

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025**

HALWANI BROTHERS COMPANY
(A SAUDI JOINT STOCK COMPANY)

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FOR THE YEAR ENDED 31 DECEMBER 2025

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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 subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as of December 31, 2025, and the Consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including 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 2025, 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 (ISAs) 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 year. 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 2025 amounted to ₪ 0.90 billion (₪ 0.97 billion for the year ended 31 December 2024)</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, quantity of purchases made by the concerned customers, and on the potential arrangement (arrangements) between the Group 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 year or recording fictitious transactions.</p> <p>Refer to Note 3 to the accompanying consolidated financial statements states the relevant accounting Policy related to revenue recognition, 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"> • Evaluate Group policy of recognizing revenue in accordance with International Financial Reporting Standards (15) "Revenue from contracts with customers". • Evaluate the design, implementation, and testing of the operating effectiveness of the Group's controls over revenue recognition. • Reviewed a sample of arrangements and historical indicators that management relied on in determining the discount for quantities and the right of return and perform recalculation. • 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. • Tested a sample of sales transactions during the year and inspected the underlying goods delivery and acceptance notes to assess compliance with Group's revenue recognition accounting policy. • Review the presentation and disclosures in Note 5 of the accompanying consolidated financial statements related to revenue from contracts with customers.

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

Other information

Other information consists of the information included in the Group's annual report for the year ended 31 December 2025, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report, and the Group's annual report for the year ended 31 December 2025 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 other information, we are required to report that fact.

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 Companies' regulations 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)

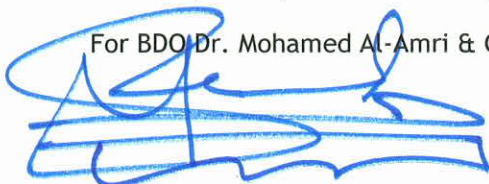
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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



23/08/1447(H)
11/02/2026 (G)

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

		2025	2024
	Note	ﷲ	ﷲ
Revenue from contracts with customers	5	903,865,726	969,055,854
Cost of Revenue	6	(645,487,663)	(679,932,849)
GROSS PROFIT		258,378,063	289,123,005
Selling and distribution expenses	8	(128,997,978)	(120,742,641)
General and administrative expenses	9	(63,937,629)	(58,193,993)
Other income, net	7	20,911,963	9,507,902
asset impairment(loss)	16	(2,250,779)	-
PROFIT FROM OPERATIONS		84,103,640	119,694,273
Net Finance Cost	10	(29,600,832)	(27,372,699)
(loss) on foreign currency differences		(755,771)	(27,579,764)
PROFIT BEFORE ZAKAT AND INCOME TAX		53,747,037	64,741,810
Zakat expense	11(b)	(2,600,000)	(4,701,678)
Income tax expense	11(d)	(8,539,435)	(15,372,828)
PROFIT FOR THE YEAR		42,607,602	44,667,304
<i>Comprehensive income / losses Items that can be reclassified to the consolidated statement of profit or loss in subsequent periods</i>			
Foreign currency translation differences	12	2,611,179	(62,720,925)
<i>comprehensive income not to be reclassified to the consolidated statement of profit or loss in subsequent periods:</i>			
gain in assumptions of employee defined benefits' liabilities	12	1,029,400	812,800
Total other comprehensive Income / (Losses)		3,640,579	(61,908,125)
Total profit or loss and other comprehensive income for the year		46,248,181	(17,240,821)
EARNING PER SHARE			
Basic and diluted earnings per share for the year attributable to ordinary shareholders from operating profit	14	2.38	3.39
Basic and diluted earnings per share for the year attributable to ordinary shareholders from net profit	14	1.21	1.26

Group Chief Financial officer

Fathy Mohamed Abdelhamid

Group Chief Executive officer

Mohamed Samir Abdelfattah

Chairman

Abdulaziz M. Yamani

The attached notes 1 to 34 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 2025

	Note	2025 S	2024 S
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	15	325,940,836	343,119,005
Intangible assets	17	1,386,884	2,645,952
Right of use assets	18	14,415,663	14,659,902
Investment Properties	16	45,134,328	45,134,328
Deferred tax assets	11	1,109,619	1,006,018
TOTAL NON-CURRENT ASSETS		387,987,330	406,565,205
CURRENT ASSETS			
Inventories	19	179,106,243	200,221,284
Trade receivables and other receivables	21	139,277,382	138,078,709
Cash and cash equivalents	22	15,410,013	35,310,857
TOTAL CURRENT ASSETS		333,793,638	373,610,850
TOTAL ASSETS		721,780,968	780,176,055
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	23	353,571,450	353,571,450
Retained earnings		285,976,562	242,339,560
Foreign currency translation reserve		(303,704,923)	(306,316,102)
TOTAL SHAREHOLDERS' EQUITY		335,843,089	289,594,908
NON-CURRENT LIABILITIES			
Islamic Murabaha contracts	25	28,623,028	44,687,500
Deferred tax liability	11	1,758,400	2,468,060
Lease contracts	18	8,446,296	9,868,477
Employees defined benefits' obligations	26	27,366,700	26,873,500
TOTAL NON-CURRENT LIABILITIES		66,194,424	83,897,537
CURRENT LIABILITIES			
Current portion of Islamic Murabaha Contracts long term	25-1	16,497,371	16,250,000
Islamic Murabaha Contracts short-term	25-2	107,732,326	186,349,935
Current portion of lease contract obligations	18	7,455,804	5,503,053
Trade payables		65,291,535	71,521,042
Accrued expenses and other current liabilities	27	112,152,071	115,052,278
Zakat and income tax	11	10,614,348	12,007,302
TOTAL CURRENT LIABILITIES		319,743,455	406,683,610
TOTAL LIABILITIES		385,937,879	490,581,147
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		721,780,968	780,176,055

Group Chief Financial officer

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Group Chief Executive officer

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Chairman

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HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR
THE YEAR ENDED 31 DECEMBER 2025

	Share capital ﷲ	Statutory reserve ﷲ	Retained earnings ﷲ	Foreign currency translation reserve ﷲ	Total shareholders' equity ﷲ
As at 1 January 2024	353,571,450	106,071,435	90,788,021	(243,595,177)	306,835,729
Net profit for the year	-	-	44,667,304	-	44,667,304
Other comprehensive losses	-	-	812,800	(62,720,925)	(61,908,125)
Total comprehensive income	-	-	45,480,104	(62,720,925)	(17,240,821)
Transfer from statutory reserve to retained earnings	-	(106,071,435)	106,071,435	-	-
Balance at 31 December 2024	353,571,450	-	242,339,560	(306,316,102)	289,594,908

	Share capital ﷲ	Statutory reserve ﷲ	Retained earnings ﷲ	Foreign currency translation reserve ﷲ	Total shareholders' equity ﷲ
As at 1 January 2025	353,571,450	-	242,339,560	(306,316,102)	289,594,908
Net profit for the year	-	-	42,607,602	-	42,607,602
Other comprehensive Income	-	-	1,029,400	2,611,179	3,640,579
Total comprehensive income	-	-	43,637,002	2,611,179	46,248,181
Balance at 31 December 2025	353,571,450	-	285,976,562	(303,704,923)	335,843,089

Group Chief Financial officer

Fathy Mohamed Abdelhamid

Group Chief Executive officer

Mohamed Samir Abdelfattah

Chairman

Abdulaziz M. Yamani

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HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 ﷲ	2024 ﷲ
OPERATING ACTIVITIES			
Profit before zakat and income tax		53,747,037	64,741,810
Noncash adjustment for items to reconcile profit before zakat and income tax			
Depreciation of property, plant, and equipment	15	30,953,885	31,650,393
Amortization of intangible assets	17	282,258	458,060
Depreciation of right of use assets	18	6,888,787	6,301,921
Provision for Asset impairment	15	2,250,779	-
Provision for employees defined benefits' obligations	26	3,501,400	3,507,800
Gain on disposal of property, plant and equipment, and intangible assets	7	(8,823,042)	(222,418)
Adjustments on Lease contracts	7	427,077	-
Allowance for expected credit losses	21	783,772	208,902
Provision for slow moving inventory	19	730,802	3,858,965
Provision for local and foreign vendors - Debit balances		126,115	-
Provisions used		257,112	(7,806,137)
Net Finance Cost	10	29,600,832	28,768,613
Provisions no longer required	21	(542,042)	(13,488,411)
		<u>120,184,772</u>	<u>117,979,498</u>
Changes in items of operating assets and liabilities			
Inventories		26,398,341	(25,892,186)
Trade receivables and other receivables		116,272	9,916,544
Trade payables and other current liabilities		(12,942,971)	5,762,349
Cash Flow generated by working capital		<u>133,756,414</u>	<u>107,766,205</u>
Zakat paid	11(c)	(1,197,908)	(909,958)
Income tax paid	11(e)	(7,177,699)	(14,922,502)
Defined Employees benefits' obligations paid	26	(1,978,800)	(3,071,700)
Net cash generated from operating activities		<u>123,402,007</u>	<u>88,862,045</u>
INVESTING ACTIVITIES			
Purchase of property, plant, and equipment	15	(15,355,444)	(11,746,314)
Purchase of intangible assets	17	-	(228,520)
Proceeds from sales of property, plant and equipment		9,997,310	280,060
Net cash used in investing activities		<u>(5,358,134)</u>	<u>(11,694,774)</u>

The attached notes 1 to 34 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 2025

		2025	2024
	Note	ﷲ	ﷲ
FINANCING ACTIVITIES			
Proceeds from Islamic Murabaha contracts		403,132,938	753,879,615
Payments of Islamic Murabaha contracts		(482,036,312)	(920,297,563)
Payment of lease liability contracts		(8,444,488)	(8,912,119)
Proceeds from long term Islamic Murabaha contracts		718,664	65,000,000
Payment of long-term loans	25	(16,250,000)	(8,225,500)
Finance cost paid		(27,670,375)	(27,131,727)
Net cash (used in) financing activities		(130,549,573)	(145,687,294)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		(12,505,700)	(68,520,023)
Foreign currency translation differences, net		(7,395,144)	(7,129,445)
Cash and cash equivalent at the beginning of the year		35,310,857	110,960,325
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	22	15,410,013	35,310,857
SIGNIFICANT NON-CASH TRANSACTIONS:			
Foreign currency translation reserve	12	2,611,179	(62,720,925)
Change in assumptions on employee defined benefits' liabilities	12	1,029,400	812,800
Additions to Right-of-Use Assets and Lease Liabilities		6,432,376	965,874
Right of use asset / Lease liability	18	-	211,721
Transfer to Property, Plant, and equipment		14,806,883	7,461,378

Group Chief Financial officer

Fathy Mohamed Abdelhamid

Group Chief Executive officer

Mohamed Samir Abdelfattah

Chairman

Abdulaziz M. Yamani

The attached notes 1 to 34 form an integral part of these consolidated financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

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 and unified Number 7000447065 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 51% owned by Aseer Al Arabiah for Industrial Investment Co., and 49% 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 31.

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

Statement of Compliance

The consolidated financial statements have been prepared 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).

The consolidated financial statements have been prepared on a historical cost basis except for;

- derivative instruments that are measured at fair value
- employee benefit obligations where the actuarial's present value calculations are used.

The consolidated financial statements are presented in Saudi Riyals (ﷲ), 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 Group 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 Group 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 Group'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 2025. 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 and other comprehensive income. Any investment retained is recognised at fair value.

Below are the details of the subsidiaries:

Company Name	Country of incorporation	Ownership percentage as at 31 December 2025	Ownership percentage as at 31 December 2024	The activity
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.
Foodco Company (Limited Liability Company) *	Cayman Islands	100%	100%	Investment
Halegpt Company (Limited Liability Company) *	Cayman Islands	100%	100%	Investment

- The two subsidiaries in Cayman Islands do not perform any operations

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 major 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.

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 sensitive for 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.

2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

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

2) Estimates and assumptions (Continued)

C) Provision for expected credit losses of trade receivables

By adopting IFRS 9, the Group uses a provision matrix to calculate ECL 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 ECL is a significant estimate. The amount of ECL 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 ECL on the Group's trade receivables is disclosed in Note 29.

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 recognized when the Group assesses the ability to start proceedings of litigation and the existence of cash flows for deferred funds.

Deferred tax assets are recognized 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 recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

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.

2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

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

2) Estimates and assumptions (Continued)

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.

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. BASIS OF PREPARATION AND MEASUREMENT (Continued)

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 company is currently assessing the impact of this new accounting standards and amendments, The most significant of these are as follows:

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	<p>These amendments:</p> <ul style="list-style-type: none"> - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; - Add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). 	1 January 2026
IFRS 18, 'Presentation and Disclosure in Financial Statements'	<p>This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:</p> <ul style="list-style-type: none"> -the structure of the statement of profit or loss; -required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and -enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. 	1 January 2027
IFRS 19	Subsidiaries without public accountability: Disclosure	1 January 2027

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 with no effect on the accounting policies and the consolidation financial statements.

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
	<p>On August 15, 2024, the International Accounting Standards Board (IASB) issued the amendments on Lack of Exchangeability, which amend International Accounting Standard (IAS) 21 - The Effects of Changes in Foreign Exchange Rates (the "Amendments"). The amendments arose from a submission received by the IFRS Interpretations Committee regarding the determination of the exchange rate when there is a long-term lack of exchangeability.</p>	
<i>Lack of Exchangeability (Amendments to IAS 21)</i>	<p>Prior to the amendments, IAS 21 did not include explicit requirements for determining the exchange rate when a currency is not exchangeable into another currency, which resulted in diversity in practice. The Committee recommended that the IASB develop narrow-scope amendments to IAS 21 to address this issue. Following further deliberations, the IASB issued an Exposure Draft in April 2021 and published the final amendments in August 2024.</p> <p>The amendments introduce requirements to assess when a currency is exchangeable and when it is not. When an entity concludes that a currency is not exchangeable into another currency, the amendments require the entity to estimate the spot exchange rate to be used.</p>	1 January 2025

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

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 profit or loss and other 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.

The Group classifies 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 at point of time 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 recognized and recorded in the Consolidated statement of profit or loss and other comprehensive income in the fiscal year in which such expenditure was incurred.

Selling and distribution expenses are those expenses relating to sales employees, 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 profit or loss and other 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 are recognized as income or expense in the consolidated statement of profit or loss and other comprehensive income. Current and deferred tax relating to a transaction or event are recognized directly in 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 \$, 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 profit or loss and other 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 profit or loss and other comprehensive income. Tax charges and changes resulting from exchange differences on those monetary items are also recorded in Consolidated statement of profit or loss and other 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 profit or loss and other 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 (ﷻ) at the rate of exchange prevailing at the date of preparing the consolidated financial statements and translation of the items in Consolidated statement of profit or loss and other 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 profit or loss and other comprehensive income. On disposal of a foreign operation, the OCI component relating to that particular foreign operation is recognised in the consolidated statement of profit or loss and other 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 profit or loss and other comprehensive income as incurred.

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

<u>Items</u>	<u>No. of Years</u>
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 profit or loss and other 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 profit or loss and other 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 profit or loss and other 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 recognized, 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 of profit or loss and other comprehensive 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
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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 profit or loss and other 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 and other comprehensive income when the asset is derecognised, modified or impaired. The Group's financial assets measured at amortized cost comprise trade receivables, other receivables, and amounts due from related parties.

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 and other comprehensive income.

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 the consolidated statement of profit or loss and other comprehensive income. 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 statement of comprehensive income.

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 and other comprehensive income 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 (ECL) for all debt instruments not held at fair value through statement of profit or loss and other comprehensive income. ECL 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.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL 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 ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL 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 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 the consolidated statement of profit or loss and other comprehensive income, 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 the consolidated statement of profit or loss and other 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 the consolidated statement of profit or loss and other comprehensive income 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 and other comprehensive income.

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 canceled 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 and other comprehensive income.

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 profit or loss and other 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 profit or loss and other 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 and other comprehensive income 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 the 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 consolidated statement of profit or loss and other comprehensive income.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**S) Employee benefits obligations (Continued)****2) Defined benefit plans**

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

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

Any changes in the net liability due to the actuarial valuation and changes in assumptions are considered as measurement and to be recorded in the profit or loss and other comprehensive income. The actuarial valuation process takes into account the provisions of the Saudi Arabian Labor 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 profit or loss and other 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 ﷲ	Arab Republic of Egypt In thousands ﷲ	Reconciliation in thousands ﷲ	Total In thousands ﷲ
<u>2025</u>				
Total assets	602,954	169,284	(50,457)	721,781
Total liabilities	267,110	122,240	(3,412)	385,938
Capital expenditure incurred during the year	5,743	9,612	-	15,355
<u>2024</u>				
Total assets	649,385	198,287	(67,496)	780,176
Total liabilities	359,790	133,337	(2,546)	490,581
Capital expenditure incurred during the year	2,346	9,400	-	11,746

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4. SEGMENT REPORTING (Continued)

The financial information for revenue and profit by geographical segments, after eliminating the effect of intercompany transactions for the years ended 31 December 2025 and 31 December 2024, is as follows:

<u>Segments</u>	Kingdom of Saudi Arabia in thousands ﷲ	Arab Republic of Egypt In thousands ﷲ	Reconciliation in thousands ﷲ	Total In thousands ﷲ
2025				
Revenue from contracts with customers	466,376	439,301	(1,811)	903,866
<u>Expenses, net:</u>				
Cost and expense (net)	(300,823)	(363,724)	1,811	(662,736)
Employee benefits expenses	(108,155)	(47,991)	-	(156,146)
Depreciation and amortization	(27,599)	(3,638)	-	(31,237)
Company's share in the results of the subsidiary	16,553	-	(16,553)	-
Zakat	(2,600)	-	-	(2,600)
Tax	(1,144)	(7,395)	-	(8,539)
Segment profit for the year	42,608	16,553	(16,553)	42,608

<u>Segments</u>	Kingdom of Saudi Arabia in thousands ﷲ	Arab Republic of Egypt In thousands ﷲ	Reconciliation in thousands ﷲ	Total In thousands ﷲ
2024				
Revenue from contracts with customers	481,314	489,397	(1,655)	969,056
<u>Expenses, net:</u>				
Cost and expense	(321,670)	(400,039)	1,655	(720,054)
Employee benefits expenses	(103,526)	(48,626)	-	(152,152)
Depreciation and amortization	(28,640)	(3,469)	-	(32,109)
Company's share in the results of the subsidiary	27,344	-	(27,344)	-
Zakat	(4,702)	-	-	(4,702)
Income tax	(5,453)	(9,919)	-	(15,372)
Segment profit for the year	44,667	27,344	(27,344)	44,667

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 2025

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

5.1 Detailed revenue information

<u>Segments</u>	Kingdom of Saudi Arabia in thousands ﷲ	Arab Republic of Egypt in thousands ﷲ	Reconciliation in thousands ﷲ	Total in thousands ﷲ
<u>2025</u>				
Type of goods				
Sesame products	245,985	66,706	-	312,691
Meat products	41,572	331,544	-	373,116
Other products	178,819	41,051	(1,811)	218,059
Total	466,376	439,301	(1,811)	903,866
Type of customers				
Key customers	115,881	80,664	-	196,545
Traditional Commerce	256,158	312,118	-	568,276
Others	46,886	-	-	46,886
Exports	47,451	46,519	(1,811)	92,159
Total	466,376	439,301	(1,811)	903,866

<u>Segments</u>	Kingdom of Saudi Arabia in thousands ﷲ	Arab Republic of Egypt in thousands ﷲ	Reconciliation in thousands ﷲ	Total in thousands ﷲ
<u>2024</u>				
Type of goods				
Sesame products	258,330	104,024	-	362,354
Meat products	42,462	337,738	-	380,200
Other products	180,522	47,635	(1,655)	226,502
Total	481,314	489,397	(1,655)	969,056
Type of customers				
Key customers	113,706	85,847	-	199,553
Traditional Commerce	286,756	330,181	-	616,937
Others	28,728	-	-	28,728
Exports	52,124	73,369	(1,655)	123,838
Total	481,314	489,397	(1,655)	969,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

5.1 Disaggregated revenue information (Continued)

Geographical markets

	2025 thousands in ﷼	2024 thousands in ﷼
Kingdom of Saudi Arabia	418,925	429,190
Arab Republic of Egypt	392,782	416,028
Other markets	92,159	123,838
	903,866	969,056

5.2 Contract balance

	2025	2024
Trade receivables (Note 21)	113,597,633	102,992,700

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

5.3 Goods return liabilities

	2025	2024
Goods return liabilities arises from right of goods return (Note 27)	16,663,147	19,606,641

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

	2025	2024
Raw material cost	508,230,087	546,809,495
Salaries, wages and benefits (Note 13)	65,919,300	63,921,488
Rent refrigerators and stores (Note "a" below)	4,232,128	3,106,236
Insurance expenses	822,830	910,992
Maintenance and spare parts expenses	8,079,531	9,799,821
Fuel and energy	12,903,419	12,343,049
Mail and phone	262,526	163,941
Car expenses	6,051,339	3,795,003
Car rental (Note "a" below)	431,024	656,393
Travel and transfers	512,460	555,573
Cleaning and errands	1,970,395	2,074,525
Transfer and upload	1,511,105	1,372,091
Professional and consulting fees	507,107	715,378
Depreciation of property, plant and equipment (Note 15-d)	28,876,955	29,053,183
Depreciation of right-of-use assets (Note 18-c)	2,222,274	1,990,201
Other	2,955,183	2,665,480
	645,487,663	679,932,849

- a) The rental expenses for refrigerators and warehouses, as well as vehicle rentals, represent variable lease payments arising from lease contracts that depend on the level of usage of such assets. These contracts do not include any fixed lease payments. Accordingly, these payments have been recognized directly in the consolidated statement of profit or loss and other comprehensive income during the year in which they were incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. OTHER INCOME, NET

	2025	2024
Gain on disposal of property, plant, and equipment	8,823,042	222,418
Impairment for assets available for sales	-	(70,442)
Other expenses	(476,365)	(2,740,176)
Other income	8,130,526	12,009,189
Export sales support income (Note a)	4,434,760	86,913
	<u>20,911,963</u>	<u>9,507,902</u>

- a) During the year, the subsidiary received support from the Export Development Fund in the Arab Republic of Egypt amounting to EGP 58,314,435, equivalent to ₪ 4,434,760 (2024: EGP 1,120,006, equivalent to ₪ 86,913).

8. SELLING AND DISTRIBUTION EXPENSES

	2025	2024
	₪	₪
Salaries, wages and benefits (Note 13)	55,691,451	56,523,004
Activation of sales and marketing expenses	21,921,452	15,801,392
Car expenses	6,959,087	5,868,868
Distribution commissions	7,835,895	5,236,343
Depreciation of property, plant and equipment (Note 15-d)	878,487	1,255,130
Transfer and upload	3,291,890	3,212,381
Depreciation of right-of-use assets (Note 18-c)	4,038,917	3,607,536
Promotion expenses	5,998,889	6,722,854
Amortization of intangible assets (Note 17-a)	71,790	263,260
Car rental (note "a" below)	9,725,478	8,884,536
Insurance	957,534	1,063,286
Provision of expected credit losses - trade receivable (Note 21)	783,772	208,902
Rent refrigerators, branches and warehouses (note "a" below)	3,446,015	3,978,958
Others	7,397,321	8,116,191
	<u>128,997,978</u>	<u>120,742,641</u>

- a) The rental expenses for refrigerators, branches and warehouses, as well as vehicle rentals, represent variable lease payments arising from lease contracts that depend on the level of usage of such assets. These contracts do not include any fixed lease payments. Accordingly, these payments have been recognized directly in the consolidated statement of profit or loss and other comprehensive income during the year in which they were incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

9. GENERAL AND ADMINISTRATIVE EXPENSES

	2025	2024
	ﷲ	ﷲ
Salaries, wages and benefits (Note 13)	34,535,020	31,707,478
Expenses and allowances for attending the sessions of the Board of Directors and related committees	4,352,877	4,846,672
Studies and consultations	2,090,507	1,791,045
Computer supplies	3,294,257	2,824,239
Depreciation of property, plant and equipment (Note 15-d)	1,198,443	1,342,080
Maintenance	39,141	229,163
Bank commissions	1,255,427	1,744,104
Insurance	285,211	387,700
Mail and phone	234,994	247,667
Travel expenses	814,937	1,201,277
Depreciation of right of use assets (Note 18-c)	627,596	704,184
Provisions	7,501,750	4,657,503
Subscriptions and fees	3,809,721	3,656,034
Amortization of intangible assets (Note 17-a)	210,468	194,800
Others	3,687,280	2,660,047
	63,937,629	58,193,993

10. NET FINANCE COST.

	2025	2024
Term financing expenses, Islamic Murabaha contracts and other banking expenses	26,460,875	24,633,413
Finance costs Employees defined benefits' liabilities (Note 26)	1,209,500	1,102,400
Lease contract financing expenses (Note 18)	1,930,457	1,636,886
	29,600,832	27,372,699

11. ZAKAT AND INCOME TAX

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

	2025	2024
Zakat provision (Noted c, below)	6,677,249	5,275,157
Income tax provision (Note e, below)	3,937,099	6,732,145
	10,614,348	12,007,302

b) Zakat charged to the Consolidated statement of profit or loss and other comprehensive income:

	2025	2024
Charge during the year	2,600,000	4,701,678

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

	2025	2024
Balance at the beginning of the year	5,275,157	1,483,437
Charge during the year	2,600,000	4,701,678
Paid during the year	(1,197,908)	(909,958)
Balance at the end of the year (note a)	6,677,249	5,275,157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

11. ZAKAT AND INCOME TAX (Continued)

d) Tax charged to the Consolidated statement of profit or loss and other comprehensive income:

	2025	2024
Current income tax (Note e, below)	7,432,932	10,610,491
Deferred tax expenses/(income) (Note g, below)	1,106,503	4,762,337
	8,539,435	15,372,828

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

	2025	2024
Balance at the beginning of the year	6,732,145	14,906,214
Charge during the year (Note D)	7,432,932	10,610,491
Paid during the year	(7,177,699)	(14,922,502)
Currency translation differences	(3,050,279)	(3,862,058)
Balance at the end of the year (Note a)	3,937,099	6,732,145

g) The net deferred tax recognized in the consolidated statement of profit or loss and other comprehensive income during the year is as follows:

	1 January 2025	Recognized in profit or loss	Foreign currency translation differences in other comprehensive income	Other adjustments	31 December 2025
Deferred tax - subsidiary (assets)	1,006,018	37,906	65,695	-	1,109,619
Deferred tax on undistributed dividends of the subsidiary - (liability)	(2,468,060)	(1,144,409)	-	1,854,069	(1,758,400)
Total tax giving rise to an asset/(liability)	(1,462,042)	(1,106,503)	65,695	1,854,069	(648,781)

* The amount recognized in profit or loss represents the tax charged to the consolidated statement of profit or loss and other comprehensive income, while the amount of other adjustments represents withholding tax on actual dividends during the year

H) A reconciliation between the tax profit and the accounting profit multiplied by the tax rate for the years 2024 and 2025:

	2025	2024
Earnings before income taxes	23,947,993	37,263,457
Reconciliation		
Non-deductible expenses	5,625,904	4,338,125
Other	3,292,886	2,483,966
Taxable income	32,866,783	44,085,548
Tax rate	22.5%	22.5%
Income tax expense is disclosed in the Consolidated statement of profit or loss and other comprehensive income	7,395,026	9,919,248
Deferred income tax on undistributed profits of the subsidiary.	709,660	(2,468,060)
Withholding tax expense on dividends (Note "g").	(1,854,069)	(2,985,520)
Net deferred tax in the statement of profit or loss and other comprehensive income / (expense).	(1,144,409)	(5,453,580)
Income tax	(8,539,435)	(15,372,828)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**
11. ZAKAT AND INCOME TAX (Continued)**1.1) Zakat status (Halwani Brothers Company - KSA)****1) Zakat**

- The Parent Company has finalized its zakat status up to the year 2023.
- The Parent Company submitted the zakat return for the year 2024 and obtained the zakat certificate.

2) Value Added Tax

- The Company's books and records were examined until 2024, and the tax due was paid.
- The company's books and records are being examined for the year 2025

1.2) Zakat status (Halwani Brothers Company - Egypt)**1) Corporate Income Tax**

- The Company is tax-exempt in accordance with Law No. 8 of 1997 (Investment Guarantees and Incentives Law) until 31 December 2005.
- Tax inspections were completed up to 2019, and all due tax differences were settled.
- Tax returns were filed and due taxes were paid for the years 2020, 2021, and 2022. The Company's books and documents are currently under inspection, and no tax claims have been issued for these years yet.
- Tax returns were filed and due taxes were paid for the years 2023 and 2024, and the Company has not yet been notified of any inspections.

2) Value Added Tax (VAT)

- The Company's books and records were inspected up to 2022, and the due tax was settled.
- For the years 2023, 2024, and 2025, monthly tax returns are being filed and due taxes are paid within the statutory deadlines. The Company has not yet been notified of any inspections.

3) Payroll Tax

- The Company's books and records were inspected up to 2022, and the due tax was settled.
- For the years 2023, 2024, and 2025, the Company files monthly tax returns and annual tax reconciliations and pays the due tax within the statutory deadlines. The Company has not yet been notified of any inspections.

4) Stamp Duty

- The Company's books and records were inspected up to 2022, and the due tax was settled.
- For the years 2023, 2024, and 2025, quarterly forms are being filed, and the Company pays the due amounts within the statutory deadlines. The Company has not yet been notified of any inspections.

5) Withholding Tax (Discount and Addition)

- Inspections were completed up to 2022, and the due tax was settled.
- For the years 2023, 2024, and 2025, quarterly forms are being filed, and the due tax is paid within the statutory deadlines. The Company has not yet been notified of any inspections.

6) Real Estate Tax

The tax position was settled and payments were made up to 2021. There are no outstanding financial liabilities on the Company, and an exemption is in place for the years 2022 to 2026.

12.COMPONENTS OF OTHER COMPREHENSIVE INCOME / (LOSS)

	<u>2025</u>	<u>2024</u>
Exchange difference on translation of foreign operations (refer Note below)*	2,611,179	(62,720,925)
Change in assumptions of employees' defined benefits liabilities (Note 26)	1,029,400	812,800
	<u>3,640,579</u>	<u>(61,908,125)</u>

Represents foreign currency translation differences for a subsidiary, resulting from the translation of the financial statements of Halwani Bros. Egypt for the year 2025. This is due to the conversion between the Egyptian Pound (the functional currency of the subsidiary) and the Saudi Riyal (the functional currency of the parent company) as of 31 December. The Group manages the risk of fluctuations in the exchange rate of the Egyptian Pound to the Saudi Riyal as set out in Note (29).

13. SALARIES, WAGES AND DEFINED EMPLOYEE BENEFITS LIABILITIES

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

	2025	2024
Cost of Revenue (Note 6)	65,919,300	63,921,488
Selling and distribution expenses (Note 8)	55,691,451	56,523,004
General and administrative expenses (Note 9)	34,535,020	31,707,478
	<u>156,145,771</u>	<u>152,151,970</u>

14. 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:

	2025	2024
Net profit for the year attributable to shareholders of the Parent Company (ﷲ)	42,607,602	44,667,304
Weighted average number of shares during the year (per share)	35,357,145	35,357,145
Basic and diluted earnings per share (ﷲ)	<u>1.21</u>	<u>1.26</u>

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

	2025	2024
Operating profit for the year attributable to shareholders of the Parent Company (ﷲ)	84,103,640	119,694,273
Weighted average number of shares during the year (per share)	35,357,145	35,357,145
Basic and diluted earnings per share (ﷲ)	<u>2.38</u>	<u>3.39</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
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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
Cost									
1 January 2025	2,902,767	286,191,235	361,845,385	7,627,098	5,646,508	25,700,355	1,596,249	5,809,572	697,319,169
Additions	-	-	-	-	-	-	-	15,355,444	15,355,444
Disposals	-	(658,435)	(3,270,804)	(194,326)	(229,334)	(314,528)	-	-	(4,667,427)
Transfers	-	1,714,723	12,395,578	217,330	380,822	27,493	-	(14,806,883)	(70,937)
Translation differences	102,633	733,073	2,119,635	61,508	117,828	388,427	-	211,570	3,734,674
31 December 2025	<u>3,005,400</u>	<u>287,980,596</u>	<u>373,089,794</u>	<u>7,711,610</u>	<u>5,915,824</u>	<u>25,801,747</u>	<u>1,596,249</u>	<u>6,569,703</u>	<u>711,670,923</u>
Depreciation									
1 January 2025	-	88,583,357	229,521,835	6,435,177	4,441,068	23,622,561	1,596,166	-	354,200,164
Depreciation	-	8,750,975	20,586,177	297,427	604,599	714,624	83	-	30,953,885
Disposals	-	(156,679)	(2,609,369)	(193,396)	(226,431)	(307,284)	-	-	(3,493,159)
Translation Differences	-	328,649	1,024,450	27,313	97,904	340,102	-	-	1,818,418
Impairments	-	-	2,240,669	-	10,110	-	-	-	2,250,779
31 December 2025	<u>-</u>	<u>97,506,302</u>	<u>250,763,762</u>	<u>6,566,521</u>	<u>4,927,250</u>	<u>24,370,003</u>	<u>1,596,249</u>	<u>-</u>	<u>385,730,087</u>
Net book value									
31 December 2025	<u>3,005,400</u>	<u>190,474,294</u>	<u>122,326,032</u>	<u>1,145,089</u>	<u>988,574</u>	<u>1,431,744</u>	<u>-</u>	<u>6,569,703</u>	<u>325,940,836</u>

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

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
Cost									
1 January 2024	3,927,471	292,131,069	377,925,034	8,101,636	6,658,640	28,380,426	1,596,249	3,876,849	722,597,374
Additions	-	-	-	-	-	-	-	11,746,314	11,746,314
Disposals	-	-	(5,088,507)	(10,957)	(93,744)	(213,750)	-	-	(5,406,958)
Transfers	-	708,808	5,206,322	85,606	168,511	1,034,911	-	(7,461,378)	(257,220)
Transfers to assets Available for sale	-	16,000	43,212	-	1,264	-	-	-	60,476
Translation differences	(1,024,704)	(6,664,642)	(16,240,675)	(549,187)	(1,088,163)	(3,501,232)	-	(2,352,213)	(31,420,816)
31 December 2024	2,902,767	286,191,235	361,845,386	7,627,098	5,646,508	25,700,355	1,596,249	5,809,572	697,319,170
Depreciation									
1 January 2024	-	82,711,750	222,471,911	6,358,590	4,638,678	25,714,440	1,593,111	-	343,488,480
Depreciation	-	8,767,825	20,738,104	303,068	789,646	1,048,695	3,055	-	31,650,393
Disposals	-	-	(5,079,609)	(9,675)	(82,076)	(177,957)	-	-	(5,349,317)
Transfers to assets Available for sale	-	1,874	29,121	-	64	-	-	-	31,059
Translation differences	-	(2,898,092)	(8,637,691)	(216,806)	(905,244)	(2,962,617)	-	-	(15,620,450)
31 December 2024	-	88,583,357	229,521,836	6,435,177	4,441,068	23,622,561	1,596,166	-	354,200,165
Net book value									
31 December 2024	2,902,767	197,607,878	132,323,550	1,191,921	1,205,440	2,077,794	83	5,809,572	343,119,005

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. PROPERTY, PLANT AND EQUIPMENT (Continued)

a) The parent company's industrial complex is built on land leased from the Saudi Authority for Industrial Cities and Technology Zones ("MODON") under a 25-year lease agreement starting from 16 Sha'ban 1428H (corresponding to 29 August 2007). The lease is renewable for a similar additional period by mutual agreement of both parties.

b) As of 31 December 2025, property, plant, and equipment include fully depreciated assets that are still in operation, with a cost totaling ₪ 98.01 million (31 December 2024: ₪ 94.22 million).

c) As of 31 December 2025, capital work-in-progress amounting to ₪ 6.57 million (31 December 2024: ₪ 5.81 million) represents payments for the purchase of property, plant, and equipment.

d) The year's depreciation has been allocated in the consolidated statement of profit or loss and other comprehensive income as follows:

	2025	2024
Cost of Revenue (Note 6)	28,876,955	29,053,183
Selling and distribution expenses (Note 8)	878,487	1,255,130
General and administrative expenses (Note 9)	1,198,443	1,342,080
	30,953,885	31,650,393

16. INVESTMENT PROPERTIES

	Land	Total
Cost:		
As of January 1, 2025	45,134,328	45,134,328
As of December 31, 2025	45,134,328	45,134,328
Amortization:		
As of December 31, 2025	-	-
	-	-
Net book value:		
As of December 31, 2025	45,134,328	45,134,328
As of December 31, 2024	45,134,328	45,134,328

a) The Group has transferred a plot of land located in King Abdullah Economic City from property, plant and equipment to investment properties.

The carrying amount of the land is ₪ 45 million, while its fair value amounted to ₪ 59.9 million according to the report of the certified valuer, "Esnaad Real Estate Valuation Company". The valuation did not indicate any impairment in value as of 31 December 2025.

17. INTANGIBLE ASSETS

	Programs	Trademark and franchise fees	Total
Cost:			
1 January 2025	2,387,499	2,049,386	4,436,885
Additions	70,937	-	70,937
Disposals	(2,837)	(2,049,386)	(2,052,223)
Translation differences	22,104	-	22,104
31 December 2025	2,477,703	-	2,477,703
Amortization			
1 January 2025	859,940	930,994	1,790,934
Amortization of the year	217,060	65,198	282,258
Disposals	(2,837)	(996,192)	(999,029)
Translation differences	16,656	-	16,656
31 December 2025	1,090,819	-	1,090,819
Net book value:			
31 December 2025	1,386,884	-	1,386,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

17. INTANGIBLE ASSETS (Continued)

	Programs	Trademark and franchise fees	Total
Cost:			
1 January 2024	2,379,864	1,820,866	4,200,730
Additions	257,220	228,520	485,740
Disposals	(32,596)	-	(32,596)
Translation differences	(216,989)	-	(216,989)
31 December 2024	2,387,499	2,049,386	4,436,885
Amortization			
1 January 2024	866,593	675,131	1,541,724
Amortization of the year	202,197	255,863	458,060
Disposals	(32,595)	-	(32,595)
Translation differences	(176,256)	-	(176,256)
31 December 2024	859,939	930,994	1,790,933
Net book value:			
31 December 2024	1,527,560	1,118,392	2,645,952

a) **Amortization** for the year was allocated in the Consolidated statement of profit or loss and other comprehensive income as follows:

	2025	2024
Selling and distribution expenses (Note 8)	71,790	263,260
General and administrative expenses (Note 9)	210,468	194,800
	282,258	458,060

18. 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.

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:**

	2025	2024
Cost:		
1 January	35,653,112	39,978,573
Additions during the year	6,432,376	965,874
disposal during the year	(698,884)	(1,040,215)
Adjustments	27,025	61,784
Translation differences	507,054	(4,312,904)
As at 31 December	41,920,683	35,653,112
Amortization		
1 January	(20,993,211)	(17,289,143)
Amortization of the year	(6,888,787)	(6,301,921)
Disposal during the year	620,041	1,035,804
Translation differences	(243,063)	1,562,050
As at 31 December	(27,505,020)	(20,993,210)
Net book value as at 31 December	14,415,663	14,659,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

18. LEASE CONTRACTS (Continued)

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

	2025	2024
Cost:		
January 1	15,371,530	24,158,238
Additions during the year	6,432,376	961,463
Interest expense	1,930,457	1,636,886
Payments	(8,483,013)	(8,523,382)
disposal during the year	(95,976)	-
Adjustments	427,077	273,505
Translation differences	319,649	(3,135,180)
As at December 31	15,902,100	15,371,530
Less: current portion	(7,455,804)	(5,503,053)
Non-Current portion	8,446,296	9,868,477

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:

	2025	2024
Cost of Revenue (Note 6)	2,222,274	1,990,201
Selling and distribution expenses (Note 8)	4,038,917	3,607,536
General and administrative expenses (Note 9)	627,596	704,184
	6,888,787	6,301,921

The Group had total cash outflows of ₪ 15.90 million for lease contracts as of 31 December 2025 (2024: ₪ 15.38 million). The following table represents the future lease payments:

	2025	2024
Within one year	7,455,804	5,503,053
More than 5 years	8,446,296	9,868,477
	15,902,100	15,371,530

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.

19. INVENTORY

	2025	2024
Raw materials	98,900,905	115,015,564
Finished goods	41,048,756	41,885,625
Packing material	18,430,941	24,578,161
Work in progress	2,890,291	1,012,971
Spare parts	21,212,832	19,451,898
Others	940,911	1,051,372
	183,424,636	202,995,591
Provision for slow moving and obsolete inventories (*)	(12,978,466)	(12,491,861)
	170,446,170	190,503,730
Goods in transit	8,660,073	9,717,554
	179,106,243	200,221,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

19. INVENTORY (Continued)

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

	2025	2024
Balance at the beginning of the year	12,491,861	18,337,400
Addition during the year	730,802	3,858,965
Write- off during the year	(232,479)	(7,474,467)
Provision no longer required	(39,046)	(1,847,200)
Translation differences	27,328	(382,837)
Balance at the end of the year	12,978,466	12,491,861

20. 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:

Al Baraka Bank	A party to a member of the board of directors
Halwani & Al-Tahan Company	A party to a member of the board of directors
Halwani Global Limited Company	A party to a member of the board of directors & one of the company's senior executives
Al Wasta Food Services Company	A party to a member of the board of directors
Aquat Food Industries Company	A party to a member of the board of directors
Al-Baik Fast Food Systems Company	A party to a member of the board of directors
Food Service Group Company	A party to a member of the board of directors
Dallah Taiba Hotel	A party to a member of the board of directors
Dallah Hospital	A party to a member of the board of directors
Dallah Trading Company	A party to a member of the board of directors
Affiliates of the Parent Company	Related parties
Senior Management and Key Executives	Related parties
Board of Directors Members	Related parties

a- Due from related parties (trade receivables and current assets)

(Nature of transaction)		Transaction during the year		As at 31 December	
		2025	2024	2025	2024
		ﷲ	ﷲ	ﷲ	ﷲ
Albaik Fast Food Systems Co.	Selling finished goods	8,397,717	8,906,802	1,828,703	1,397,055
Aquat Food Industries	Selling finished goods	2,147,220	2,511,042	264,536	246,456
Al Wasta Food Services Co.	Selling finished goods	902,904	1,089,557	48,760	324,133
Halwani International LLC	Selling finished goods	46,408	44,749	6,394	374
Halwani & Tahan Company	Selling finished goods	19,500	19,500	-	-
Food Service group Company	Selling finished goods	-	-	-	9,614
Dallah Taiba Hotel	Selling finished goods	71,720	117,469	10,304	7,339
Dallah Hospital	Selling finished goods	251,894	256,033	54,374	45,048
Dallah Trading	Purchases	21,390	-	29,900	-
				2,242,971	2,030,019
Less: impairment of the value of related parties (Note below)				-	(9,614)
				2,242,971	2,020,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

20. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

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

	<u>2025</u>	<u>2024</u>
balance at the beginning of the year	9,614	9,614
No longer required	(9,614)	-
Balance at the end of the year	<u>-</u>	<u>9,614</u>

B) Other related parties

	<i>(Nature of transaction)</i>	<u>Transaction during the year</u>		<u>As at 31 December</u>	
		2025	2024	2025	2024
		ﷲ	ﷲ	ﷲ	ﷲ
AL baraka Bank*	Net Finance cost	1,180	17,230	-	-
	Islamic Murabaha	-	453,455	-	-

*Al Baraka Bank balance is allocated as follows:

	<u>2025</u>	<u>2024</u>
Current accounts with banks (Note 22)	6,097	34,525
	<u>6,097</u>	<u>34,525</u>

C) 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>	
			2025	2024
			ﷲ	ﷲ
Top management	Salaries and compensation	Parent Company	10,197,853	7,917,486
		Subsidiary Company	5,040,067	4,271,589
Board of Directors	End of service benefits	Parent Company	312,768	218,597
	Rewards	Parent Company	2,700,000	2,700,000
		Subsidiary Company	406,665	455,169
The Board of Directors and the relevant committees	Expenses and allowances for attending the meetings	Parent and subsidiary Company	1,652,877	2,190,194

D) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

21. TRADE RECEIVABLES AND OTHER RECEIVABLES

	2025	2024
	ﷲ	ﷲ
Trade receivables (Note (a) below)	128,100,328	116,692,924
Allowance for expected credit losses (Note (b) below)	(14,502,695)	(13,700,224)
Trade receivables, net	113,597,633	102,992,700
Due from related parties net (Note 20)	2,242,971	2,020,405
Prepaid expenses	6,486,504	6,014,266
Employee loan	2,175,970	1,561,315
Advance payments to suppliers	10,491,875	13,919,492
Other receivables (Note (c) below)	4,282,429	11,570,531
	<u>139,277,382</u>	<u>138,078,709</u>

a) Customer accruals for promotional activities, sales returns, and merchandise gondolas were classified under credit balances. The balance of these accruals as of 31 December 2025 amounted to ﷲ 32.6 million (2024: ﷲ 28.8 million).

b) The movement in the allowance for expected credit losses (ECL) on trade receivables during the year is as follows:

	2025	2024
	ﷲ	ﷲ
Balance at the beginning of the year	13,700,224	14,888,232
Addition during the year (Note 8)	783,772	208,902
Used	(15,020)	-
Provision no longer required	(18,166)	(653,495)
Translation differences	51,885	(743,415)
Balance at the end of the year	<u>14,502,695</u>	<u>13,700,224</u>

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 Jeddah city.

22. CASH AND CASH EQUIVALENTS

	2025	2024
	ﷲ	ﷲ
Cash on hand and at bank	13,345,534	32,969,560
Cheques under collection	2,064,479	2,341,297
	<u>15,410,013</u>	<u>35,310,857</u>

23. SHARE CAPITAL

The Company's share capital as of 31 December 2025 amounted to ﷲ 353,571,450 (2024: ﷲ 353,571,450), consisting of 35,357,145 shares (2024: 35,357,145 shares), fully paid and issued at a par value of ﷲ 10 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

24. STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's by-laws, the Parent Company must transfer 10% of its profit each year to the statutory reserve. The Parent Company may cease such transfers when the statutory reserve equals 30% of the capital. According to the amendments to the new Companies Law in the Kingdom of Saudi Arabia, the requirement to maintain the statutory reserve is no longer applicable.

The company's shareholders, in the extraordinary general assembly meeting held on June 25, 2024, decided to amend the company's articles of association in accordance with the new Companies Law and transfer the balance of the statutory reserve amounting to 106 million Saudi riyals to retained earnings.

25. ISLAMIC MURABAHA CONTRACTS

The carrying value of the Islamic Murabaha contracts as at 31 December 2025 and 31 December 2024 are as follows:

25.1 Islamic Murabaha Contracts (Long term)

	As at December 31 2025	As at December 31 2024
• Rajhi Bank		
Current portion	16,250,000	16,250,000
Non - Current portion	28,437,500	44,687,500
Total Rajhi bank financing	44,687,500	60,937,500

During the year 2024, The parent company signed an agreement with Al Rajhi Bank to reclassify part of the value of existing bank facilities used to finance existing working capital into medium-term financing in the amount of 65 million Saudi riyals, according to the terms of the agreement. The financing is due to be repaid in quarterly installments of 4.06 million Saudi riyals, the first installment is due on December 31, 2024. The financing ends on September 30, 2028. 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.

	As at December 31 2025	As at December 31 2024
• National Bank of Egypt		
Current portion	247,371	-
Non - Current portion	185,528	-
Total National Bank of Egypt financing	432,899	-

The subsidiary has a long-term Islamic Murabaha financing agreement with the National Bank of Egypt, Arab Republic of Egypt, to finance the Environmental Compliance Initiative. The subsidiary settles the financing charges in accordance with the initiative. The financing matures on 3 August 2027. The financing is secured by promissory notes issued in favor of the bank. As at 31 December 2025, the outstanding balance under this facility amounted to EGP 0.4 million (31 December 2024: nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**
25. ISLAMIC MURABAHA CONTRACTS (Continued)
25.2 Islamic Murabaha Contracts (Short term)

The carrying value of the Islamic Murabaha contracts as at 31 December 2025 and 31 December 2024 is as follows:

Finance type	Notes	Currency	Amount in original currency		Amount in Saudi Riyals	
			<i>As at 31 December 2025</i>	<i>As at 31 December 2024</i>	<i>As at 31 December 2025</i>	<i>As at 31 December 2024</i>
Tawaruq	A	Saudi Riyals	25,000,000	70,000,000	25,000,000	70,000,000
Tawaruq	A	Saudi Riyals	18,173,504	12,937,544	18,173,504	12,937,544
Tawaruq	A	Saudi Riyals	32,065,718	43,117,182	32,065,718	43,117,182
Murabah	B	Egyptian Pound	158,078,293	395,287,671	12,413,973	29,173,443
Murabah	B	Egyptian Pound	-	106,945,485	-	7,892,772
Murabah	B	Egyptian Pound	41,122,405	88,645,849	3,229,365	6,542,226
Murabah	B	Egyptian Pound	86,283,636	97,479,773	6,775,900	7,194,185
Murabah	B	Egyptian Pound	-	32,464,192	-	2,395,917
Murabah	B	Egyptian Pound	60,473,999	96,158,410	4,749,056	7,096,666
Murabah	B	US Dollar	1,420,367	-	5,324,810	-
Total facilities					107,732,326	186,349,935

(a) The parent company has a number of short-term Islamic Murabaha (Tawarruq) financing facilities with local banks in the Kingdom of Saudi Arabia, secured by promissory notes issued in favor of those banks. These Murabaha facilities are repayable over periods ranging from three to eight months, and the parent company incurs financing charges based on the prevailing Saudi interbank market rate plus a profit margin. As at 31 December 2025, the outstanding balance of these facilities amounted to ₪ 75.2 million (31 December 2024: ₪ 126.05 million).

(b) The subsidiary also has a number of short-term Islamic Murabaha financing facilities with local banks in the Arab Republic of Egypt to finance its operations. The subsidiary incurs financing charges based on prevailing market rates. As at 31 December 2025, the outstanding balance of these facilities amounted to EGP 32.5 million (31 December 2024: EGP 60.3 million).

26. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	2025 ₪	2024 ₪
Balance as at 1 January	26,873,500	27,250,200
Current service cost	2,291,900	2,405,400
Finance costs	1,209,500	1,102,400
Paid during the year	(1,978,800)	(3,071,700)
Actuarial (profit) recognised during the year	(1,029,400)	(812,800)
Balance as at 31 December	27,366,700	26,873,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

26. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (Continued)

Net benefit expense recognised in the Consolidated statement of profit or loss and other comprehensive income is as shown below:

	2025 ﷲ	2024 ﷲ
Current service cost	2,291,900	2,405,400
Finance costs	1,209,500	1,102,400
Total benefit expense	3,501,400	3,507,800

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

	2025 ﷲ	2024 ﷲ
Financial assumptions	(3,048,200)	(656,100)
Experience	2,018,800	(156,700)
Total actuarial (gain) during the year	(1,029,400)	(812,800)

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

	2025	2024
Discount rate	4.9%	5.3%
Salary increase rate	0.6%	3%
Turnover rate	12%	14%
Average retirement age (years)	65 years	65 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:

	2025 ﷲ	2024 ﷲ
Discount rate +0.25%	27,070,900	26,590,500
Discount rate -0.25%	27,670,500	27,163,700
Salary increases +0.25%	27,683,400	27,170,100
Salary increases -0.25%	27,057,100	26,583,000

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.

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

	2025 ﷲ	2024 ﷲ
Within the next 12 months (next annual reporting period)	6,739,500	5,780,700
Between 2 and 5 years	13,695,600	14,808,800
Between 5 and 10 years	14,018,000	15,591,000
Net benefit expense	34,453,100	36,180,500

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.40 years (2024: 4.33 years).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**
27. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2025	2024
	ﷲ	ﷲ
Accrued expenses	36,636,041	44,225,704
Accrued expenses to customers	32,563,252	28,800,452
Advances from customers	3,160,434	5,327,287
Liabilities arising from the rights to return the goods	16,663,147	19,606,641
Employee accruals	13,486,000	11,462,796
Subsidiary Company tax payables	1,445,614	1,315,432
Provisions - credit balances	4,500,000	611,008
Others	3,697,583	3,702,958
	112,152,071	115,052,278

28. CONTINGENT LIABILITIES

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

	2025	2024
	ﷲ	ﷲ
Letters of guarantee and documents for collection issued by banks	29,914,249	70,668,766

29. 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 that the value of financial instruments will fluctuate due to changes in commission rates. This arises from the possibility that such fluctuations will affect future profitability or the fair value of financial instruments.

The Group is exposed to commission rate fluctuations on its commission-bearing liabilities, including bank financing and Murabaha contracts. Income sensitivity represents the impact of hypothetical changes in commission rates on the Group's income for a single financial period, assuming all other variables remain constant, based on floating-rate financial liabilities held as of 31 December 2025.

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 exposed to foreign exchange fluctuations during its normal business cycle; the impact of Egyptian Pound (EGP) exchange rate fluctuations is disclosed. Approximately 49% of the Group's revenue for the year ended 31 December 2025 represents sales from the subsidiary, Halwani Bros - Egypt (31 December 2024: 51%), where the Egyptian Pound is used as its functional currency.

As of 31 December 2025, the Group's financial assets and financial liabilities denominated in foreign currencies related to the subsidiary (primarily in EGP) amounted to ﷲ 125.4 million and ﷲ 114.6 million (2024: ﷲ 163.7 million and ﷲ 127.3 million), respectively.

The parent company did not conduct any material transactions in currencies other than the Saudi Riyal (ﷲ) and the US Dollar (USD) during the year. Given that the ﷲ is pegged to the USD, balances in USD do not pose significant currency risk. The Group manages currency risk by continuously monitoring exchange rate changes and taking appropriate decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Raw Material Price Risk

The Group uses various raw materials as production inputs, which are subject to price fluctuations that may affect the Group's results of operations. To mitigate this risk, management monitors raw material prices and makes purchasing decisions based on price forecasts.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group limits credit risk regarding customers by setting credit limits for each individual customer and monitoring outstanding receivables. The top ten customers represent 69% of the outstanding trade receivables as of 31 December 2025 (31 December 2024: 48%).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses (ECL). Provision rates are based on days past due for various customer segments with similar loss patterns (by geographical region, product type, customer type, and rating). The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information available at the reporting date regarding past events, current conditions, and forecasts of future economic conditions.

Trade receivables are written off when their non-collection is confirmed following Board of Directors' approval. They are not subject to enforcement activity if the cost of such activity is expected to exceed the benefit. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets as shown in Note 21. The Group does not hold fully collateral. The Group assesses the concentration of risk with respect to trade receivables and contract assets as low, as its customers are spread across countries with different legislations and operate in largely independent markets.

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 2025

Trade receivables
Days past due

	<i>Not due</i>	<i>< 90 days</i>	<i>91-180 days</i>	<i>181-270 days</i>	<i>271-360 days</i>	<i>360<</i>	<i>Total</i>
	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>
Expected credit loss rate	0.31%	1.70%	10.27%	37.46%	84.06%	100.00%	
Estimated total gross carrying amounts at default	89,569,332	20,911,161	3,855,232	254,401	811,006	12,699,196	128,100,328
Expected credit loss	275,017	355,676	395,796	95,298	681,712	12,699,196	14,502,695

31 December 2024

	<i>Not due</i>	<i>< 90 days</i>	<i>91-180 days</i>	<i>181-270 days</i>	<i>271-360 days</i>	<i>360<</i>	<i>Total</i>
	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>	<i>ﷲ</i>
Expected credit loss rate	0.32%	1.49%	11.68%	23.28%	78.54%	100.00%	
Estimated total gross carrying amounts at default	79,434,709	20,791,196	2,669,417	920,245	1,248,889	11,628,468	116,692,924
Expected credit loss	254,898	309,902	311,877	214,203	980,876	11,628,468	13,700,224

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 83% of the Group's debt will mature in less than one year at 31 December 2025 (2024: 83%) 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.

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 2025	ﷲ	ﷲ	ﷲ	ﷲ
Trade payables	65,291,535	-	-	65,291,535
Accrued expense and other current liabilities	112,152,071	-	-	112,152,071
Islamic Murabaha contracts	124,229,697	16,250,000	12,373,028	152,852,725
Lease contract obligation	7,455,804	3,500,754	4,945,542	15,902,100
	<u>309,129,107</u>	<u>19,750,754</u>	<u>17,318,570</u>	<u>346,198,431</u>
	1- 12 months	1 to 2 years	> 2 years	Total
31 December 2024	ﷲ	ﷲ	ﷲ	ﷲ
Trade payables	71,521,042	-	-	71,521,042
Accrued expense and other current liabilities	115,052,278	-	-	115,052,278
Islamic Murabaha contracts	202,599,935	16,250,000	28,437,500	247,287,435
Lease contract obligation	5,503,053	6,670,844	3,197,633	15,371,530
	<u>394,676,308</u>	<u>22,920,844</u>	<u>31,635,133</u>	<u>449,232,285</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 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.

	2025	2024
	ﷲ	ﷲ
Interest-bearing loans, facilities, and liabilities,	168,754,825	262,658,965
Trade payables and other credit balance	177,443,606	186,573,320
Less: Cash on hand and at banks and checks under collection	(15,410,013)	(35,310,857)
Net debt	330,788,418	413,921,428
Ordinary shares	353,571,450	353,571,450
Retained earnings	285,976,562	242,339,560
Foreign currency translation reserve	(303,704,923)	(306,316,102)
Total equity	335,843,089	289,594,908
Equity and net debt	666,631,507	703,516,336
Motion rate	50%	59%

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 31 December 2024.

30. 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.

30.1 Financial assets

	2025	2024
	ﷲ	ﷲ
Trade receivables and other current assets	139,277,382	138,078,709
Cash on hand and at banks and checks under collection	15,410,013	35,310,857
	154,687,395	173,389,566

30.2 Financial liability

	2025	2024
	ﷲ	ﷲ
Trade payables	65,291,535	71,521,042
Payables and other credit balances	112,152,071	115,052,278
Islamic Murabaha contracts	152,852,725	247,287,435
Lease contract obligations	15,902,100	15,371,530
	346,198,431	449,232,285

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**
30. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

These financial assets and liabilities were measured at amortized cost, and there were no financial instruments or amounts for the Group measured at fair value, except for financial derivatives. Financial derivatives measured at fair value and whose fair values are disclosed in the condensed consolidated interim financial statements are categorized within the fair value hierarchy levels shown below, 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.

The fair value of financial assets as of 31 December 2025 and 31 December 2024 approximates their carrying amount, as these receivable balances are short-term in nature.

There were no transfers between Level 1, Level 2, and Level 3 for the years ended 31 December 2025 and 31 December 2024

31. 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

32. 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:

	<u>As at</u> <u>31 December 2024</u> <u>before reclassification</u>	<u>reclassification</u>	<u>As at</u> <u>31 December 2024</u> <u>after reclassification</u>
<u>Consolidated statement of profit or loss and comprehensive</u>			
Finance Costs	(28,768,613)	1,395,914	(27,372,699)
Foreign Exchange Losses	(26,183,850)	(1,395,914)	(27,579,764)
General and Administrative Expenses	(61,179,513)	2,985,520	(58,193,993)
Income Tax	(12,387,308)	(2,985,520)	(15,372,828)

33. SUBSEQUENT EVENTS

No subsequent events

34. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements for the Group for the year ended 31 December 2025, were approved by the Board of Directors on 4 Feb 2026.