareholders. Accordingly, the financial statements were prepared based on a Going concern basis.

### **2.3 Climate Change**

The company is exposed to risks related to climate change in the short and long term (due to increased expectations of customers, investors and the government). These risks are an integral part of the operations of the food industry. The Company continually works to reduce the environmental impact of its business, in part, because of the inherent risks.

High fuel costs and greenhouse gas emissions associated with fuel and electricity consumption have an impact not only on the environment but also on a company's bottom line. Climate change also creates risks to agricultural production inputs through droughts, pests, illnesses, etc., which pose challenges to sustaining and increasing production levels.

## **2. BASIS OF PREPARATION AND MEASUREMENT (Continued)**

### **2.4 Basis of consolidation**

The consolidated financial statements include statements of the Company and its Subsidiary ("the Group") as of 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

when necessary, adjustments are made to the financial statements of the subsidiary company in the event that there are material differences between the parent company and the subsidiary company in order to bring their accounting policies in line with the group's financial policies. All assets, liabilities, equity, revenues, expenses and cash flows related to transactions between group companies are completely eliminated when consolidating the financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and, other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

**Below are the details of the subsidiary:**

<b>Company Name</b>	<b>Country of incorporation</b>	<b>Ownership percentage as at 31 December 2023</b>	<b>Ownership percentage as at 31 December 2022</b>	<b>The activity</b>
Halwani Brothers Company (a closed Egyptian joint stock Company) (the "Subsidiary Company")	Alsharqia - Arab Republic of Egypt	100%	100%	Manufacturing, packaging, canning, and distribution of all foods.

## 2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

### 2.5 CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities at the date of preparing the consolidated financial statements. Uncertainty about these assumptions and estimates could result in making material adjustments to the carrying amount of asset or liabilities affected in future years.

#### 1) Critical judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### A) Component parts of property, plant and equipment

The Group's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

##### B) Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset)

#### 2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the consolidated financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Group based its assumptions and estimates on parameters available at the date of preparing the consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

##### A) Useful life of property, plant, and equipment

The Group's management determines the estimated useful lives of its property, plant, and equipment for calculating depreciation. These estimates are determined after considering the expected use of the assets or natural wear and tear. Management is required to review residual value and useful lives on an annual basis and depreciation expense on a future basis if management believes that useful lives differ from past estimates.



## **2. BASIS OF PREPARATION AND MEASUREMENT (Continued)**

### **2.5 CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)**

#### **2) Estimates and assumptions (Continued)**

##### **B) Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or CGU 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 is based on available data from binding sales of long-term transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the estimated 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 asset's performance of the CGU being tested. The recoverable amount is based on the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

##### **C) Provision for expected credit losses of trade receivables**

By adopting IFRS 9, 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 segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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 disclosed in Note 33.

##### **D) Taxes**

Uncertainties exist with respect to the interpretation of compound tax regulations, amount, and timing of taxable income in future. Given the wide range of international business relations, long-term nature, present structured contractual agreements and differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to income tax and expenses already recorded. Provisions, based on reasonable estimates, are recorded for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group's domicile. Contingent liabilities are not recognised when the Group assesses the ability to start proceedings of litigation and the existence of cash flows for deferred funds.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgement by management is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

## 2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

### 2.5 CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

#### 2) Estimates and assumptions (Continued)

##### E) Employee benefit liabilities

The cost of defined benefit liabilities regarding employee's end of service are determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the commission rates of corporate bonds in currencies consistent with the currencies of the post-employment defined liabilities with at least an 'AA' rating or above, as set by an internationally acknowledged rating agencies, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the respective countries. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries and future salary increases.

##### F) Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

##### G) Estimating variable consideration for returns

The Group estimates variable considerations to be included in the transaction price for the sale of products with rights of return and volume rebates. The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group has applied the following provisions that materially affect the determination of the amount and timing of revenue from contracts with customers:

- Determining performance obligations in a transaction of selling goods.
- Determine sales verification dates.
- Determining the method of estimating the variable price and evaluating the restrictions: Some contracts for the sale of goods include the right of return and a commercial discount, and this increases the variable price. In the context of estimating the variable price, the Group should use the expected value method or the most probable amount method based on choosing the best method by which to better forecast the amount of variable price that the Group is entitled to in exchange for the goods.
- The Group decided that the expected value method is the appropriate method to use in estimating the variable price of sales of goods with return rights based on the large number of customer contracts that have the same characteristics. In the context of estimating the variable price of sales of merchandise with a trade discount, the Group decided to use a combination of two methods: the most probable amount method and the expected value method. The chosen method is one that best predicts the amount of the variable price based on the number of quantitative ceilings included in the contract.

## 2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

### 2.5 CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

#### 2) Estimates and assumptions (Continued)

##### H) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

##### I) Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on net realizable value, representing the estimated selling price net of the estimated costs to perform the sale.

### 2.6 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of Company's financial statements. The Company intends to adopt these new and amended standards and interpretations, if applicable when they become effective.

#### a) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The most significant of these are as follows:

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
<i>Lease Liability in a Sale and Leaseback</i> (Amendment to IFRS 16)	<p>The IFRS Interpretations Committee issued an agenda decision in June 2020 - <i>Sale and leaseback with Variable Payments</i>. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022.</p> <p>The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.</p>	1 January 2024



2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

2.6 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

a) New standards, interpretations and amendments not yet effective (Continued)

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
Supplier Financing Arrangements (Amendment to IAS 7 and IFRS 7)	On 25 May 2023, the IASB issued <i>Supplier Finance Arrangements</i> , which amended IAS 7 Statement of Cash Flows and IFRS 7 <i>Financial Instruments: Disclosures</i> (the Amendments).	1 January 2024
	These Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the presentation requirements for liabilities and associated cash flows arising out of supply chain financing arrangements and related disclosures. In December 2020, the Committee published an Agenda Decision <i>Supply Chain Financing Arrangements—Reverse Factoring</i> that addressed this submission based on the requirements in IFRS Accounting Standards existing at that time.	
	During this process, the feedback from stakeholders indicated limitations of the then existing requirements to address important information needs of users to understand the effects of supplier finance arrangements on an entity's financial statements and to compare one entity with another. In response to this feedback, the IASB undertook a narrow-scope standard setting, leading to the Amendments.	
Amendment - Non-current Liabilities with Covenants (Amendment to IAS 1)	The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.	1 January 2024
	Subsequent to the release of amendments to IAS 1 <i>Classification of Liabilities as Current or Non-Current</i> , the IASB amended IAS 1 further in October 2022.	
	If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period.	
	The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.	

## 2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

### 2.6 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

#### a) New standards, interpretations and amendments not yet effective (Continued)

<p><i>Classification of Liabilities as Current or non-Current</i> (Amendment to IAS 1)</p>	<p>The IASB issued amendments to IAS 1 - Classification of Liabilities as Current or Non-current in January 2020, which have been further amended partially by amendments Non-current Liabilities with Covenants issued in October 2022.</p>	<p>1 January 2024</p>
<p>The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period.</p>	<p>As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.</p>	
<p>Lack of Exchangeability (Amendment to IAS 21)</p>	<p>On 15 August 2023, the IASB issued Lack of <i>Exchangeability</i> which amended IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> (the Amendments). The Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the determination of the exchange rate when there is a long-term lack of exchangeability. IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice.</p>	<p>1 January 2025</p>
<p>The Committee recommended that the IASB develop narrow-scope amendments to IAS 21 to address this issue. After further deliberations, the IASB issued an exposure draft of the proposed amendments to IAS 21 in April 2021 and the final amendments were issued in August 2023.</p>	<p>The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.</p>	

## 2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

### 2.6 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

#### b) New standards, interpretations and amendments effective in the current year

The following are the new standards, interpretations and amendments to standards that are effective in the current year which have not given rise to changes in the Company's accounting policies and have no impact on its financial statements:

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
IFRS 17 <i>Insurance Contracts</i>	<p>IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.</p> <p>The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:</p> <ul style="list-style-type: none"> <li>• Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract</li> <li>• Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and</li> <li>• Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the reporting period in profit or loss, or to recognise some in other comprehensive income. Subsequent to the issue of IFRS 17, amendments to the standard and deferral of effective dates have been made.</li> </ul>	1 January 2023
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)	<p>In February 2021, the IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.</p>	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	<p>In February 2021, the IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors.</p>	1 January 2023

## 2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

### 2.6 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

#### b) New standards, interpretations and amendments effective in the current year

Deferred tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	<p>In May 2021, the IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.</p>	1 January 2023
International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)	<p>In December 2021, the Organisation for Economic Co-operation and Development (OECD) published Tax Challenges Arising from the Digitalisation of the Economy - Global Anti-Base Erosion Model Rules (Pillar Two): Inclusive Framework on BEPS (Pillar Two model rules). In March 2022, the OECD released commentary and illustrative examples that elaborate on the application and operation of the rules and clarify certain terms.</p> <p>Stakeholders raised concerns with the IASB about the potential implications on income tax accounting, especially accounting for deferred taxes, arising from the Pillar Two model rules. The stakeholders emphasised an urgent need for clarity given the imminent enactment of tax law to implement the rules in some jurisdictions. In response to stakeholder concerns, the IASB proposed amendments to IAS 12 Income Taxes. It issued Exposure Draft International Tax Reform—Pillar Two Model Rules (Proposed Amendments to IAS 12) on 9 January 2023. Given the urgent requirement for clarity, a shorter comment period of 60 days was provided. The IASB issued the final Amendments (the Amendments) International Tax Reform - Pillar Two Model Rules on 23 May 2023. The Amendments introduce a temporary exception to entities from the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two model rules. The Amendments also provide for additional disclosure requirements with respect to an entity's exposure to Pillar Two income taxes.</p>	1 January 2023

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

---

**3. MATERIAL ACCOUNTING POLICY INFORMATION**

**a) Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of comprehensive income.

**B) Current versus non-current classification**

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

- Expected to be realized or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the date of the consolidated statement of financial position, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the consolidated statement of financial position.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

**C) Fair value measurement**

**Financial instruments**

The Group measures financial instruments, such as derivatives at fair value at each financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the assets or transfer the liabilities takes place either:

- In the principal market for the assets or liabilities, or
- In the absence of a principal market, in the most advantageous market for the assets or liabilities



### 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### C) Fair value measurement (Continued)

##### Financial instruments (Continued)

The principal or the most advantageous market must be accessible by the Group.

The fair value of assets or liabilities is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of non-financial assets considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### D) Revenue Recognition

Revenue is recognised from contracts with customers when control of the goods or services passes to the customer and at an amount that reflects the price that the Group expects to receive in exchange for those goods or services.

The following are the special considerations that must be met before revenue is recognised:

##### **Sale of goods**

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, volume rebates). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

##### Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

- **Rights of return**

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognizes a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### D) Revenue Recognition (Continued)

- Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

#### E) Expenses

All expenses, including operating expenses, general and administrative expenses and other expenses, are recognised and recorded in the consolidated statement of comprehensive income in the fiscal year in which such expenditure was incurred.

Selling and distribution expenses are those expenses relating to sales, distribution and other incidental expenses, and all other expenses are classified as general and administrative expenses.

#### F) Zakat and income tax

##### 1) Zakat

The Parent Company measures and recognizes zakat provision for each fiscal period in accordance with the Regulations of the zakat and tax regulations in the Kingdom of Saudi Arabia and on accruals basis. The Zakat provision is charged to the consolidated statement of comprehensive income under a separate line item. Any additional liabilities, if any, are credited in the same fiscal period in which the assessments are approved.

##### 2) Income tax

Income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the Arab Republic of Egypt.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial statements at the financial position date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, unused tax discounts and unused tax losses, to the extent that these temporary differences can be deducted from taxable profit, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each date of preparing financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are reassessed at each date of preparing financial position and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

**3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**

**F) Zakat and income tax (Continued)**

**2) Income tax (Continued)**

For the subsidiary company in the Arab Republic of Egypt, deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at each date of preparing financial position.

Current and deferred tax relating are recognised as revenue or expense in the consolidated statement of comprehensive income.

Current and deferred tax related to transactions or events is directly recognised in the shareholders' equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to use current tax assets to settle current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**3) Value added tax (VAT)**

Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. When receivables and payables are stated with the amount of VAT included, the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

**G) Foreign currencies**

**1) Transactions and balances**

The Group's consolidated financial statements are presented in SR, which is also the Parent Company's functional currency. Each entity in the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group elected to reuse profits and losses resulted from the direct method of combination, which is the method used to complete combination.

Transactions in foreign currencies are initially recorded by the Group's Companies at their respective functional currency prevailing rate at the date the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at the functional currency spot rate of exchange prevailing at the date of preparing consolidated statement of financial position.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investments of the subsidiary. These are transferred to the statement of comprehensive income until the net investment is disposed of. Then, they are recognised in the consolidated statement of comprehensive income. Tax charges and changes resulting from exchange differences on those monetary items are also recorded in consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on re-measurement of non-monetary items measured at fair value are treated in line with the recognition of gain or loss on change in fair value in the item (differences from translation of items which are recognised at change in fair value in the consolidated statement of comprehensive income are treated the same way).

**3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)****G) Foreign currencies (Continued)****2) Group's Companies**

On consolidation, the assets and liabilities of foreign currency (Subsidiary Company) are translated into Saudi Riyals (SR) at the rate of exchange prevailing at the date of preparing the consolidated financial statements and translation of the items in consolidated statement of comprehensive income at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are directly recognised in consolidated statement of comprehensive income. On disposal of a foreign operation, the OCI component relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the fair value of assets and liabilities credited by carrying amount arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate at the date of the consolidated financial statement.

**H) Property, plant and equipment**

Projects under progress are stated at cost net of impairment loss, if any. Projects under progress include the cost of materials, building, construction and other costs directly attributed to delivering the asset to the location and prepare it to be able to operate in the way determined by the management. Projects under progress are not depreciated.

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replaced parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognised in the carrying amount as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 - 33 years
Machines and equipment	5-15 years
Furniture and fixtures	5-10 years
Computers	4 years
Vehicles	4-8 years
Spare parts not for sale	5-7.5 years

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated statement of comprehensive income when the asset is derecognised. The residual values, useful lives and depreciation methods for the assets are reviewed at the end of each fiscal year and adjusted prospectively whenever necessary.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### I) Investment Properties

Investment Properties represent non-current assets held either to earn rental income or realize capital gains or both, in addition to those held for indefinite future use but not for sale in the ordinary course of business, or for use in the production or supply of goods or services or for administrative purposes. Investment Properties are measured at cost less accumulated depreciation and impairment losses, if any. Investment Properties are depreciated on a straight-line basis over the estimated useful life of the underlying assets. Depreciation is not charged on land and capital work in progress.

Investment Properties are derecognised either when they are sold or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the book value of the asset is recognised in the consolidated comprehensive list in the derecognition period.

Expenditures incurred to replace any item of investment property that is accounted for separately are capitalized, and the carrying value of the replaced item is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the related item of investment property. All other expenses are recognised in the consolidated statement of comprehensive income when incurred.

If investment property becomes owner occupied, it is reclassified into property, plant and equipment. Its book value on the date of reclassification becomes its cost for subsequent accounting as property, plant and equipment. The useful lives and method of depreciation are checked periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Group determines at each reporting date whether there is any objective evidence of impairment in the value of Investment Properties. When the carrying value of an investment property exceeds its recoverable amount, an impairment loss is recognised in the consolidated statement of comprehensive income. Recoverable value is the higher of the fair value of the investment property less the cost to sell and the value in use.

A reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised on Investment Properties no longer exist or have decreased.

#### J) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### (1) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives.

If ownership of the leased asset transfers to the Company at the end of the lease term, or if the cost reflects the exercise of the purchase option, depreciation is calculated using the estimated useful life of the asset. Right of use assets are subject to impairment. Refer to the accounting policies included in the "Impairment of Non-Financial Assets" paragraph.



**3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)****Group as a lessee (Continued)****(2) Lease liabilities**

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**(3) Short-term leases and leases of low-value assets**

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**K) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale as part of the cost of the asset. All other costs are expensed in the period in which they are due. Borrowing costs consist of interest cost and other costs that an entity incurs in connection with the borrowing of funds.

**L) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets (excluding capitalized development costs) are not capitalized and expenditure is recognised in the consolidated statement income when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives are recognised in the consolidated statement income in the expense category consistent with the function of the intangible assets.

The following is the amortization period for intangible assets with finite useful lives:

Programs and other intangible assets	3-10 years
--------------------------------------	------------

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### M) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### 1) Financial assets

###### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through comprehensive income.

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (D) Revenue from contracts with customers.

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

###### Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through comprehensive income.

###### Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in consolidated statement of profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortized cost includes trade and other receivables.

###### Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of profit or loss.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### M) Financial instruments (Continued)

##### 1) Financial assets (Continued)

###### Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

###### Financial assets at fair value through consolidated comprehensive income

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established.

The separation of a derivative embedded in a hybrid contract with an obligation or a non-derivative contract, the principal being derived as an independent derivative, is operated, whether the economic profitability and risks are not more precise than the conventional master contract, with an independent instrument that has another with the same terms and conditions and meets the definition of a derivative without measuring the hybrid contract. In statistical terms through comprehensive income. Embedded derivative instruments are measured at strategic value with value considerations included in the statement of comprehensive income. The estimate is re-estimated only if there is a change in contract trends and provisions that require the company to significantly adjust incrementally cash or reclassify the external financial value of strategic value through comprehensive income.

###### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### M) Financial instruments (Continued)

##### 1) Financial assets (Continued)

###### Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through statement of profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (the lifetime of ECL).

For trade and other receivables, the Group applied a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### 2) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as financial derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

###### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through comprehensive income.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

###### Financial liabilities at amortized cost (Loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortization process. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss.

**3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**

**M) Financial instruments (Continued)**

**2) Financial liabilities (Continued)**

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

**3) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**N) Derivative financial instruments**

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

**O) Inventories**

Inventories are valued at the lower of cost and net realizable value. Inventories Costs are accounted as follows:

- Raw materials, Packaging material, and spare parts: purchase cost on a weighted average basis
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**P) Impairment of non-financial assets**

The Group assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of goods, are recognised in the consolidated statement of comprehensive income in expense category consistent with the function of the impaired asset.



**3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)****P) Impairment of non-financial assets (Continued)**

For assets excluding goodwill, an assessment is made at the date of preparing each consolidated statement of financial position to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

**Q) Cash and cash equivalents**

Cash and cash equivalents comprise of cash at banks and in hand and term deposits convertible to know amounts of cash with original maturity of three months or less, which are not subject to risk of changes in value, if any.

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents consist of cash at banks and in hand and short-term deposits as defined above, net of bank overdrafts as they are considered an integral part of the Group's cash management.

**R) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**S) Employee benefits obligations****1) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in statement of consolidated financial position.

**2) Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net liability recognised in the statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan's assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur in consolidated statement of comprehensive income.

**3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)****S) Employee benefits obligations (Continued)**

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

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of comprehensive income while unwinding of the liability at discount rates used are recorded as financial cost.

The actuarial valuation process takes into account the provisions of the Saudi Arabian Labor and Workmen law as well as Company's policy.

**T) Cash dividend and non-cash distribution to shareholders in the Parent Company**

Cash or non-cash distributions to shareholders in the Parent Company are recognised as liabilities when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the Regulations for Companies in KSA, a distribution is authorized when it is approved by the shareholders. The directly distributed amount is deducted from shareholders' equity and recognised as a liability. Board of Directors has the right to recognize interim dividends, provided that dividends will be approved by the next general assembly.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of comprehensive income.

**4. SEGMENT REPORTING**

A segment is a distinguishable component of the Group that is engaged in providing products or specific services (business segment) or providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from other segments. The Group uses the geographical segment only as it operates in manufacturing, filling, whole and retail trade of food products.

The financial information of assets and liabilities related to geographical sectors after excluding the effect of balances among companies of the Group as at 31 December as follows:

<u>Segments</u>	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt in thousands SR	Reconciliation in thousands SR	Total in thousands SR
<b><u>2023</u></b>				
Total assets	787,511	286,012	(171,216)	902,307
Total liabilities	480,674	127,103	(12,305)	595,472
Capital expenditure incurred during the year	2,430	4,441	-	6,871
<b><u>2022</u></b>				
Total assets	882,417	271,622	(144,072)	1,009,967
Total liabilities	448,745	136,423	(8,872)	576,296
Capital expenditure incurred during the year	11,343	18,506	-	29,849

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

4. SEGMENT REPORTING (Continued)

The financial information of revenue and selected income relating to the geographical segments excluding the effect of transactions between the Group's companies for the years ended 31 December 2023 and 31 December 2022 is as follows:

<u>Segments</u>	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt in thousands SR	Reconciliation in thousands SR	Total in thousands SR
<b>2023</b>				
Revenue from contracts with customers	363,318	526,022	(294)	889,046
<u>Expenses, net:</u>				
Cost and expense (net)	(363,329)	(397,498)	294	(760,533)
Employee benefits expenses	(120,244)	(54,518)	-	(174,762)
Depreciation and amortization	(28,105)	(4,745)	-	(32,850)
Company's share in the results of the subsidiary	51,682	-	(51,682)	-
Zakat	(1,333)	-	-	(1,333)
Tax	-	(17,579)	-	(17,579)
<b>Segment Loss for the year</b>	<b>(98,011)</b>	<b>51,682</b>	<b>(51,682)</b>	<b>(98,011)</b>
<u>Segments</u>	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt in thousands SR	Reconciliation in thousands SR	Total in thousands SR
<b>2022</b>				
Revenue from contracts with customers	434,775	589,702	(156)	1,024,321
<u>Expenses, net:</u>				
Cost and expense	(346,973)	(418,466)	156	(765,283)
Employee benefits expenses	(116,243)	(68,072)	-	(184,315)
Depreciation and amortization	(36,312)	(9,301)	-	(45,613)
Company's share in the results of the subsidiary	69,975	-	(69,975)	-
Zakat	(2,305)	-	-	(2,305)
Tax	-	(23,888)	-	(23,888)
<b>Segment profit for the year</b>	<b>2,917</b>	<b>69,975</b>	<b>(69,975)</b>	<b>2,917</b>

Detailed revenue information from contracts with customers for geographical segments is shown in Note (5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

5.1 Detailed revenue information

<u>Segments</u>	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt in thousands SR	Reconciliation in thousands SR	Total in thousands SR
<b>2023</b>				
<b>Type of goods</b>				
Sesame products	193,103	99,949	-	293,052
Meat products	30,539	381,363	-	411,902
Other products	139,676	44,710	(294)	184,092
<b>Total</b>	<b>363,318</b>	<b>526,022</b>	<b>(294)</b>	<b>889,046</b>
<b>Type of customers</b>				
Key customers	70,988	93,191	-	164,179
Wholesalers	118,568	213,246	-	331,814
Retailers	55,106	124,563	-	179,669
Catering	71,151	38,578	-	109,729
Exports	35,003	56,444	(294)	91,153
Others	12,502	-	-	12,502
<b>Total</b>	<b>363,318</b>	<b>526,022</b>	<b>(294)</b>	<b>889,046</b>

<u>Segments</u>	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt in thousands SR	Reconciliation in thousands SR	Total in thousands SR
<b>2022</b>				
<b>Type of goods</b>				
Sesame products	176,909	85,838	-	262,747
Meat products	67,238	458,916	-	526,154
Other products	190,628	44,948	(156)	235,420
<b>Total</b>	<b>434,775</b>	<b>589,702</b>	<b>(156)</b>	<b>1,024,321</b>
<b>Type of customers</b>				
Key customers	117,680	96,929	-	214,609
Wholesalers	114,650	262,528	-	377,178
Retailers	71,314	140,544	-	211,858
Catering	56,796	36,333	-	93,129
Exports	69,757	53,368	-	123,125
Others	4,578	-	(156)	4,422
<b>Total</b>	<b>434,775</b>	<b>589,702</b>	<b>(156)</b>	<b>1,024,321</b>

**5. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)****5.1 Disaggregated revenue information (Continued)****Geographical markets**

	<b>2023</b> thousands in SR	<b>2022</b> thousands in SR
Kingdom of Saudi Arabia	328,021	364,862
Arab Republic of Egypt	469,579	536,334
Other markets	91,446	123,125
	<b>889,046</b>	<b>1,024,321</b>

**5.2 Contract balance**

	<b>2023</b>	<b>2022</b>
Trade receivables (Note 22)	<b>82,071,729</b>	<b>124,848,351</b>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

**5.3 Assets for goods return right and goods return liabilities**

	<b>2023</b>	<b>2022</b>
Goods return liabilities arises from right of goods return (Note 30)	<b>26,357,429</b>	<b>16,732,313</b>

**5.4 Performance obligations**

The performance obligation is satisfied when control of the asset is transferred to the customer, generally on delivery of the goods. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

**6. COST OF REVENUE**

	<b>2023</b>	<b>2022</b>
Raw material cost	564,503,870	590,044,371
Salaries, wages and benefits (Note 14)	70,379,715	77,249,092
Rent refrigerators and stores (Note "a" below)	2,812,732	3,995,235
Insurance expenses	1,148,212	1,155,043
Maintenance and spare parts expenses	8,601,970	11,873,434
Fuel and energy	13,294,146	17,203,119
Mail and phone	221,773	319,294
Car expenses	2,854,058	3,147,302
Car rental (Note "a" below)	313,851	265,785
Travel and transfers	521,208	378,847
Cleaning and errands	2,247,392	2,844,340
Transfer and upload	1,833,817	2,603,072
Professional and consulting fees	323,766	273,084
Depreciation of property, plant and equipment (Note 16-d)	29,317,913	29,511,347
Depreciation of right-of-use assets (Note 19-c)	2,480,356	3,624,960
Other	5,813,294	9,073,651
	<b>706,668,073</b>	<b>753,561,976</b>

- a) The item for rent refrigerators and stores, and the item for Car rental, represents the value of rents against lease contracts for variable rental payments related to the use of those assets, and therefore these amounts were charged directly to the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

7. OTHER INCOME, NET

	2023	2022
Gain on disposal of property, plant, and equipment	463,245	151,275
Gain on disposal Assets available for sale	-	8,512,023
Other expenses, net	(568,574)	(2,878,548)
Other income, net	1,124,011	1,078,653
Export sales support income (Note a)	940,604	1,384,425
	<u>1,959,286</u>	<u>8,247,828</u>

- a) During the year, the subsidiary received support from the Export Development Fund of the Arab Republic of Egypt in the amount of 7,707,442 Egyptian pounds equivalent 940,604 Saudi Riyal (2022: 7,114,321 Egyptian pounds equivalent 1,384,425 Saudi Riyal).

8. SELLING AND DISTRIBUTION EXPENSES

	2023 SR	2022 SR
Salaries, wages and benefits (Note 14)	66,108,846	70,802,146
Activation of sales and marketing expenses	28,393,073	22,640,046
Car expenses	6,702,927	8,511,909
Expenses for export sales activation	9,148,549	17,293,484
Distribution commissions	4,564,505	3,971,861
Depreciation of property, plant and equipment (Note 16-d)	2,166,988	3,541,920
Transfer and upload	2,632,826	2,790,156
Depreciation of right-of-use assets (Note 19-c)	4,611,728	6,329,658
Promotion expenses	7,010,509	3,803,504
Amortization of intangible assets (Note 18-a)	248,608	215,688
Car rental (Note "a" below)	9,485,204	6,778,741
Insurance	1,210,785	1,414,758
Provision of expected credit losses - trade receivable (Note 22)	4,835,471	3,740,418
Rents (Note "a" below)	4,120,967	1,718,806
Others	9,761,025	9,937,286
	<u>161,002,011</u>	<u>163,490,381</u>

- a) The item for car rental, and the item for rents, represent the value of rents against lease contracts for variable rental payments related to the use of those assets, and therefore these amounts were charged directly to the statement of comprehensive income.

**9. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
Salaries, wages and benefits (Note 14)	38,273,521	36,263,458
Expenses and allowances for attending the sessions of the Board of Directors and related committees	2,522,896	4,423,769
Dividend withholding tax	30,298	2,626,190
Studies and consultations	3,112,823	6,177,743
Computer supplies	3,359,568	2,880,789
Depreciation of property, plant and equipment (Note 16-d)	1,365,463	1,408,215
Maintenance	390,918	313,207
Bank commissions	1,301,614	1,195,023
Insurance	518,763	563,869
Mail and phone	306,369	374,118
Travel expenses	624,622	704,573
Depreciation of right of use assets (Note 19-c)	926,692	775,250
Provisions	14,849,840	3,179,621
Subscriptions and fees	4,110,033	3,755,553
Amortization of intangible assets (Note 18-a)	189,859	206,587
Others	3,991,978	3,939,688
	<b>75,875,257</b>	<b>68,787,653</b>

**10. FINANCE COST, NET**

	<b>2023</b>	<b>2022</b>
Term financing expenses, Islamic Murabaha contracts and other banking expenses	24,135,689	10,696,854
Treasury Bills revenue	(4,460,525)	-
Finance costs Employees defined benefits' liabilities (Note 29)	1,452,300	696,998
Lease contract financing expenses (Note 19)	1,705,457	1,347,870
	<b>22,832,921</b>	<b>12,741,722</b>

**11. LOSSES ON SALE OF FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH COMPREHENSIVE INCOME**

	<b>2023</b>	<b>2022</b>
Cost of purchasing financial investments at fair value through profit or loss.	(730,486)	-
Proceeds from sale of financial investments at fair value through profit and loss	405,793	-
	<b>(324,693)</b>	<b>-</b>



## 12. ZAKAT AND INCOME TAX

a) Zakat and income tax provision as reported in the Group's statement of financial position is as follows:

	<b>2023</b>	<b>2022</b>
Zakat provision (Noted d, below)	1,483,437	2,304,815
Income tax provision (Note f, below)	14,906,214	15,129,195
	<b>16,389,651</b>	<b>17,434,010</b>

b) Zakat liabilities were calculated based on the consolidated financial statements of the Group, while tax was calculated based on standalone financial statements of the Subsidiary Company:

	<b>2023</b>	<b>2022</b>
Adjusted (loss) / profit, net	(60,987,813)	51,176,349
Shareholders' equity	649,900,738	644,121,653
Others	153,451,334	84,595,743
Long term financing	4,163,000	36,356,812
Total Deductions	<b>(712,987,095)</b>	<b>(731,326,815)</b>
 Zakat base	 94,527,977	 33,949,392
Zakat without Adjusted net profit (365/354)	97,465,287	35,004,312
Total Zakat Base Subject to Zakat	<b>36,477,474</b>	<b>86,180,667</b>

Differences between accounting and zakat net income are mainly due to disallowed allowances in calculating zakat able income.

c) Zakat charged to the consolidated statement of comprehensive income:

	<b>2023</b>	<b>2022</b>
Charge during the year	<b>1,333,139</b>	<b>2,304,815</b>

d) Movement in zakat provision during the year is as follows:

	<b>2023</b>	<b>2022</b>
Balance at the beginning of the year	2,304,815	5,878,833
Charge during the year	1,333,139	2,304,815
Paid during the year	(2,154,517)	(5,087,405)
Other Adjustment	-	(791,428)
<b>Balance at the end of the year (note a)</b>	<b>1,483,437</b>	<b>2,304,815</b>

e) Tax charged to the consolidated statement of comprehensive income:

	<b>2023</b>	<b>2022</b>
Current income tax (Note f, below)	18,769,369	23,294,516
Deferred tax income (Note g, below)	(1,190,666)	593,633
	<b>17,578,703</b>	<b>23,888,149</b>

f) Movement in income tax provision during the year consists of the following:

	<b>2023</b>	<b>2022</b>
Balance at the beginning of the year	15,129,195	25,820,054
Charge during the year (Note e, below)	18,769,369	23,294,516
Paid during the year	(12,217,916)	(21,114,500)
Currency translation differences	(6,774,434)	(12,870,875)
<b>Balance at the end of the year (Note a)</b>	<b>14,906,214</b>	<b>15,129,195</b>

## 12. ZAKAT AND INCOME TAX (Continued)

g) Movement in deferred tax (Assets) liabilities during the year consists of:

	2023	2022
Balance at the beginning of the year	177,550	(446,342)
Deferred tax income during the year is charged to the consolidated statement of comprehensive income (Note h)	(1,190,666)	593,633
Currency translation differences	(25,374)	30,259
<b>Balance at the end of the year</b>	<b><u>(1,038,490)</u></b>	<b><u>177,550</u></b>

h) Deferred tax, net recorded in the consolidated statement of comprehensive income during the year:

	2023	2022
Change in deferred tax asset during the year:		
(increase) in deferred tax asset	(1,261,222)	(643,273)
Decrease in deferred tax liabilities	70,556	1,236,906
<b>Total deferred tax Expense/ (income) reported (Note 12-e, 12-g)</b>	<b><u>(1,190,666)</u></b>	<b><u>593,633</u></b>

i) A reconciliation between the tax profit and the accounting profit multiplied by the tax rate for the years 2022 and 2023:

	2023	2022
Earnings before income taxes	69,260,363	93,862,736
<b>Reconciliation</b>		
Non-deductible expenses	7,858,483	9,997,916
Other	1,008,724	2,308,898
<b>Taxable income</b>	<b><u>78,127,570</u></b>	<b><u>106,169,550</u></b>
Tax rate	22.5%	22.5%
<b>Income tax expense is disclosed in the consolidated statement of comprehensive income</b>	<b><u>17,578,703</u></b>	<b><u>23,888,149</u></b>

j) Zakat and tax assessment

**Zakat assessment (Halwani Brothers Company - Saudi Arabia)**

The Parent Company finalized its zakat assessment up to 31 December 2014.

The Parent Company filed zakat declarations for the years from 2015 to 2018 and obtained a zakat certificate until 2018. Zakat, Tax and Customs Authority (ZATCA) issued zakat assessments for the above-mentioned years, which stated additional zakat differences due in the amount of SR 4.2 million, which was objected by the Company.

Also, the Parent Company filed zakat declarations for the year 2019 and obtained a zakat certificate. ZATCA also issued zakat assessments for year 2019, which showed additional zakat differences due in the amount of SR 4.1 million, which was objected by the Company. The Company's management believes, according to the assessment of its zakat advisor that the outcome of the objection will be in its favor.

The Parent Company finalized its zakat status for the year 2020.

The Parent Company filed zakat declarations for the year 2021,2022 and obtained a zakat certificate for that.

**12. ZAKAT AND INCOME TAX (Continued)****Zakat status (Halwani Brothers Company - Egypt)****1) Corporate taxation**

- The Subsidiary is exempt from taxes according to Law 8 until December 31, 2005.
- The company's books of differences were examined until 2018, and paid the accrued tax.
- The declarations were submitted until 2022 and the payment due on them based on the declarations in light of the provisions of Law 91 of 2015.

**2) Value Added Tax**

- The Company's books and records were examined until 30/11/2020, and the tax due was paid.
- The company's data books are being examined until 12/31/2021.
- The Company pays the dues based on the declarations on time.

**3) Business earning taxes**

- The books and records of the Subsidiary Company until 2020 were examined, and the tax due was paid.
- The company's books and records are being examined for the years 2021 and 2022.

**4) Stamp due taxes**

- The books and records of the Subsidiary Company up to the year 2020 were examined, and the tax due was paid.

**5) Tax deduction and addition**

- The third period has been paid for the year 2023, and there are no financial dues from the Subsidiary Company.

**6) Real estate taxes**

- Accounting has been completed and the dues have been paid until 2021, and there are no financial dues from the company.
- In accordance with the decision of the Council of Ministers of the Arab Republic of Egypt No. 61 of 2022, the Ministry of Finance of the Arab Republic of Egypt shall bear the tax on built properties prescribed by the provisions of Law No. 196 of 2008 and its amendments on some industrial activities for a period of three years, starting from the year 2022.

**K) Value Added Tax**

The Group is registered for VAT purposes in the Kingdom of Saudi Arabia (the Parent Company) and the Arab Republic of Egypt (the Subsidiary Company). The Group pays the VAT due based on the tax returns.

**13. COMPONENTS OF OTHER COMPREHENSIVE (LOSS)**

	<u>2023</u>	<u>2022</u>
Exchange difference on translation of foreign operations (refer Note below)	(27,365,779)	(71,326,095)
Change in assumptions of employees' defined benefits liabilities (Note 29)	(1,458,500)	2,861,700
	<u>(28,824,279)</u>	<u>(68,464,395)</u>

The exchange difference arising on translation of foreign operations represents the accumulative difference of translating the net non-financial assets of the Subsidiary Company as at 31 December 2023. Result of translation of Egyptian Pound (EGP) (functional currency of the Subsidiary Company) to Saudi Riyals (SR) (functional and presentation currency of the Parent Company) as at 31 December 2023. The Group manages its exposure to change in the exchange rate of EGP to SR (Note 33)

#### 14. SALARIES, WAGES AND DEFINED EMPLOYEE BENEFITS LIABILITIES

Allocation of salaries, wages and employee benefits liabilities for the year was as follows:

	2023	2022
Cost of Revenue (Note 6)	70,379,715	77,249,092
Selling and distribution expenses (Note 8)	66,108,846	70,802,146
General and administrative expenses (Note 9)	38,273,521	36,263,458
	<u>174,762,082</u>	<u>184,314,696</u>

#### 15. EARNINGS PER SHARE

Basic and diluted earnings per share (EPS) is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary outstanding shares on the date of the consolidated statement of financial position.

The table below reflects the income and the shares data used in calculating basic and diluted earnings per share:

	2023	2022
Net loss/ profit for the year attributable to shareholders of the Parent Company (SR)	(98,011,332)	2,917,385
Weighted average number of shares during the year (per share)	35,357,145	35,357,145
Basic and diluted loss / earnings per share (SR)	<u>(2.77)</u>	<u>0.08</u>

The table below reflects the operating income and the shares data used in calculating basic and diluted earnings per share:

	2023	2022
Operating loss / profit for the year attributable to shareholders of the Parent Company (SR)	(56,285,066)	46,729,180
Weighted average number of shares during the year (per share)	35,357,145	35,357,145
Basic and diluted loss / earnings per share (SR)	<u>(1.59)</u>	<u>1.32</u>

No transactions were performed in relation with ordinary shares or potential ordinary shares between the date of the consolidated statement of financial position and the date of authorization for issuance of these consolidated financial statements.

There were no components affecting the weighted average number of ordinary shares

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Machine and equipment	Furniture and fixture	Computers and software	Vehicles	Spare parts not for sale	Work in progress	Total 2023
<b>Cost</b>									
1 January 2023	49,715,184	295,554,551	379,345,244	7,645,798	6,034,202	34,618,656	1,596,249	15,296,883	789,806,767
Additions	-	-	-	-	-	-	-	6,870,666	6,870,666
Disposals	-	(1,484,579)	(3,587,073)	(150,662)	(55,484)	(4,080,057)	-	-	(9,357,855)
Transfers	-	2,178,047	13,361,253	874,646	1,287,953	-	-	(17,701,899)	-
Transfers to assets Available for sale	-	(60,382)	(1,529,304)	(35,491)	(1,264)	-	-	-	(1,626,441)
Transfers to Investment Properties	(45,134,328)	-	-	-	-	-	-	-	(45,134,328)
Translation differences	(653,385)	(4,056,568)	(9,665,086)	(232,655)	(606,767)	(2,158,173)	-	(588,801)	(17,961,435)
<b>31 December 2023</b>	<b>3,927,471</b>	<b>292,131,069</b>	<b>377,925,034</b>	<b>8,101,636</b>	<b>6,658,640</b>	<b>28,380,426</b>	<b>1,596,249</b>	<b>3,876,849</b>	<b>722,597,374</b>
<b>Depreciation</b>									
1 January 2023	-	76,321,932	206,581,691	6,330,977	4,433,979	29,222,976	1,589,778	-	324,481,333
Depreciation	-	8,977,731	20,948,225	308,198	775,657	1,837,220	3,333	-	32,850,364
Disposals	-	(901,312)	(2,988,092)	(142,143)	(48,185)	(3,782,126)	-	-	(7,861,858)
Transfers to assets Available for sale	-	(44,236)	(1,003,782)	(25,480)	(63)	-	-	-	(1,073,561)
Translation differences	-	(1,642,365)	(4,811,557)	(112,962)	(522,710)	(1,563,630)	-	-	(8,653,224)
Impairment	-	-	3,745,426	-	-	-	-	-	3,745,426
<b>31 December 2023</b>	<b>-</b>	<b>82,711,750</b>	<b>222,471,911</b>	<b>6,358,590</b>	<b>4,638,678</b>	<b>25,714,440</b>	<b>1,593,111</b>	<b>-</b>	<b>343,488,480</b>
<b>Net book value</b>									
31 December 2023	3,927,471	209,419,319	155,453,123	1,743,046	2,019,962	2,665,986	3,138	3,876,849	379,108,894

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands	Buildings	Machine and equipment	Furniture and fixture	Computers and software	vehicles	Spare parts not for sale	Work in progress	Total 2022
<b>Cost</b>									
1 January, 2022	51,600,133	302,830,919	384,945,005	8,737,181	7,196,162	42,915,248	1,596,249	15,197,633	815,018,530
Additions	-	-	-	-	-	-	-	29,849,793	29,849,793
Disposals	-	-	(2,213,751)	(717,912)	(38,603)	(1,185,673)	-	-	(4,155,939)
Transfers	-	4,204,834	22,086,377	302,859	629,332	-	-	(27,223,402)	-
Transfers to intangible assets	-	-	-	-	-	-	-	(168,678)	(168,678)
Transfers to current assets Available for sale	-	(591,529)	(1,558,777)	(20,570)	(24,254)	(827,750)	-	-	(3,022,880)
Translation differences	(1,884,949)	(10,889,673)	(23,913,610)	(655,760)	(1,728,435)	(6,283,169)	-	(2,358,463)	(47,714,059)
<b>31 December, 2022</b>	<b>49,715,184</b>	<b>295,554,551</b>	<b>379,345,244</b>	<b>7,645,798</b>	<b>6,034,202</b>	<b>34,618,656</b>	<b>1,596,249</b>	<b>15,296,883</b>	<b>789,806,767</b>
<b>Depreciation</b>									
1 January 2022	-	71,541,572	201,030,213	6,982,279	4,962,792	32,633,135	1,481,777	-	318,631,768
Depreciation	-	9,330,955	21,125,010	308,458	920,129	2,668,929	108,001	-	34,461,482
Disposals	-	-	(2,082,196)	(650,966)	(35,442)	(1,146,958)	-	-	(3,915,562)
Transfers to assets Available for sale	-	(24,023)	(330,850)	(8,294)	(4,595)	(786,107)	-	-	(1,153,869)
Translation differences	-	(4,526,572)	(13,160,486)	(300,500)	(1,408,905)	(4,146,023)	-	-	(23,542,486)
<b>31 December 2022</b>	<b>-</b>	<b>76,321,932</b>	<b>206,581,691</b>	<b>6,330,977</b>	<b>4,433,979</b>	<b>29,222,976</b>	<b>1,589,778</b>	<b>-</b>	<b>324,481,333</b>
<b>Net book value</b>									
31 December 2022	49,715,184	219,232,619	172,763,553	1,314,821	1,600,223	5,395,680	6,471	15,296,883	465,325,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

**16. PROPERTY, PLANT AND EQUIPMENT (Continued)**

a) The Parent Company's new industrial complex is constructed on a land leased from Saudi Industrial Property Authority ("Modon") for 25 years period starting from 16 Sha'ban 1428 H (corresponding 29 August 2007), the contract can be renewed for an additional period.

b) At 31 December 2023, property, plant and equipment comprise assets fully depreciated in books but still operating with a cost of SR 100.8 million (2022: SR 102.4 million).

c) As of 31 December 2023, the value of work in progress amounting to SR 3.88 million (31 December 2022: SR 15,3 million) is represented in payments for the purchase of property, plant and equipment.

d) Depreciation for the year was allocated in the consolidated statement of comprehensive income as follows:

	2023	2022
Cost of Revenue (Note 6)	29,317,913	29,511,347
Selling and distribution expenses (Note 8)	2,166,988	3,541,920
General and administrative expenses (Note 9)	1,365,463	1,408,215
	<b>32,850,364</b>	<b>34,461,482</b>

**17. Investment Properties**

	Land	Total
<b>Cost:</b>		
As of January 1, 2023	-	-
Transfer from property, plant and equipment	45,134,328	45,134,328
<b>As of December 31 2023</b>	<b>45,134,328</b>	<b>45,134,328</b>
<b>Amortization:</b>		
As of January 1, 2023	-	-
As of December 31 2023	-	-
<b>Net book value:</b>		
As of December 31, 2023	<b>45,134,328</b>	<b>45,134,328</b>
As of December 31, 2022	-	-

- a) The group transferred the plot of land located in King Abdullah Economic City from property, plant and equipment to Investment Properties, the book value of which is 45 million Saudi riyals, based on the change in its intended use. and its fair value amounted to 59 million Saudi riyals according to the certified evaluator's report, "Value Code for Real Estate Valuation Company." The evaluation did not show any decline in value as of December 31, 2023.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**
**18. INTANGIBLE ASSETS**

	<b>Programs</b>	<b>Trademark and franchise fees</b>	<b>Total</b>
<b>Cost :</b>			
<b>1 January 2023</b>	2,532,784	1,555,589	4,088,373
Additions	-	265,277	265,277
Disposals	(11,020)	-	(11,020)
Translation differences	(141,900)	-	(141,900)
<b>31 December 2023</b>	<b>2,379,864</b>	<b>1,820,866</b>	<b>4,200,730</b>
<b>Amortization</b>			
<b>1 January 2023</b>	787,704	437,100	1,224,804
Amortization of the year	200,436	238,031	438,467
Disposals	(11,019)	-	(11,019)
Translation differences	(110,528)	-	(110,528)
<b>31 December 2023</b>	<b>866,593</b>	<b>675,131</b>	<b>1,541,724</b>
<b>Net book value:</b>			
<b>31 December 2023</b>	<b>1,513,271</b>	<b>1,145,735</b>	<b>2,659,006</b>

	<b>Programs</b>	<b>Trademark and franchise fees</b>	<b>Total</b>
<b>Cost :</b>			
<b>1 January 2022</b>	4,913,884	10,102,877	15,016,761
Additions	-	189,196	189,196
Transfers from property, plant and equipment's	168,679	-	168,679
Disposals	(2,177,792)	(8,736,484)	(10,914,276)
Translation differences	(371,987)	-	(371,987)
<b>31 December 2022</b>	<b>2,532,784</b>	<b>1,555,589</b>	<b>4,088,373</b>
<b>Amortization</b>			
<b>1 January 2022</b>	3,274,431	8,758,246	12,032,677
Amortization of the year	194,464	227,811	422,275
Reclassification	(187,527)	187,527	-
Disposals	(2,177,792)	(8,736,484)	(10,914,276)
Translation differences	(315,872)	-	(315,872)
<b>31 December 2022</b>	<b>787,704</b>	<b>437,100</b>	<b>1,224,804</b>
<b>Net book value:</b>			
<b>31 December 2022</b>	<b>1,745,080</b>	<b>1,118,489</b>	<b>2,863,569</b>

a) **Amortization** for the year was allocated in the consolidated statement of comprehensive income as follows:

	<b>2023</b>	<b>2022</b>
Selling and distribution expenses (Note 8)	248,608	215,688
General and administrative expenses (Note 9)	189,859	206,587
	<b>438,467</b>	<b>422,275</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**19. LEASE CONTRACTS****The Group as a lessee**

The Group has lease contracts for several rental properties. The term of leases generally ranges from 2 to 13 years. The Group's obligations under these contracts are secured by the lessor's ownership of these properties. Many lease contracts include contract extension and termination options and variable lease payments detailed below. Not all leases contain variable payments.

The Group also has some contracts for properties with a minimum lease term of 12 months or less. The Group applies recognition exemptions for "short term leases" and "impaired asset leases" to these assets.

The following are the carrying values of the right-to-use assets and lease-contract liabilities included during the year and the movement they have experienced during the year:

**a) Right-of-use assets are represented as follows:**

	<b>2023</b>	<b>2022</b>
<b>Cost :</b>		
1 January	52,256,831	54,332,393
Additions during the year	4,995,313	12,746,997
disposal during the year	(14,260,193)	(8,498,230)
Adjustments	(637,901)	-
Translation differences	(2,375,478)	(6,324,329)
<b>As at 31 December</b>	<b>39,978,572</b>	<b>52,256,831</b>
<b>Amortization</b>		
1 January	(23,834,536)	(24,337,347)
Amortization of the year	(8,018,776)	(10,729,868)
Disposal during the year	13,797,200	8,026,434
Translation differences	766,970	3,206,245
<b>As at 31 December</b>	<b>(17,289,142)</b>	<b>(23,834,536)</b>
<b>Net book value as at 31 December</b>	<b>22,689,430</b>	<b>28,422,295</b>

**b) Lease obligations are classified in the statement of financial position as follows:**

	<b>2023</b>	<b>2022</b>
<b>Cost:</b>		
January 1	28,324,243	29,829,980
Additions during the year	4,995,313	12,768,142
Interest expense	1,705,457	1,347,870
Payments	(8,095,328)	(11,997,398)
disposal during the year	78,002	(492,942)
Adjustments	(1,207,366)	-
Translation differences	(1,642,083)	(3,131,409)
<b>As at December 31</b>	<b>24,158,238</b>	<b>28,324,243</b>
<b>Less: current portion</b>	<b>(6,801,644)</b>	<b>(5,511,739)</b>
<b>Non-Current portion</b>	<b>17,356,594</b>	<b>22,812,504</b>

---

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**


---

**19. LEASE CONTRACTS (Continued)**

- c) The Group recorded the interest expense in relation to the lease liabilities under “finance cost (note 10)” and recorded depreciation expense related to the right of use assets for the year ended 31 December as follows:

	<b>2023</b>	<b>2022</b>
Cost of Revenue (Note 6)	2,480,356	3,624,960
Selling and distribution expenses (Note 8)	4,611,728	6,329,658
General and administrative expenses (Note 9)	926,692	775,250
	<b>8,018,776</b>	<b>10,729,868</b>

The Group has cash flows totaling SR 24.2 million against the lease contracts as on 31 December, 2023 (2022: SR 28.3 million).

	<b>2023</b>	<b>2022</b>
Within one year	6,801,644	5,511,739
More than 1 to 5 years	15,535,096	19,852,725
More than 5 years	1,821,498	2,959,779
	<b>24,158,238</b>	<b>28,324,243</b>

The Group does not have any potential future lease payments during the next five years from the date of the consolidated statement of financial position in respect of periods that come after the date of exercising the extension and termination options not included in the term of the lease contract.

**20. INVENTORY**

	<b>2023</b>	<b>2022</b>
Raw materials	130,769,888	131,596,020
Finished goods	57,456,931	57,139,304
Packing material	30,316,956	28,761,162
Work in progress	1,491,370	1,731,043
Spare parts	19,800,260	18,486,119
Others	472,498	583,407
	<b>240,307,903</b>	<b>238,297,055</b>
Provision for slow moving and obsolete inventories (*)	(18,337,400)	(16,114,078)
	<b>221,970,503</b>	<b>222,182,977</b>
Goods in transit	8,492,339	24,286,171
	<b>230,462,842</b>	<b>246,469,148</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

20. INVENTORY (Continued)

(\*) Movement of the Provision for slow moving and obsolete inventories during the year as follow:

	2023	2022
Balance at the beginning of the year	16,114,078	11,579,088
Addition during the year	2,765,490	6,997,954
Write- off during the year	(358,997)	(1,929,451)
Translation differences	(183,171)	(533,513)
Balance at the end of the year	<u>18,337,400</u>	<u>16,114,078</u>

21. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent major shareholders, board members and key management personnel of the Group and entities controlled or significantly influenced by such parties. The Groups' major related parties are described as follows:

Alrabie Saudi foods company	An affiliate owned by one of the major shareholders
Dallah Trading Company	An affiliate owned by one of the major shareholders
Textile and Garment Company Ltd.	An affiliate owned by one of the major shareholders
Ismailia Poultry Company-Egypt	An affiliate owned by one of the major shareholders
Albaraka Bank	Party to one of the members of the Board of Directors
Al Wasta Food Services Co. Ltd	Party to one of the members of the Board of Directors
Aquat Food Industries	Party to one of the members of the Board of Directors
Albaik food systems Co.	Party to one of the members of the Board of Directors
Mecca Corporation for Printing	Party to one of the members of the Board of Directors
Emaar The Economic City Company	Party to one of the members of the Board of Directors
Affiliates of the Parent Company	Related parties
Key management	Related parties
Board members	Related parties

a) Due from related parties (trade receivables and other receivables)

(Nature of transaction)		Transaction during the year		As at 31 December	
		2023	2022	2023	2022
		SR	SR	SR	SR
Albaik Food Systems Co.	Selling finished goods	10,004,118	5,878,887	1,220,185	664,486
Other parties	Selling finished goods	407,945	3,292,398	95,836	849,172
				<u>1,316,021</u>	<u>1,513,658</u>
Less: impairment of the value of related parties (Note below)				(9,614)	(261,311)
				<u>1,306,407</u>	<u>1,252,347</u>

Movement of impairment of the value of related parties during the year as follow:

	2023	2022
balance at the beginning of the year	261,311	503,311
No longer required	(251,697)	(242,000)
Balance at the end of the year	<u>9,614</u>	<u>261,311</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 21. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

## b) Due to related parties (accruals and other payables)

	(Nature of transaction)	<u>Transaction during the year</u>		<u>As at 31 December</u>	
		2023	2022	2023	2022
		SR	SR	SR	SR
Dallah Trading Company	Maintenance and spare parts contract	-	516,657	-	68,042
Ismailia Poultry Company-Egypt	Purchase of raw materials	36,812	1,677,919	-	66,793
Other parties	Various transactions	428,082	820,960	-	85,355
<b>Total</b>				<b>-</b>	<b>220,190</b>

## C) Due to other parties

	(Nature of transaction)	<u>Transaction during the year</u>		<u>As at 31 December</u>	
		2023	2022	2023	2022
		SR	SR	SR	SR
	Finance costs	1,242,056	1,305,800	-	-
Albaraka Bank*	Islamic Murabaha	20,962,956	15,525,811	911,497	15,525,811
	Treasury bills	16,947,040	-	16,969,895	-

\*Al Baraka Bank balance is allocated as follows:

	2023	2022
Current accounts with banks (Note 24)	295,073	863,539
Islamic Murabaha (Note 28)	(911,497)	(15,525,811)
Treasury bills (Note 23)	16,969,895	-
	<b>16,353,471</b>	<b>(14,662,272)</b>

## D) Board of directors and key management's allowances and remunerations

The Group's key management consists of senior executives of the Group who are responsible for planning, directing and supervising the Group's activities.

Compensation of key management personnel and Board of Directors recognised as an expense during the year is as follows:

<u>Description</u>	<u>Transaction nature</u>	<u>Relation</u>	<u>Transaction amount</u>	
			2023 SR	2022 SR
Top management	Salaries and compensation	Parent Company	9,318,113	6,548,988
		Subsidiary Company	4,332,049	3,347,807
	End of service benefits	Parent Company	214,051	287,770
Board of Directors	Rewards	Parent Company	-	1,800,000
		Subsidiary Company	1,020,201	1,461,201
The Board of Directors and the relevant committees	Expenses and allowances for attending the meetings	Parent and subsidiary Company	2,234,926	2,212,226

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**
**21. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)****e) Terms and conditions related to transactions with related parties:**

Transactions with related parties are conducted on equal terms as other normal terms for clients. The balances due to the related parties are paid within 60 days. They are not against any guarantees nor carry any interest and are paid in cash. Transactions are also approved by the Board of Directors.

**22. TRADE RECEIVABLES AND OTHER RECEIVABLES**

	2023 SR	2022 SR
Trade receivables (Note (a) below)	96,959,961	135,187,077
Allowance for expected credit losses (Note (b) below)	(14,888,232)	(10,338,726)
<b>Trade receivables, net</b>	<b>82,071,729</b>	<b>124,848,351</b>
Due from related parties net (Note 21)	1,306,407	1,252,347
Prepaid expenses	6,556,563	6,138,374
Employee loan (Note (c) below)	1,382,853	2,304,785
Advance payments to suppliers (Note (c) below)	4,108,504	7,424,343
Derivatives	-	80,317
Other receivables (Note (c)& (d) below)	11,873,278	22,036,788
	<b>107,299,334</b>	<b>164,085,305</b>

a) Trade receivables to customers are reduced by payable to customers for promotional activities, sales refunds and merchandise gondolas. The balance of these receivables as of December 31, 2023 amounted to 50.18 million Saudi Riyals (2022: 38.6 million Saudi Riyals).

b) The movement in the allowance for expected credit losses of trade receivables is as follows:

	2023 SR	2022 SR
Balance at the beginning of the year	10,338,726	8,145,570
Addition during the year (Note 8)	4,835,471	3,740,418
Provision no longer required	-	(609,300)
Translation differences	(285,965)	(937,962)
Balance at the end of the year	<b>14,888,232</b>	<b>10,338,726</b>

c) Employee receivables, advances to suppliers and other receivables as of 31 December 2023, after deducting an impairment of SR 0.11 million (2022: SR 0.13 million).

d) Other receivables include a balance due from a government entity, which is represented in the value of compensation for a part of the land in Al-Thaalbah neighborhood, note No. (7).

**23 INVESTMENTS AT AMORTIZED COST**

	2023 SR	2022 SR
Treasury bills with a nominal value less than three months	79,366,904	-
Deduct: Unearned income	(2,222,682)	-
Add: Foreign currency differences	18,662	-
	<b>77,162,884</b>	<b>-</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

24. CASH AND CASH EQUIVALENTS

	2023 SR	2022 SR
Cash on hand and at bank	31,116,042	94,004,905
Cheques under collection	2,681,399	3,524,608
	<b>33,797,441</b>	<b>97,529,513</b>

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of the following:

	2023 SR	2022 SR
Treasury bills of less than three months, net	77,162,884	-
Cash on hand and at banks	31,116,042	94,004,905
Checks under collection	2,681,399	3,524,608
	<b>110,960,325</b>	<b>97,529,513</b>

25. SHARE CAPITAL

The company's capital on December 31, 2023 amounted to 353,571,450 Saudi Riyals (2022: 353,571,450 Saudi Riyals), consisting of 35,357,145 (2022: 35,357,145) shares fully paid and issued shares at a value of 10 Saudi Riyals per share.

26. STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's by-laws, the Parent Company must transfer 10% of its profit in each year to the statutory reserve. The Parent Company may cease such transfers when the statutory reserve equals 30% of the capital.

27. TERM LOAN

The term financing balance as at December 31 consists of the following:

	2023 SR	2022 SR
27-1 Bank Alrajhi financing (Note a, below)	4,163,000	20,831,000
<b>Balance as at 31 December</b>	<b>4,163,000</b>	<b>20,831,000</b>
current portion	(4,163,000)	(16,668,000)
<b>Non-current portion</b>	<b>-</b>	<b>4,163,000</b>

The parent company has a financing agreement with Al Rajhi Bank for the amount of 65 million Saudi Riyals. An amount of 50 million Saudi Riyals was withdrawn by the parent company. According to the terms of the agreement, the financing is repayable in quarterly installments of 4.2 million Saudi Riyals, starting on June 30, 2022, and the last installment is due on March 31, 2024. The financing entails financing fees (at the prevailing rate in the Saudi Interbank Market plus a profit margin). The financing was guaranteed by promissory notes issued to the bank.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 27. TERM LOAN (Continued)

The movement in Alrajhi Bank loan during the year was as follows

	2023	2022
	SR	SR
Balance as at 1 January	20,831,000	37,499,000
Payment during the year	(16,668,000)	(16,668,000)
Balance as at 31 December	<b>4,163,000</b>	<b>20,831,000</b>
Less: current portion	(4,163,000)	(16,668,000)
Non-current portion	-	<b>4,163,000</b>

The following table represents the remaining installments value of the entire financing amount as at 31 December:

	2023	2022
	SR	SR
2023	-	16,668,000
2024	4,163,000	4,163,000
	<b>4,163,000</b>	<b>20,831,000</b>

## 27-2 Bank Saudi Fransi financing

During the year 2022, an amount of SR 6,250,000 was paid, which is represented in the last installment on March 31, 2022.

## 28. ISLAMIC MURABAHA CONTRACTS

The carrying value of the Islamic Murabaha contracts as at 31 December 2023 and 31 December 2022 are as follows:

## 28.1 Islamic Murabaha Contracts (Long term)

<u>Finance type</u>	<u>Notes</u>	<u>Currency</u>	<u>Amount in original currency</u>		<u>Amount in Saudi Riyals</u>	
			<i>As at 31 December 2023 Audited</i>	<i>As at 31 December 2022 Audited</i>	<i>As at 31 December 2023 Audited</i>	<i>As at 31 December 2022 Audited</i>
Murabaha (note 21)	a)	Egyptian Pound	7,532,170	102,739,882	911,497	15,525,811
Less: current Murabaha contract portion					(911,497)	(7,610,049)
non-current Murabaha contract portion					-	<b>7,915,762</b>

- a) The subsidiary company has entered into long-term Murabaha contracts with local banks in the Arab Republic of Egypt to finance its operations. The subsidiary company pays financing charges according to the prevailing market rate. As on December 31, 2023, the outstanding balance for these contracts amounted to SR 0.911 million (December 31, 2022: the amount of SR 15.5 million). and there is a non-current portion of SR Nil (December 31, 2022: SR 7.9 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**28. ISLAMIC MURABAHA CONTRACTS (Continued)**

**28.2 Islamic Murabaha Contracts (Short term)**

The carrying value of the Islamic Murabaha contracts as at 30 September 2023 and 31 December 2022 is as follows:

<u>Finance type</u>	<u>Notes</u>	<u>Currency</u>	<u>Amount in original currency</u>		<u>Amount in Saudi Riyals</u>	
			<i>As at 31 December 2023 Audited</i>	<i>As at 31 December 2022 Audited</i>	<i>As at 31 December. 2023 Audited</i>	<i>As at 31 December 2022 Audited</i>
Tawaruq	A	Saudi Riyals	96,200,000	92,500,000	96,200,000	92,500,000
Tawaruq	A	Saudi Riyals	34,630,202	62,984,446	34,630,202	62,984,446
Tawaruq	A	Saudi Riyals	110,073,413	65,000,000	110,073,413	65,000,000
Tawaruq	A	Saudi Riyals	50,000,000	50,000,000	50,000,000	50,000,000
Tawaruq	A	Saudi Riyals	35,917,586	-	35,917,586	-
Murabah	B	Egyptian Pound	131,451,527	225,043,457	15,907,450	34,008,043
Murabah	B	Egyptian Pound	47,600,561	-	5,760,325	-
Murabah	B	Egyptian Pound	27,826,659	-	3,367,410	-
Total facilities					<b>351,856,386</b>	<b>304,492,489</b>

- The Parent Company entered into short-term Islamic Murabaha (Tawaruq) Contracts with local banks in the Kingdom of Saudi Arabia with guarantee of promissory notes. These Murabaha are paid within a period of three to eight months and the Parent Company pays financing burdens on financing according to the prevailing market rate among Saudi banks plus a profit margin. On 31 December 2023, the outstanding balance of these contracts amounted to SR 328.6 million (31 December 2022: SR 270.4 million).
- The Subsidiary Company has entered into short Murabaha Contracts with local banks in the Arab Republic of Egypt to finance its operations. The Subsidiary Company pays financing charges according to prevailing market rate. As of 31 December 2023, the outstanding balance of these contracts amounted to an amount of SR 25 million (31 December 2022: 34 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

29. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	2023 SR	2022 SR
Balance as at 1 January	36,286,100	38,783,202
Current service cost	3,071,800	3,604,400
Finance costs	1,452,300	696,998
Paid during the year	(14,959,700)	(3,936,800)
Other Reconciliations	(58,800)	-
Actuarial loss/(profit) recognised during the year	1,458,500	(2,861,700)
Balance as at 31 December	<b>27,250,200</b>	<b>36,286,100</b>

Net benefit expense recognised in the consolidated statement of comprehensive income is as shown below:

	2023 SR	2022 SR
Current service cost	3,013,000	3,604,400
Finance costs	1,452,300	696,998
Total benefit expense	<b>4,465,300</b>	<b>4,301,398</b>

Actuarial loss recognised in other comprehensive income during the year comprises of:

	2023 SR	2022 SR
Financial assumptions	341,400	(4,670,900)
Experience	1,117,100	1,809,200
Total actuarial loss/ (gain) during the year	<b>1,458,500</b>	<b>(2,861,700)</b>

The principle actuarial assumptions used in the calculation of the employees' current defined benefit obligations are as follows:

	2023	2022
Discount rate	5.10%	5.10%
Salary increase rate	3%	3%
Turnover rate	14%	14%
Average retirement age (years)	60 Years	60 years

The effect of change in one of the actuarial assumptions that has reasonable change in the rate in the defined benefit obligation, with all other variable assumptions constant is presented as follows:

	2023 SR	2022 SR
Discount rate +0.25%	26,960,800	35,944,300
Discount rate -0.25%	27,546,900	36,636,400
Salary increase +0.25%	27,551,700	36,643,800
Salary increase -0.25%	26,954,800	35,935,600

The above sensitivity analysis has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**
**29. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (Continued)**

The following payments are expected in future years in respect of defined benefit plan:

	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
Within the next 12 months (next annual reporting period)	5,966,800	9,876,400
Between 2 and 5 years	14,367,100	18,742,700
Between 5 and 10 years	15,853,900	20,809,200
Net benefit expense	<b>36,187,800</b>	<b>49,428,300</b>

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.33 years (2022: 3.84 years).

**30. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
Accrued expenses	45,866,781	27,020,165
Due to related parties (Note 21)	-	220,190
Advances from customers	4,694,427	3,719,197
Liabilities arising from the rights to return the goods	26,357,429	16,732,313
Employee accruals	7,014,192	8,698,733
Subsidiary Company tax receivables	1,814,928	6,673,717
Other	14,210,060	3,405,444
	<b>99,957,817</b>	<b>66,469,759</b>

**31. DIVIDEND**

On April 19, 2022, the Extraordinary General Assembly approved the recommendation of the Board of Directors to distribute cash dividends to shareholders for the fiscal year ending on December 31, 2021, with a total amount of 70,714,290 Saudi Riyals.

**32. CONTINGENT LIABILITIES**

The capital commitments and contingent liabilities as at 31 December are as follows:

	<b>2023</b>	<b>2022</b>
	<b>SR</b>	<b>SR</b>
Letters of guarantee and documents for collection issued by banks	<b>19,179,288</b>	<b>28,125,313</b>

**33. RISK MANAGEMENT OBJECTIVES AND POLICIES**

Risks are part of the Group's operations and are managed through a continuous mechanism including the identification and then assessment of risks with follow up in line with other approved restrictions and controls. Risk management is important for the Group's ability to achieve gains. Every employee in the Group is responsible for risk management related to his roles and responsibilities. The Group is exposed to market risk, commission rate risk, currencies risk, credit risk and liquidity risk.

**Market risk**

Market risk is the risk that the fair value arising from future cash flows of financial instruments will fluctuate because of changes in market prices. Market prices comprise of three types of risk: commission rate risk, currency risk, goods and other prices risk. Financial instruments affected by market risk include term loans.

**a) Commission rate risk**

Commission rate risk is the risk of fluctuation of financial instrument value due to changes in commission rates in market and arises from the possibility of fluctuation of commission rates will affect future profitability or fair value of the financial instruments.

The Group is subject to commission rate risk on its commission bearing liabilities, including bank finance and Islamic Murabaha contracts. The sensitivity of the income is the effect of the assumed changes in commission rates, with all other variables held constant, on the Group's profit for one year based on the floating rate financial liabilities held at 31 December 2023.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**b) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The effect of the fluctuations in the exchange rates of the Egyptian Pound. 59% of the Group's sales for the year ended 31 December 2023 represents the sales of the Subsidiary Halwani Brothers Company - Egypt (31 December 2022: 58%) where the Egyptian Pound is used as the operational currency.

As at 31 December 2023, Group's financial assets and financial liabilities denominated in foreign currencies related to the Subsidiary Company (mainly in Egyptian Pound) amounted to SR 122.4 million and SR 63 million (2022: SR 113.7 million and SR 69.9 million), respectively.

The Parent Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars during the year. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The Group manages the currencies rates risk through monitoring the changes in the currencies rates continuously and taking the appropriate decisions.

**c) Raw material price risk**

The Group is using various raw materials as production inputs in its production process. Such raw materials are subject to price fluctuations that may affect the business results of the Group. To minimize such risk, the management monitors the prices of raw materials and take the decisions to purchase in view of price forecasts.

**Credit risk**

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. The 10 largest customers represent 52% of the outstanding accounts receivable as at 31 December 2023 ( 31 December 2022: 30%).

Impairment analysis is performed at each reporting date using an ECL matrix. Provision rates are based on past due days for different customer segments with similar loss patterns (by geographic sector, product type, customer type, and rating). The calculation reflects the probability weighted outcome, time value of money, reasonable and supportive information available at the date of the financial report about past events, current conditions and expectations of future economic conditions.

Trade receivables are written off if it is ascertained that they are not collected after the approval of the Group's Board of Directors. They are not subject to the application activity if the cost of this activity is expected to be higher than the benefit of doing so. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as shown in Note 22. The Group does not hold collateral. The Group assesses the concentration of risk in relation to trade receivables and impaired contract assets since the Group's clients are spread in countries with different legislations and operate in markets that are largely independent of each other.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

31 December 2023	Trade receivables						Total
	Days past due						
	Not due	< 90 days	91-180 days	181-270 days	271-360 days	360< days	
	SR	SR	SR	SR	SR	SR	
Expected credit loss rate	0.84%	3.72%	7,86%	18.72%	79.48%	100%	
Estimated total gross carrying amounts at default	51,992,958	20,392,301	7,134,754	4,601,375	2,758,486	10,080,087	96,959,961
Expected credit loss	435,666	758,134	560,774	861,203	2,192,368	10,080,087	14,888,232

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

## Credit risk (Continued)

31 December 2022

	<i>Trade receivables</i> <i>Days past due</i>						<i>Total</i> <i>SR</i>
	<i>Not due</i> <i>SR</i>	<i>&lt; 90</i> <i>days</i> <i>SR</i>	<i>91-180</i> <i>days</i> <i>SR</i>	<i>181-270</i> <i>days</i> <i>SR</i>	<i>271-360</i> <i>days</i> <i>SR</i>	<i>360&lt;</i> <i>days</i> <i>SR</i>	
Expected credit loss rate	0.38%	2.57%	5.41%	12.87%	58.40%	100%	
Estimated total gross carrying amounts at default	75,719,489	35,945,809	9,480,888	5,525,509	1,469,695	7,045,687	135,187,077
Expected credit loss	286,146	924,678	512,536	711,306	858,373	7,045,687	10,338,726

With respect to credit risk arising from the other financial instruments of the Group, the Group's exposure to credit risk arises from default of the counter parties, with a maximum exposure equal to the carrying amounts of these instruments

**Business risk**

Business risks arise from several external factors including epidemic diseases that generally affect processed meat industry. Other risk may arise from the possible shortage of agriculture crops used as basic raw materials in food industry. To reduce such risks the management monitors such risks and takes the appropriate decisions according to the situation.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet commitments associated with financial obligations when they fall due. The Group monitors its liquidity requirements on monthly basis and the management ensures that cash is available to meet any obligations when they arise. And to manage such risks, the Group periodically evaluates the available bank facilities to ensure sufficient liquidity to meet the future financial obligations when due. The Group monitors the risk of a shortage of money through a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Approximately 88% of the Group's debt will mature in less than one year at 31 December 2023 (2022: 81%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

**Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	1- 12 months	1 to 2 years	> 2 years	Total
31 December 2023	SR	SR	SR	SR
Trade payables	70,784,910	-	-	70,784,910
Accruals and other liabilities	99,957,817	-	-	99,957,817
Letters of credit liabilities	-	-	-	-
Term loans	5,074,497	-	-	5,074,497
Islamic Murabaha contracts	351,856,386	-	-	351,856,386
Lease contract obligation	8,935,881	9,972,851	10,392,421	29,301,153
	<u>536,609,491</u>	<u>9,972,851</u>	<u>10,392,421</u>	<u>556,974,763</u>

	1- 12 months	1 to 2 years	> 2 years	Total
31 December 2022	SR	SR	SR	SR
Trade payables	68,463,818	-	-	68,463,818
Accruals and other liabilities	66,469,759	-	-	66,469,759
Letters of credit liabilities	18,291,178	-	-	18,291,178
Term loans	16,668,000	4,163,000	-	20,831,000
Islamic Murabaha contracts	312,102,538	7,915,762	-	320,018,300
Lease contract obligation	7,031,763	8,890,143	17,802,425	33,724,331
	<u>489,027,056</u>	<u>20,968,905</u>	<u>17,802,425</u>	<u>527,798,386</u>

CAPITAL RISK MANAGEMENT

For the purpose of the Group's capital management, capital includes capital, retained earnings and reserves. The primary objective of the Group's capital management is to maximize the shareholders' return. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims at ensuring that it meets financial covenants attached to finance contracts with a profit rate and that define capital structure requirements. Breaches in meeting the financial covenants would permit the banks to immediately call financing. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

There are no breaches of financial covenants for any of the facility contracts existing at the date of the consolidated statement of financial position that entail profit rates during the current period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

## CAPITAL MANAGEMENT (Continued)

	2023 SR	2022 SR
Interest-bearing loans, facilities, and liabilities,	381,089,121	369,173,543
Trade receivables and other receivables	170,742,727	134,933,577
Letters of credit liabilities	-	18,291,178
Less: Cash on hand and at banks and checks under collection	(110,960,325)	(97,529,513)
<b>Net debt</b>	<b>440,871,523</b>	<b>424,868,785</b>
Ordinary shares	353,571,450	353,571,450
Statutory reserve	106,071,435	106,071,435
Retained earnings	90,788,021	190,257,853
Foreign currency translation reserve	(243,595,177)	(216,229,398)
<b>Total equity</b>	<b>306,835,729</b>	<b>433,671,340</b>
<b>Equity and net debt</b>	<b>747,707,252</b>	<b>858,540,125</b>
<b>Motion rate</b>	<b>58%</b>	<b>49%</b>

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

## 34. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group's financial assets consist of cash on hand and at banks checks under collection, trade and other receivables and due from related parties, while its financial liabilities consist of supplier's trade payables, Islamic Murabaha contracts, term loan, obligation under finance leases, bank overdraft and due to related parties and detailed as below;

## 34.1 Financial assets

	2023 SR	2022 SR
Trade receivables and other receivables	107,299,334	164,300,865
Investment at amortized cost	77,162,884	-
Cash on hand and at banks and checks under collection (note 24)	33,797,441	97,529,513
	<b>218,259,659</b>	<b>261,830,378</b>

## 34.2 Financial liability

	2023 SR	2022 SR
Trade payables	70,784,910	68,463,818
Payables and other credit balances	99,957,817	66,469,759
Islamic Murabaha contracts	351,856,386	320,018,300
Term loans	5,074,497	20,831,000
Letters of credit liabilities	-	18,291,178
Lease contract obligations	24,158,238	28,324,243
	<b>551,831,848</b>	<b>522,398,298</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

## 34. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

## 34.2 Financial liability (Continued)

These financial assets and liabilities were measured at amortized cost, and there were no financial instruments or amounts of the Group that were measured at fair value, except for financial derivatives.

All assets and liabilities for which fair value are measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

Fair value measurement using

Liabilities measured at fair value	Date of valuation	Total SR	Quoted prices in active markets (Level 1) SR	Significant observable inputs (Level 2) SR	Significant unobservable inputs (Level 3) SR
Financial derivatives	31 December 2023	-	-	-	-

Fair value measurement using

Liabilities measured at fair value	Date of valuation	Total SR	Quoted prices in active markets (Level 1) SR	Significant observable inputs (Level 2) SR	Significant unobservable inputs (Level 3) SR	Total SR
Financial derivatives	31 December 2022	(80,317)	-	(80,317)	-	(80,317)

The Group enters into derivative financial instrument principally with financial institutions having investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs is interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.

As at 31 December 2023 and 31 December 2022, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. Fair value of financial assets as at 31 December 2023 and 31 December 2022 is carrying amount because of short term nature of the balance.

Fair values of the Group's borrowings are determined by using discounted cash flows method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2023 and 31 December 2022, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the year ended 31 December 2023 and 2022, there were no movements between the hierarchy levels.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**35. COMPANY BRANCHES**

The consolidated financial statements include the assets, liabilities, and results of operations of the following branches of the parent company:

Branch name	CR number	City
1	1010062529	Riyadh
2	1131009885	Buraydah
3	2050021082	Dammam
4	3550019554	Tabuk
5	4030296025	Jeddah
6	4031023161	Makkah
7	4030016296	Jeddah
8	4032009936	Taif
9	4650007871	Madinah
10	4030296028	Jeddah
11	4030289434	Jeddah
12	5855011496	Khamis Mushait
13	4700001129	Yanbu

**36. IMPORTANT EVENTS DURING THE CURRENT YEAR**

During the current period ending on December 31, 2023, the Egyptian pound recorded a decrease in the exchange rate against the Saudi riyal. As a result, a currency translation adjustment was recorded regarding the translation of operations of the subsidiary company in the Arab Republic of Egypt.

**37. COMPARATIVE FIGURES**

Some figures of the previous year have been reclassified to conform with the presentation for the current year, the most important of which are as follows:

<b><u>Consolidated statement of financial position</u></b>	<b><u>As at 31 December 2022 before reclassification</u></b>	<b><u>As at 31 December 2022 reclassification after reclassification</u></b>
Inventory	246,253,588	215,560 246,469,148
Trade receivables and other receivables	164,300,865	(215,560) 164,085,305
Cost of Revenue	(753,255,765)	(306,211) (753,561,976)
Other revenue	7,931,457	316,371 8,247,828
General and administrative expenses	(68,777,493)	(10,160) (68,787,653)

**38. SUBSEQUENT EVENTS**

On March 6, 2024, with the aim of achieving stability in the exchange market and eliminating the gap between the official and parallel market exchange rates, the Central Bank of Egypt decided to allow the exchange rate of the Egyptian pound to be determined according to market forces. This step comes in response to the economic challenges that the Arab Republic of Egypt has recently faced, which were in the lack of resources of foreign currencies, the shortage of foreign currencies has led to the emergence of a parallel market for the exchange rate of the Egyptian pound due to the accumulation of demand for foreign exchange.

**39. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements for the Group for the year ended 31 December 2023, were approved by the Board of Directors on March 10, 2024.