

HALWANI BROTHERS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

FOR THE THREE-MONTH AND SIX-MONTH
PERIOD ENDED 30 JUNE 2022 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

HALWANI BROTHERS COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month and six-month period ended 30 June 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE SHAREHOLDERS OF
HALWANI BROTHERS COMPANY
(A SAUDI JOINT STOCK COMPANY)
Jeddah - Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of the financial position of Halwani Brothers Company - A Saudi Joint Stock Company - ("the Company") and its Subsidiary (referred together with "the Group"), as at 30 June 2022, and the related interim condensed consolidated statement of comprehensive income for the three-month and six-months period ended on June 30, 2022, and interim condensed consolidated statement of changes in shareholders' equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes from 1 to 18 form an integral part of these interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, as endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.



Maher Al-Khatieb
Certified Public Accountant
License Number 514



Jeddah on 17-08-2022(G)
Corresponding to: 19-01-1444 (H)

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) For the three-month and six-month period ended 30 June 2022

		For the three-month period ended		For the six-month period ended	
		30 June 2022 SR	30 June 2021 SR	30 June 2022 SR	June 2021 SR
	NOTE	Unaudited	Unaudited	Unaudited	Unaudited
Revenue from contracts with customers	(4)	238,499,886	268,616,595	540,034,599	555,195,912
Cost of revenue		(173,567,892)	(180,371,024)	(379,369,477)	(367,938,665)
GROSS PROFIT		64,931,994	88,245,571	160,665,122	187,257,247
Selling and distribution expenses		(43,594,095)	(37,966,125)	(87,364,964)	(83,033,241)
General and administrative expenses		(15,137,710)	(15,782,226)	(36,383,274)	(35,037,807)
Other revenue / (expenses), net		64,062	2,382,529	64,062	2,336,386
PROFIT FROM OPERATIONS		6,264,251	36,879,749	36,980,946	71,522,585
Finance costs		(3,465,902)	(2,151,670)	(4,733,909)	(3,358,473)
Gain on derivative instruments at fair value through statement of profit or loss		93,047	106,416	186,981	220,033
(Loss)/ Gain on foreign currency differences		2,082,384	208,187	639,405	228,702
PROFIT BEFORE ZAKAT AND INCOME TAX		4,973,780	35,042,682	33,073,423	68,612,847
Zakat	(5)	(1,700,000)	(1,375,000)	(3,400,000)	(2,750,000)
Income tax	(5)	(5,070,222)	(7,428,206)	(11,819,062)	(14,226,660)
(LOSS) /PROFIT FOR THE PERIOD		(1,796,442)	26,239,476	17,854,361	51,636,187
OTHER COMPREHENSIVE INCOME					
<i>Items that can be reclassified to profit or loss in subsequent periods:</i>					
Foreign currency differences		(4,899,294)	121,353	(32,618,280)	149,229
TOTAL COMPREHENSIVE (LOSS) /INCOME FOR THE PERIOD		(6,695,736)	26,360,829	(14,763,919)	51,785,416
EARNINGS PER SHARE					
Weighted average number of shares (per share)		35,357,145	35,357,145	35,357,145	35,357,145
Basic and diluted earnings per share for the period	(6)	(0.05)	0.74	0.50	1.46

Chief Financial Officer
Yasser Awad Abdelwahab Mohamed



Chief Executive Officer
Thamer Temairik



HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION As at 30 June 2022

		30 June 2022 SR <i>Unaudited</i>	31 December 2021 SR <i>Audited</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment, net		487,573,091	496,386,762
Intangible assets, net		2,803,027	2,984,084
Right of use assets, net		31,528,289	29,995,046
Deferred tax assets		1,067,356	446,342
TOTAL NON-CURRENT ASSETS		522,971,763	529,812,234
CURRENT ASSETS			
Assets available for sale		10,080,000	10,080,000
Inventories, net	(7)	320,292,557	217,072,903
Trade receivables and other receivables, net	(8)	197,735,855	161,572,668
Cash and cash equivalent		97,723,551	90,365,697
TOTAL CURRENT ASSETS		625,831,963	479,091,268
TOTAL ASSETS		1,148,803,726	1,008,903,502
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		353,571,450	353,571,450
Statutory reserve		106,071,435	106,071,435
Retained earnings		202,333,129	255,193,058
Foreign currency translation reserve		(177,521,583)	(144,903,303)
TOTAL SHAREHOLDERS' EQUITY		484,454,431	569,932,640
NON-CURRENT LIABILITIES			
Long-term loans	(9)	12,501,000	20,831,000
Islamic Murabaha Contracts - Long term	(10)	11,793,363	2,484,869
Lease contract obligations		23,006,139	20,079,712
Employee defined benefits' liabilities		38,847,257	38,783,202
TOTAL NON-CURRENT LIABILITIES		86,147,759	82,178,783
CURRENT LIABILITIES			
Current portion of long-term loans	(9)	16,664,000	22,918,000
Current portion of Islamic Murabaha Contracts	(10)	9,901,719	209,350
Short-term murabaha	(10)	301,668,062	151,418,293
Letters of credit liabilities	(11)	65,144,883	-
Current portion of lease contract obligations		8,120,353	9,750,268
Trade payables		92,484,955	82,419,425
Accrued expenses and other current liabilities	(13)	70,545,179	58,377,856
Zakat and income tax payable	(5)	13,672,385	31,698,887
TOTAL CURRENT LIABILITIES		578,201,536	356,792,079
TOTAL LIABILITIES		664,349,295	438,970,862
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,148,803,726	1,008,903,502

Chief Financial Officer
Yasser Awad Abdelwahab Mohamed



Chief Executive Officer
Thamer Temairik



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the six-month period ended 30 June 2022

	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign currency translation reserve SR	Total shareholders' equity SR
As at 1 January 2022	353,571,450	106,071,435	255,193,058	(144,903,303)	569,932,640
Net profit for the period	-	-	17,854,361	-	17,854,361
Other comprehensive loss	-	-	-	(32,618,280)	(32,618,280)
Total comprehensive income / (loss)	-	-	17,854,361	(32,618,280)	(14,763,919)
Dividends (Note 14)	-	-	(70,714,290)	-	(70,714,290)
Balance at 30 June 2022 (Unaudited)	353,571,450	106,071,435	202,333,129	(177,521,583)	484,454,431

	Share capital SR	Statutory reserve SR	Retained earnings SR	Foreign currency translation reserve SR	Total shareholders' equity SR
As at 1 January 2021	314,285,730	142,857,150	221,273,095	(144,829,000)	533,586,975
Bonus shares issued (Note 14)	39,285,720	(39,285,720)	-	-	-
Net profit for the period	-	-	51,636,187	-	51,636,187
Other comprehensive loss	-	-	-	149,229	149,229
Total comprehensive income	-	-	51,636,187	149,229	51,785,416
Dividends (Note 14)	-	-	(47,142,860)	-	(47,142,860)
Balance at 30 June 2021 (Unaudited)	353,571,450	103,571,430	225,766,422	(144,679,771)	538,229,531

Chief Financial Officer
Yasser Awad Abdelwahab Mohamed

Chief Executive Officer
Thamer Tenzarik

The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six-month period ended 30 June 2022

	<i>For the six-month period ended</i>	
	30 June 2022 SR <i>Unaudited</i>	30 June 2021 SR <i>Unaudited</i>
CASHFLOW FROM OPERATING ACTIVITIES		
Profit before zakat and tax	33,073,423	68,612,847
Adjustment to reconcile operating income to net cash flows:		
Depreciation of property, plant and equipment and right of use assets	23,161,659	23,734,844
Loss on disposal of property, plant, equipment and intangible assets	85,608	-
Amortization for intangible assets	203,618	118,884
Provision for employee benefits' liabilities	2,150,704	2,010,414
Gain on derivative instruments at fair value through statement of comprehensive income	(186,981)	(220,033)
Provision for expected credit losses and other receivables	1,891,739	941,192
Provision for slow-moving inventory	1,363,224	427,718
Provision for claims	1,316,407	2,290,152
Finance costs	4,733,909	3,358,473
	67,793,310	101,274,491
Changes in items of operating assets and liabilities		
Inventories	(128,417,388)	6,087,754
Trade receivables and other receivables	(45,804,772)	(81,793,000)
Trade payables and other current liabilities	35,282,153	7,811,328
	(71,146,697)	33,380,573
Zakat and income tax paid	(30,815,986)	(32,572,909)
Employee benefits' liabilities paid	(2,086,649)	(1,883,999)
Finance cost paid	(4,058,852)	(2,790,561)
Net cash (used in) operating activities	(108,108,184)	(3,866,896)
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(19,163,484)	(9,318,041)
Net cash (used in) investing activities	(19,163,484)	(9,318,041)
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from Islamic Murabaha Contracts	453,598,271	326,559,612
Payments of Islamic Murabaha Contracts	(278,604,186)	(238,977,377)
Payment of lease liabilities	(6,630,829)	(4,412,376)
Proceeds from term loans	-	50,000,000
Payment of term loans	(14,584,000)	(72,917,000)
Letters of credit liabilities	65,144,883	-
Dividends paid	(70,714,290)	(47,142,860)
Net cash generated from financing activities	148,209,849	13,109,999
NET CHANGES IN CASH AND CASH EQUIVALENT	20,938,181	(74,938)
Net difference in foreign currency translation	(13,580,327)	89,581
Cash and cash equivalent at the beginning of the period	90,365,697	77,180,188
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	97,723,551	77,194,831
SIGNIFICANT NON-CASH TRANSACTIONS:		
Change effect in the differences of translation of foreign currencies	32,618,280	149,229
right-of-use assets, net and lease contract obligations	675,057	578,729
Bonus Shares issued	-	39,285,720

Chief Financial Officer
Yasser Awad Abdelwahab Mohamed



Chief Executive Officer
Thamer Temairik



The attached notes 1 to 18 form an integral part of these unaudited interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2022

1 CORPORATE INFORMATION

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

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

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

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

The interim condensed 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 (the "Subsidiary"), which is engaged in manufacturing, packaging and distribution of all foodstuffs (together referred as the "Group").

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The interim condensed consolidated financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" "IAS 34" which is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. They should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021. However, selected accounting policies and explanatory notes have been included to explain important events and transactions to understand changes in the financial position and financial performance of the company since December 31, 2021.

In addition, results for the interim period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2.2 Preparation of the financial statements

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial derivatives that have been measured at fair value and employee benefit obligations where the actuarial's present value calculations are used.

2.3 Functional and presentation currency

The condensed consolidated interim financial statements are presented in Saudi Riyals, which is the company's functional currency - unless otherwise stated.

2.4 COVID-19 updates

During the current period; there has been a significant decrease in the number of registered cases. As a result, some restrictions related to COVID-19, such as social distancing and travel bans. Based on these factors, management believes that the COVID-19 pandemic did not have a material impact on the Group's reported financial results for the period ended June 30, 2022, including significant accounting judgments and estimates. The Group continues to monitor the situation of (Covid-19) closely, although management at this time is not aware of any expected factors that may change the impact of the pandemic on the Group's operations during 2022 or beyond.

2-5 Devaluation of the currency of the Arab Republic of Egypt:

During the period ended on June 30, 2022, the Egyptian pound recorded a decrease in the exchange rate against the Saudi riyal. As a result, a currency translation adjustment was recorded in relation to the translation of operations for the subsidiary in the Arab Republic of Egypt.

2.6 Impact of the Ukrainian-Russian War:

In February 2022, conflict broke out between the Russian Federation and Ukraine and the subsequent events may have financial implications for many economic entities that have transactions together with Ukraine, Russia and Belarus, as well as in direct interests (such as suppliers, customers, investments and lenders).

Political events are constantly changing and different around the world. The main potential impacts of the war are:

- Interruptions or stoppages of production and the closure of roads and facilities in the affected areas
- Travel disruptions in Eastern Europe
- The fluctuation of commodity and currency prices, which leads to an increase in costs and expenses.
- Disruptions in banking systems and capital markets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the six-month period ended 30 June 2022

2 BASIS OF PREPARATION (continued)

2.6 Impact of the Ukrainian-Russian War (Continued):

Nevertheless, management closely monitors and analyzes market developments in this volatile situation. Despite the current uncertainties, there is currently no indication of an impact on the Group's business or non-fulfillment of its obligations and its future operational performance.

2.7 New standards, amendments to existing standards and interpretations

There are no new standards issued by the International Accounting Standards Board (IASB), however, a number of amendments to the standards are effective as of January 1, 2022, which were explained in the annual consolidated financial statements of the group as of December 31, 2021 and there is no material impact on the interim condensed consolidated financial statements of the group as of June 30, 2022.

2.8 Basis of consolidation

The interim condensed consolidated financial statements include the interim financial statements of the Company and the Subsidiary (the "Group") as of 30 June 2022. 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 it ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the Subsidiaries to bring its accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a losing 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 recognized in interim condensed consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

Below are the details of the subsidiary:

Company name	Country of incorporation	Ownership percentage as at 30 June 2022	Ownership percentage as at 31 December 2021	Activity
Halwani Brothers Company (a closed Egyptian joint stock Company)	Alsharqia - Arab Republic of Egypt	100%	100%	Manufacturing, packaging, canning and distribution of all foods.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)
For the six-month period ended 30 June 2022

3. 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 30 June 2022 and 31 December 2021 as follows:

<u>Segments</u>	Kingdom of Saudi Arabia In thousands SR	Arab Republic of Egypt In thousands SR	Reconciliation In thousands SR	Total In thousands SR
<u>As per 30 June 2022 (Unaudited)</u>				
Total assets	982,957	300,347	(134,500)	1,148,804
Total liabilities	498,502	166,326	(479)	664,349
<u>As per 31 December 2021 (Audited)</u>				
Total assets	902,835	292,964	(186,895)	1,008,904
Total liabilities	332,902	106,240	(171)	438,971

The financial information of revenue and selected income relating to the geographical segments excluding the effect of transactions between the Group's companies for the six-month period ended 30 June 2022 and 30 June 2021 is as follows:

<u>Segments</u>	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt In thousands SR	Reconciliation In thousands SR	Total In thousands SR
<u>For the six-months period ended 30 June 2022 (Unaudited)</u>				
Revenue from contracts with customers *	248,403	291,806	(174)	540,035
The company's share in the results of the subsidiary	30,088	-	(30,088)	-
Segment profit for the period	17,854	30,088	(30,088)	17,854
<u>For the six-months period ended 30 June 2021 (Unaudited)</u>				
Revenue from contracts with customers *	241,976	313,318	(98)	555,196
The company's share in the results of the subsidiary	41,804	-	(41,804)	-
Segment profit for the period	51,636	41,804	(41,804)	51,636

* Detailed revenue information from contracts with customers for geographical segments is shown in Note (4).

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following are the details of the Group's revenue from contracts with customers for the six-month period ended 30 June 2022 and 30 June 2021

<u>Segments</u>	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt In thousands SR	Reconciliation in thousands SR	Total In thousands SR
<u>For the six-month period ended 30 June 2022 (Unaudited)</u>				
<u>Type of goods</u>				
Sesame products	118,541	37,667	-	156,208
Meat products	30,285	232,134	-	262,419
Other products	99,577	22,005	(174)	121,408
Total	248,403	291,806	(174)	540,035

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2022

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

<u>Segments</u> <u>For the six-month period ended</u> <u>30 June 2022 (Unaudited)</u>	Kingdom of Saudi Arabia In thousands SR	Arab Republic of Egypt In thousands SR	Reconciliation In thousands SR	Total In thousands SR
Type of customers				
Key customers	63,908	46,673	-	110,581
Wholesalers	67,529	131,606	-	199,135
Retailers	45,222	73,466	-	118,688
Catering	31,897	15,664	-	47,561
Exports	38,974	24,397	(174)	63,197
Others	873	-	-	873
Total	248,403	291,806	(174)	540,035

<u>Segments</u> <u>For the six-month period ended</u> <u>30 June 2021 (Unaudited)</u>	Kingdom of Saudi Arabia In thousands SR	Arab Republic of Egypt In thousands SR	Reconciliation In thousands SR	Total In thousands SR
Type of goods				
Sesame products	125,344	27,020	-	152,364
Meat products	29,544	261,003	-	290,547
Other products	87,088	25,295	(98)	112,285
Total	241,976	313,318	(98)	555,196
Type of customers				
Key customers	74,336	52,695	-	127,031
Wholesalers	69,257	162,783	-	232,040
Retailers	44,718	71,543	-	116,261
Catering	23,800	8,999	-	32,799
Exports	29,582	17,298	(98)	46,782
Others	283	-	-	283
Total	241,976	313,318	(98)	555,196

Geographical markets

Kingdom of Saudi Arabia
Arab Republic of Egypt
Other markets

For the six-month period ended
30 June

2022 In thousands SR Unaudited	2021 In thousands SR Unaudited
209,429	212,394
267,409	296,020
63,197	46,782
540,035	555,196

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2022

5. ZAKAT AND INCOME TAX

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

	30 June 2022 SR Unaudited	31 December 2021 SR Audited
Zakat provision	4,191,429	5,878,833
Income tax provision	9,480,956	25,820,054
	<u>13,672,385</u>	<u>31,698,887</u>

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

	30 June 2022 SR Unaudited	30 June 2021 SR Unaudited
Charge during the period	<u>3,400,000</u>	<u>2,750,000</u>

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

	30 June 2022 SR Unaudited	31 December 2021 SR Audited
Balance at beginning of the period /year	5,878,833	6,695,477
charged during the period/year	3,400,000	6,000,000
Paid during the period /year	(5,087,404)	(6,816,644)
Balance at the end of the period /year	<u>4,191,429</u>	<u>5,878,833</u>

d) Movement in income tax provision during the period / year consists of the following:

	30 June 2022 SR Unaudited	31 December 2021 SR Audited
Balance at the beginning of the period /year	25,820,054	25,029,998
Charge during the period /year	12,573,871	29,949,306
Paid during the period /year	(25,728,582)	(29,160,095)
foreign currency differences	(3,184,387)	845
Balance at the end of the period/ year	<u>9,480,956</u>	<u>25,820,054</u>

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

	30 June 2022 SR Unaudited	30 June 2021 SR Unaudited
Current income tax	12,573,871	15,324,633
Deferred tax income	(754,809)	(1,097,973)
	<u>11,819,062</u>	<u>14,226,660</u>

f) Zakat status

There has been no material change in the Group's zakat or tax status compared with the year ended 31 December 2021.

6. EARNINGS PER SHARE

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2022

6. EARNING PER SHARE (continued)

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

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	2022 SR Unaudited	2021 SR Unaudited	2022 SR Unaudited	2021 SR Unaudited
Net (loss) / profit for the period	(1,796,442)	26,239,476	17,854,361	51,636,187
Weighted average number of shares during the period (per share)	35,357,145	35,357,145	35,357,145	35,357,145
Basic and diluted (loss) / earnings (per share)	(0.05)	0.74	0.50	1.46

There was no reduction element affecting the weighted average number of shares during the period.

7. INVENTORY, NET

	30 June 2022 SR Unaudited	31 December 2021 SR Audited
Raw material	190,402,570	125,827,013
Finished goods	62,956,263	41,432,580
Packing material	30,128,338	31,597,687
Work in progress	3,004,918	1,979,149
Spare parts	19,336,041	19,410,755
Others	637,461	919,092
	306,465,591	221,166,276
Provision for slow-moving and obsolete inventories *	(12,671,074)	(11,579,088)
	293,794,517	209,587,188
Goods in transit	26,498,040	7,485,715
	320,292,557	217,072,903

* Movement of the Provision for slow-moving and obsolete inventories during the period/year as follows:

	30 June 2022 SR Unaudited	31 December 2021 SR Audited
Balance at the beginning of the period	11,579,088	11,160,697
Addition during the period/year	1,363,224	692,343
Write off during the period/year	-	(274,286)
Translation differences	(271,238)	334
Balance at the end of the period/year	12,671,074	11,579,088

8. TRADE RECEIVABLES AND OTHER RECEIVABLES, NET

	30 June 2022 SR Unaudited	31 December 2021 SR Audited
Trade receivables	175,958,312	140,710,445
Allowance for expected credit losses *	(9,613,431)	(8,145,570)
Trade receivables, net	166,344,881	132,564,875
Due from related parties (Note 12)	941,590	1,261,533
Prepaid expenses	8,516,341	5,614,357
Employee loan	2,976,999	2,381,215
Advance payments to suppliers	10,871,314	13,643,878
Other receivables	8,084,730	6,106,810
	197,735,855	161,572,668

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2022

8. TRADE RECEIVABLES AND OTHER RECEIVABLES, NET (continued)

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

	30 June 2022 SR Unaudited	31 December 2021 SR Audited
Balance at the beginning of 1 January	8,145,570	4,830,434
Addition during the period/ Year	1,949,395	3,315,728
Foreign currency translation differences	(481,534)	(592)
	<u>9,613,431</u>	<u>8,145,570</u>

9. LOANS

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Alrajhi Bank financing (Note a)	29,165,000	37,499,000
Banque Saudi Fransi financing (Note b)	-	6,250,000
Balance as at 31 December	<u>29,165,000</u>	<u>43,749,000</u>
Less: current portion (Note a , b)	<u>(16,664,000)</u>	<u>(22,918,000)</u>
Non-current portion (Note a , b)	<u>12,501,000</u>	<u>20,831,000</u>

a) During the year 2021, the Parent Company signed a financing agreement with Al-Rajhi Bank in the amount of SR 65 million. An amount of SR 50 million was withdrawn by the Parent Company. According to the terms of the agreement, the loan is repayable in quarterly installments of SR 4.167 million, starting from 30 June 2021, and the last installment is due on 31 March 2024.

The financing entails financing fees (at the prevailing rate in the Saudi interbank market plus a profit margin), the financing was secured by bonds of an order issued to the bank.

b) During the year 2019, the Parent Company signed a financing agreement (Tawarruq) with Banque Saudi Fransi in the amount of SR 150 million. The balance of the financing has been completely withdrawn by the Parent Company. According to the terms of the agreement, the financing is due in quarterly installments of SR 9.375 million, starting from 30 September 2019, and the last installment is due on 30 September 2023. During the first quarter of the year 2021, the Parent Company paid an amount of SR 50 million as an advance payment to Banque Saudi Fransi from the installments owed by the Company, and the last installment will be paid on 31 March 2022. The financing entails financing fees (at the prevailing rate in the Saudi interbank market plus a profit margin), the financing was secured by bonds of an order issued to the bank.

10. ISLAMIC MURABAHA CONTRACTS

10-1 ISLAMIC MURABAHA CONTRACTS - LONG TERM

The carrying value of the Islamic Murabah contracts as at 30 June 2022 and 31 December 2021 is as follows:

Finance type	Notes	Currency	Amount in original currency		Amount in Saudi Riyals	
			As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Murabah (Note 12)	a	Egyptian Pound	109,077,367	11,289,861	21,695,082	2,686,586
Murabah	a	Egyptian Pound	-	32,075	-	7,633
Total facilities					21,695,082	2,694,219
Less: Current portion of islamic murabah contracts					(9,901,719)	(209,350)
Non-current portion of islamic murabah contracts					<u>11,793,363</u>	<u>2,484,869</u>

a) The Subsidiary Company has entered into long-term Murabaha Contracts with local banks in the Arab Republic of Egypt to finance its operations. The Subsidiary Company pays financing charges according to prevailing market rate. As of 30 June 2022, the outstanding balance of these contracts amounted to an amount of SR 21.6 million (December 31, 2021: SR 2.6 million).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2022

10 ISLAMIC MURABAHA CONTRACTS (continued)

10-2 SHORT TERM ISLAMIC MURABAHA CONTRACTS

The carrying value of the Islamic Murabah contracts as at 30 June 2022 and 31 December 2021 is as follows:

Finance type	Notes	Currency	Amount in original currency		Amount in Saudi Riyals	
			As at	As at	As at	As at
			30 June 2022	31 December 2021	30 June 2022	31 December 2021
			(Unaudited)	(Audited)	(Unaudited)	(Audited)
Tawaruq	a	Saudi Riyals	30,098,886	89,000,000	30,098,886	89,000,000
Tawaruq	a	Saudi Riyals	74,978,836	12,418,293	74,978,836	12,418,293
Tawaruq	a	Saudi Riyals	105,214,290	50,000,000	105,214,290	50,000,000
Tawaruq	a	Saudi Riyals	50,000,000	-	50,000,000	-
Murabah	b	Egyptian Pound	208,028,310	-	41,376,050	-
					<u>301,668,062</u>	<u>151,418,293</u>

- a) The Parent Company entered into short-term Islamic Murabaha (Tawaruq) Contracts with local banks in the Kingdom of Saudi Arabia. These murabaha are paid within a period of three to eight months and the Parent Company pays financing burdens on financing according to the prevailing market rate among Saudi banks plus a profit margin, on 30 June 2022, the outstanding balance of these contracts amounted to SR260.2 million (31 December 2021 : SR 151.4 million). The Murabaha was guaranteed by promissory notes issued to the banks.
- b) Also the subsidiary company has entered into short term Murabaha Contracts with local banks in the Arab Republic of Egypt to finance its operations. The Subsidiary Company pays financing charges according to prevailing market rate. As of 30 June 2022, the outstanding balance of these contracts amounted to an amount of SR 41 million (31 December 2021: Nil).

11. LETTERS OF CREDIT LIABILITIES

The parent company has entered into a Sharia-compliant financing facility contract to issue partnership letters of credit for the purpose of financing working capital with one of the banks in the Kingdom of Saudi Arabia secured by promissory notes. The balance of the letters of credit liabilities on June 30, 2022 amounted to 65.14 million Saudi riyals (December 31, 2021: Nil).

12. 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:

Name	Relationship
Saudi Al-Rabie Food Company	An affiliate owned by one of the major shareholders
Dallah Trading Company	An affiliate owned by one of the major shareholders
Textile and Garment Company Ltd.	An affiliate owned by one of the major shareholders
Ismailia-Egypt Poultry Company	An affiliate owned by one of the major shareholders
Al-Baraka Bank	Party to one of the members of the Board of Directors
Alwusta for food servies company	Party to one of the members of the Board of Directors
Aquat food industries company	Party to one of the members of the Board of Directors
Al-Baik fast food company	Party to one of the members of the Board of Directors
Makkah for printing	Party to one of the members of the Board of Directors
Affiliates of the Parent Company	Related parties
Key management	Related parties
Board members	Related parties

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2022

12. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

The following are the main transactions relating to related parties during the six months ended 30 June 2022 and 30 June 2021 and related party balances as on 30 June 2022 and 31 December 2021:

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

Description	Nature of transaction	Transaction for the six-months period ended		As at	As at
		30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	31 December 2021 (Audited)
Albaik fast food company	Selling finished goods	6,264,802	-	821,957	1,141,681
Other parties	Miscellaneous transactions	1,502,589	216,615	622,944	623,163
				1,444,901	1,764,844
Less: impairment of the value of related parties				(503,311)	(503,311)
				941,590	1,261,533

b) Due to related parties

		Transaction for the six-months period ended		As at	As at
		30 June 2022	30 June 2021	30 June 2022	31 December 2021
Description	Nature of transaction	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Due to related parties (accruals and other payable)					
Dallah Trading Company	Purchase	484,361	374,900	-	79,753
Textile and Garment Company Ltd.	Purchase of finished goods	-	303,959	-	-
Ismailia Poultry Company-Egypt	Purchase of raw materials	960,484	1,615,689	22,258	249,223
Other parties	Various transactions	402,893	183,901	71,766	65,508
Total				94,024	394,484

		Transaction for the six-months period ended		As at	As at
		30 June 2022	30 June 2021	30 June 2022	31 December 2021
Description	Nature of transaction	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Due to related parties (Islamic Murabaha and current account)					
Al-Baraka Bank*	Current accounts	21,304,339	5,898,111	18,850,670	2,130,365
	Islamic Murabaha				
	Finance interest	482,103	201,085		
				18,850,670	2,130,365

*Al-Baraka Bank balance is allocated as follows:

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Current accounts with banks (cash and cash equivalent)	(2,844,412)	(556,221)
Islamic Murabaha (Note 10)	21,695,082	2,686,586
	18,850,670	2,130,365

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the six-month period ended 30 June 2022

12. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

c) Board of directors and key management's allowances and remunerations

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

	For the six-month period ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Salaries and compensation	5,378,189	6,892,284
End of service benefits	163,888	160,493
Rewards and allowances for attending the meetings	3,578,289	3,584,342
	<u>9,120,366</u>	<u>10,637,119</u>

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Accrued expenses	25,132,771	16,684,281
Due to related parties (Note 12)	94,024	394,484
Advances from customers	3,097,400	6,474,103
Liabilities arising from the rights to return the goods	18,922,362	15,637,317
Employee accruals	11,490,557	9,623,614
Subsidiary Company tax accrual	7,835,353	5,388,354
Financial derivatives	59,596	246,577
Other accruals	3,913,116	3,929,126
	<u>70,545,179</u>	<u>58,377,856</u>

14. Capital and Dividends

On December 27, 2020, the board of directors of the parent company recommended increasing the capital to 353,571,450 SR through the issuance of one bonus share for every eight existing ordinary shares through the balance of the statutory reserve, which was approved by the company's general assembly on April 28, 2021, and accordingly, Amending the company's articles of association.

On February 3, 2021, the Extraordinary General Assembly approved the Board of Director's recommendation to distribute cash dividends to shareholders for the year on December 31, 2020, with a total amount of 47,142,860 SR.

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

15. 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 in hand and at banks, 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, and due to related parties, as below:

15.1 Financial assets

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Trade and other receivables	197,735,855	161,572,668
Cash and cash equivalent	97,723,551	90,365,697
	<u>295,459,406</u>	<u>251,938,365</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six-month period ended 30 June 2022

15. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

15.2 Financial liability

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Trade payables	92,484,955	82,419,425
Accrued expenses and other current liabilities	70,545,179	58,377,856
Islamic Murabaha Contracts	323,363,144	154,112,512
Term loans	29,165,000	43,749,000
Credit facilities - deferred letters of credit	65,144,883	-
Lease contract obligations	31,126,492	29,829,980
	<u>611,829,653</u>	<u>368,488,773</u>

Financial assets and financial liabilities have been measured at amortized cost and there were no financial instruments measured at fair value other than financial derivatives. Derivatives for which fair values have been measured and whose fair values have been disclosed in the interim condensed 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

The Group enters into derivative financial instruments primarily with financial institutions that have credit ratings. The derivatives valued through technical valuation techniques with observable market data are interest rate swaps. The most widely used technical valuation techniques include price and swap models - using present value calculations.

As at 30 June 2022 and 31 December 2021, the fair values of the Group's financial instruments were estimated to approximate their book values and categorized within Level 2 of the fair value hierarchy. The fair value of financial assets at 30 June 2022 and 31 December 2021 is the carrying value due to the fact that the balances of these receivables are short-term in nature.

There were no transfers between Level 1, Level 2, and Level 3 during the period ended 30 June 2022, and 30 June 2021.

16. Contingent obligations and liabilities

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
Letters of guarantee and documents for collection issued by banks	<u>26,945,446</u>	<u>47,335,207</u>

17. Comparative figures

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

Consolidated statement of financial position	As of December 2021 Before Reclassification	Re-classified	As of December 2021 after reclassification
Current portion from murabhat contracts	151,627,643	(151,418,293)	209,350
Short-term murabaha	-	151,418,293	151,418,293

18. Approval of the interim condensed consolidated financial statements

The group's interim condensed consolidated financial statements for the six-month period ending on June 30, 2022 were approved by the Board of Directors' decision dated August 14, 2022.