

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE-MONTH
PERIOD ENDED 31 MARCH 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 period ended 31 March 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 financial position of Halwani Brothers Company - A Saudi Joint Stock Company - ("the Company" or "the Parent Company") and its Subsidiary ("the Group"), as at 31 March 2022, and the related interim condensed consolidated statement of comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and a summary of significant accounting policies and other explanatory notes from 1 to 16. 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.

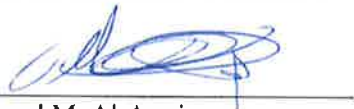
Scope of review

We conducted our review in accordance with the 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 IAS 34, as endorsed in the Kingdom of Saudi Arabia.

For Dr. Mohamed Al-Amri & Co.



Jamal M. Al-Amri
Certified Public Accountant
Registration No. 331



11 May 2022(G)
10 Shawwal 1443(H)

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2022

| | | <i>For the three- months period ended 31 March 2022</i> | <i>For the three- months period ended 31 March 2021</i> |
|---|-------------|---|---|
| | | SR | SR |
| | <u>Note</u> | <u>Unaudited</u> | <u>Unaudited</u> |
| Revenue from contracts with customers | (4) | 301,534,713 | 286,579,317 |
| Cost of revenue | | (205,801,585) | (187,567,641) |
| GROSS PROFIT | | 95,733,128 | 99,011,676 |
| Selling and distribution expenses | | (43,770,869) | (45,067,116) |
| General and administrative expenses | | (21,245,564) | (19,255,581) |
| Other expenses, net | | - | (46,143) |
| PROFIT FROM OPERATIONS | | 30,716,695 | 34,642,836 |
| Finance costs | | (1,268,007) | (1,206,803) |
| Gain on derivative instruments at fair value through statement of comprehensive income | | 93,934 | 113,617 |
| Gain on foreign currency differences | | (1,442,979) | 20,515 |
| PROFIT BEFORE ZAKAT AND INCOME TAX | | 28,099,643 | 33,570,165 |
| Zakat | (5) | (1,700,000) | (1,375,000) |
| Income tax | (5) | (6,748,840) | (6,798,454) |
| PROFIT FOR THE PERIOD | | 19,650,803 | 25,396,711 |
| OTHER COMPREHENSIVE INCOME: | | | |
| <i>Items not to be reclassified to profit or loss in subsequent periods:</i> | | | |
| Foreign currency differences | | (27,718,986) | 27,876 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | (8,068,183) | 25,424,587 |
| EARNINGS PER SHARE | | | |
| Weighted average number of shares (per share) | | 35,357,145 | 35,357,145 |
| Basic and diluted earnings per share for the period attributable to ordinary shareholders from net profit | (6) | 0.56 | 0.72 |

Chief Financial Officer
Yasser Awad Abdelwahab Mohamed



Chief Executive Officer
Thamer Temairik



The attached notes 1 to 15 form an integral part of these unaudited interim condensed consolidated financial statements.

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2022

| | <u>Note</u> | <u>31 March 2022 Unaudited SR</u> | <u>31 December 2021 Audited SR</u> |
|--|-------------|---|--|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant, and equipment | | 490,643,761 | 496,386,762 |
| Intangible assets | | 2,906,393 | 2,984,084 |
| Right of use assets | | 26,894,674 | 29,995,046 |
| Deferred Tax | | 733,769 | 446,342 |
| TOTAL NON-CURRENT ASSETS | | <u>521,178,597</u> | <u>529,812,234</u> |
| CURRENT ASSETS | | | |
| Asset Available for sale | | 10,080,000 | 10,080,000 |
| Inventories | | 284,469,721 | 217,072,903 |
| Trade receivables and other receivables | (7) | 214,196,781 | 161,572,668 |
| Cash and cash equivalent | | 104,136,087 | 90,365,697 |
| TOTAL CURRENT ASSETS | | <u>612,882,589</u> | <u>479,091,268</u> |
| TOTAL ASSETS | | <u>1,134,061,186</u> | <u>1,008,903,502</u> |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 353,571,450 | 353,571,450 |
| Statutory reserve | | 106,071,435 | 106,071,435 |
| Retained earnings | | 274,843,861 | 255,193,058 |
| Foreign currency translation reserve | | (172,622,289) | (144,903,303) |
| TOTAL SHAREHOLDERS' EQUITY | | <u>561,864,457</u> | <u>569,932,640</u> |
| NON-CURRENT LIABILITIES | | | |
| Term loans | (8) | 16,664,000 | 20,831,000 |
| Islamic Murabaha Contracts | (9) | 11,282,483 | 2,484,869 |
| Lease contract obligations | | 18,577,694 | 20,079,712 |
| Employee defined benefits' liabilities | | 39,042,931 | 38,783,202 |
| TOTAL NON-CURRENT LIABILITIES | | <u>85,567,108</u> | <u>82,178,783</u> |
| CURRENT LIABILITIES | | | |
| Current portion of term loans | (8) | 16,668,000 | 22,918,000 |
| Current portion of Islamic Murabaha Contracts | (9) | 24,681,492 | 209,350 |
| Short-term Islamic Murabaha Contracts | (9) | 193,302,865 | 151,418,293 |
| Current portion of lease contract obligations | | 8,880,637 | 9,750,268 |
| Trade payables | | 132,389,990 | 82,419,425 |
| Accrued expenses and other current liabilities | (11) | 75,769,949 | 58,377,856 |
| Zakat and income tax payable | (5) | 34,936,688 | 31,698,887 |
| TOTAL CURRENT LIABILITIES | | <u>486,629,621</u> | <u>356,792,079</u> |
| TOTAL LIABILITIES | | <u>572,196,729</u> | <u>438,970,862</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>1,134,061,186</u> | <u>1,008,903,502</u> |

Chief Financial Officer

Yasser Awad Abdelwahab Mohamed

**Managing Director
And**

**Chief Executive Officer
Thamer Temairik**

The attached notes 1 to 16 form an integral part of these unaudited interim condensed consolidated financial statements.

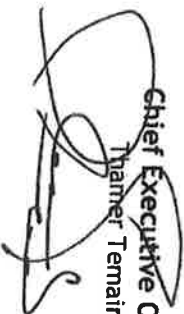
HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the three-month period ended 31 March 2022

| | <i>Share capital</i> | <i>Statutory reserve</i> | <i>Retained earnings</i> | <i>Foreign currency translation reserve</i> | <i>Total equity</i> |
|--------------------------------------|----------------------|--------------------------|--------------------------|---|---------------------|
| | SR | SR | SR | SR | 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 | - | - | 19,650,803 | - | 19,650,803 |
| Other comprehensive income | - | - | - | (27,718,986) | (27,718,986) |
| Total comprehensive income | - | - | 19,650,803 | (27,718,986) | (8,068,183) |
| Balance at 31 March 2022 (Unaudited) | 353,571,450 | 106,071,435 | 274,843,861 | (172,622,289) | 561,864,457 |
| | <i>Share capital</i> | <i>Statutory reserve</i> | <i>Retained earnings</i> | <i>Foreign currency translation reserve</i> | <i>Total equity</i> |
| | SR | SR | SR | SR | SR |
| As at 1 January 2021 | 314,285,730 | 142,857,150 | 221,273,095 | (144,829,000) | 533,586,975 |
| Net profit for the period | - | - | 25,396,711 | - | 25,396,711 |
| Other comprehensive income | - | - | - | 27,876 | 27,876 |
| Total comprehensive income | - | - | 25,396,711 | 27,876 | 25,424,587 |
| Dividends | - | - | (47,142,860) | - | (47,142,860) |
| Balance at 31 March 2021 (Unaudited) | 314,285,730 | 142,857,150 | 199,526,946 | (144,801,124) | 511,868,702 |

Chief Financial Officer
Yasser Awad Abdelwahab Mohamed



Chief Executive Officer
Thamer Temairik



The attached notes 1 to 15 form an integral part of these unaudited interim condensed consolidated financial statements.

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 31 March 2022

| | <i>For the three-month period ended 31 March 2022</i> SR <u>Unaudited</u> | <i>For the three-month period ended 31 March 2021</i> SR <u>Unaudited</u> |
|--|---|---|
| OPERATING ACTIVITIES | | |
| Profit before zakat and tax | 28,099,643 | 33,570,165 |
| <i>Adjustment to reconcile operating income to net cash flows:</i> | | |
| Depreciation of property, plant, and equipment and right of use assets | 11,342,592 | 11,976,626 |
| Losses/(profits) on sale of property, plant, equipment and intangible assets | 39,131 | - |
| Amortization of intangible assets | 101,550 | 52,441 |
| Provision for employee benefits' liabilities | 901,106 | 916,341 |
| Gain on derivative instruments at fair value through statement of comprehensive income | (93,934) | (113,617) |
| Provision for expected credit losses and other receivables | 1,182,286 | (75,539) |
| Provision for slow-moving inventory | 36,774 | (433,654) |
| Provision for contingencies | 395,807 | 714,940 |
| Finance costs | 1,268,007 | 1,206,803 |
| <i>Changes in items of operating assets and liabilities</i> | <u>43,272,962</u> | <u>47,814,506</u> |
| Inventories | (87,806,815) | (12,657,721) |
| Trade receivables and other receivables | (61,288,828) | (77,179,650) |
| Trade payables and other current liabilities | 80,745,689 | 49,327,651 |
| | <u>(25,076,992)</u> | <u>7,304,786</u> |
| Zakat and income tax paid | (1,276,385) | (1,235,042) |
| Employee benefits' liabilities paid | (815,623) | (1,019,536) |
| Finance cost paid | (744,179) | (929,700) |
| <i>Net cash generated from operating activities</i> | <u>(27,913,179)</u> | <u>4,120,508</u> |
| INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (12,155,315) | (5,975,159) |
| Proceeds from sales of property, plant and equipment and intangible assets | (31,538) | - |
| <i>Net cash used in investing activities</i> | <u>(12,186,853)</u> | <u>(5,975,159)</u> |
| FINANCING ACTIVITIES | | |
| Proceeds from Islamic Murabaha Contracts | 219,393,051 | 154,964,366 |
| Payments of Islamic Murabaha Contracts | (139,179,437) | (81,248,136) |
| Payment of lease liabilities | (2,228,863) | (2,042,844) |
| Proceeds from term loans | - | 50,000,000 |
| Payment of term loans | (10,417,000) | (59,375,000) |
| Dividends paid | - | (47,142,860) |
| <i>Net cash used in financing activities</i> | <u>67,567,751</u> | <u>15,155,526</u> |
| NET CHANGES IN CASH AND BANK BALANCES | 27,467,719 | 13,300,875 |
| Net difference in foreign currency translation | (13,697,329) | 110,560 |
| Cash and cash equivalent at the beginning of the period | 90,365,697 | 77,180,188 |
| CASH AND BANK BALANCES AT THE END OF THE PERIOD | <u>104,136,087</u> | <u>90,591,623</u> |
| SIGNIFICANT NON-CASH TRANSACTIONS: | | |
| Change effect in the differences of translation of foreign currencies | (27,718,986) | 27,876 |
| Right-of-use assets, net and lease contract obligations | - | 472,124 |

Chief Financial Officer



Yasser Awad Abdelwahab Mohamed

Managing Director
And



Chief Executive Officer
Thamer Temarik

The attached notes 1 to 16 form an integral part of these unaudited interim condensed consolidated financial statements.

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 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 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements 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. In addition, results for the interim period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 for employee benefits, the projected unit credit method is used. The interim condensed consolidated financial statements are presented in Saudi Riyals (“SR”), which is the functional and presentational currency of the Group.

2.2 COVID-19 updates

Since the beginning of the year 2020, the outbreak of the Corona Virus (Covid 19) has caused disruptions to social and economic activities worldwide, including in the Kingdom of Saudi Arabia and the Arab Republic of Egypt, and the resulting disruption in those markets during the previous two years, the management continues to proactively assess its impact on its operations. The preventive measures taken by the group in April 2020 are still ongoing, including the formation of continuous crisis management teams and operations, to ensure the health and safety of its employees, customers, consumers and society as a broader scope, as well as to ensure the continuity of supplying its products in all its markets, and the extent and duration of these effects remain uncertain. It depends on future developments that cannot be accurately predicted at the present time in terms of the rate of transformation of the emerging coronavirus (Covid-19) and the extent and effectiveness of the containment measures taken. The Group’s management will continue to monitor the situation closely to update any developments that may affect its financial statements, although management at this time is not aware of any expected factors that may affect the Group’s operations during 2022 or beyond.

Globally, 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 March 31, 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.

2.3 Devaluation of the currency of the Arab Republic of Egypt:

During the last month of the quarter ending on March 31, 2022 AD, the Egyptian pound recorded a decrease in the exchange rate by 17% 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Impact of the Ukrainian-Russian War:

In February 2022, conflict broke out between the Russian Federation and Ukraine and the related subsequent events may have financial implications for many economic entities that have transactions with Ukraine, Russia, and Belarus, as well as indirect 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, leads to an increase in costs and expenses.

Disruptions in banking systems and capital markets

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.

2.5 New standards, interpretations, and amendments adopted by the Group

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 AD, which was explained in the group's annual consolidated financial statements, and there is no material impact on the interim condensed consolidated financial statements.

2.6 Basis of consolidation

The interim condensed consolidated financial statements include the interim financial statements of the Company and the Subsidiary (the "Group") as of March 31, 2021. 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 Subsidiaries to bring it's accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognized in the 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 31 March 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. |

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 the 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 March 2022 and 31 December 2021 as follows:

| <u>Segments</u> | <u>Kingdom of Saudi Arabia in thousands SR</u> | <u>Arab Republic of Egypt in thousands SR</u> | <u>Reconciliation in thousands SR</u> | <u>Total in thousands SR</u> |
|--|--|---|---------------------------------------|------------------------------|
| <u>As per March 31, 2022 (Unaudited)</u> | | | | |
| Total assets | 981,250 | 325,951 | (173,140) | 1,134,061 |
| Total liabilities | 419,386 | 154,008 | (1,197) | 572,197 |
| <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 three-month period ended 31 March 2022 and 31 March 2021 is as follows

| <u>Segments</u> | <u>Kingdom of Saudi Arabia in thousands SR</u> | <u>Arab Republic of Egypt in thousands SR</u> | <u>Reconciliation in thousands SR</u> | <u>Total in thousands SR</u> |
|--|--|---|---------------------------------------|------------------------------|
| <u>As of March 31, 2022 (Unaudited)</u> | | | | |
| Revenue from contracts with customers | 142,519 | 159,109 | (93) | 301,535 |
| Company's share in the results of the subsidiary | 13,651 | - | (13,651) | - |
| Segment profit for the period | 19,651 | 13,651 | (13,651) | 19,651 |
| <u>As of 31 March 2021 (Unaudited)</u> | | | | |
| Revenue from contracts with customers | 135,621 | 151,491 | (533) | 286,579 |
| Company's share in the results of the subsidiary | 16,957 | - | (16,957) | - |
| Segment profit for the period | 25,397 | 16,957 | (16,957) | 25,397 |

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2022

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following are the details of the Group's revenue from contracts with customers for the three-month period ending on March 31, 2022, and March 31, 2021:

| <u>Segments</u> <u>For the three-month period ending</u> <u>March 31, 2022 (Unaudited)</u> | <u>Kingdom of</u> <u>Saudi Arabia</u> <u>in thousands</u> <u>SR</u> | <u>Arab Republic</u> <u>of Egypt in</u> <u>thousands</u> <u>SR</u> | <u>Reconciliation</u> <u>in thousands</u> <u>SR</u> | <u>Total in</u> <u>thousands</u> <u>SR</u> |
|--|--|---|---|--|
| Type of goods | | | | |
| Sesame products | 64,923 | 19,755 | - | 84,678 |
| Meat products | 18,035 | 125,303 | - | 143,338 |
| Other products | 59,561 | 14,051 | (93) | 73,519 |
| Total | 142,519 | 159,109 | (93) | 301,535 |
| Type of customers | | | | |
| Key customers | 39,778 | 26,005 | - | 65,783 |
| Wholesalers | 40,810 | 71,676 | - | 112,486 |
| Retailers | 24,375 | 42,010 | - | 66,385 |
| Catering | 16,243 | 7,246 | - | 23,489 |
| Exports | 21,171 | 12,172 | (93) | 33,250 |
| Others | 142 | - | - | 142 |
| Total | 142,519 | 159,109 | (93) | 301,535 |
| <u>Segments</u> <u>For the three-month period ending</u> <u>March 31, 2021 (Unaudited)</u> | <u>Kingdom of</u> <u>Saudi Arabia</u> <u>in thousands</u> <u>SR</u> | <u>Arab Republic</u> <u>of Egypt in</u> <u>thousands</u> <u>SR</u> | <u>Reconciliation</u> <u>in thousands</u> <u>SR</u> | <u>Total in</u> <u>thousands</u> <u>SR</u> |
| Type of goods | | | | |
| Sesame products | 69,021 | 16,922 | - | 85,943 |
| Meat products | 17,562 | 121,396 | - | 138,958 |
| Other products | 49,038 | 13,173 | (533) | 61,678 |
| Total | 135,621 | 151,491 | (533) | 286,579 |
| Type of customers | | | | |
| Key customers | 45,823 | 25,119 | - | 70,942 |
| Wholesalers | 34,183 | 78,024 | - | 112,207 |
| Retailers | 24,581 | 35,157 | - | 59,738 |
| Catering | 10,799 | 4,159 | - | 14,958 |
| Exports | 20,100 | 9,032 | (533) | 28,599 |
| Others | 135 | - | - | 135 |
| Total | 135,621 | 151,491 | (533) | 286,579 |

4- REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

| Geographical markets | For the three-month period ended March 31 | |
|-------------------------|--|------------------------------|
| | 2022 | 2021 |
| | thousands in SR Unaudited | thousands in SR Unaudited |
| Kingdom of Saudi Arabia | 121,348 | 115,521 |
| Arab Republic of Egypt | 146,937 | 142,459 |
| Other markets | 33,250 | 28,599 |
| | 301,535 | 286,579 |

5. ZAKAT AND INCOME TAX

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

| | 31 March 2022 SR Unaudited | 31 December 2021 SR Audited |
|----------------------|-------------------------------------|--------------------------------------|
| Zakat provision | 7,578,833 | 5,878,833 |
| Income tax provision | 27,357,855 | 25,820,054 |
| | 34,936,688 | 31,698,887 |

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

| | 31 March 2022 SR Unaudited | 31 March 2021 SR Unaudited |
|--------------------------|-------------------------------------|-------------------------------------|
| Charge during the period | 1,700,000 | 1,375,000 |

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

| | 31 March 2022 SR Unaudited | 31 December 2021 SR Audited |
|--|-------------------------------------|--------------------------------------|
| Balance at beginning of the period /year | 5,878,833 | 6,695,477 |
| Provided during the period/year | 1,700,000 | 6,000,000 |
| Paid during the period /year | - | (6,816,644) |
| Balance at the end of the period /year | 7,578,833 | 5,878,833 |

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

| | 31 March 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 | 7,147,471 | 29,949,306 |
| Paid during the period /year | (1,276,385) | (29,160,095) |
| Translation differences period /year | (4,333,285) | 845 |
| Balance at the end of the period/ year | 27,357,855 | 25,820,054 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2022

5. ZAKAT AND INCOME TAX (Continued)

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

| | 31 March 2022 SR Unaudited | 31 March 2021 SR Unaudited |
|---------------------|---|---|
| Current income tax | 7,147,471 | 7,211,483 |
| Deferred tax income | (398,631) | (413,029) |
| | 6,748,840 | 6,798,454 |

f) Zakat status

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

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

| | 31 March 2022 SR Unaudited | 31 March 2021 SR Unaudited |
|---|---|---|
| Net profit for the period attributable to shareholders of the Parent Company (SR) | 19,650,803 | 25,396,711 |
| Weighted average number of shares during the period (per share) | 35,357,145 | 35,357,145 |
| Basic and diluted earnings per share (SR) | 0.56 | 0.72 |

There was no reduction component affecting the weighted average number of common shares.

7. TRADE RECEIVABLES AND OTHER RECEIVABLES

| | 31 March 2022 SR Unaudited | 31 December 2021 SR Audited |
|--------------------------------------|---|--|
| Trade receivables | 197,237,114 | 140,710,445 |
| Allowance for expected credit losses | (8,893,408) | (8,145,570) |
| Trade receivables , net | 188,343,706 | 132,564,875 |
| Due from related parties (Note 10) | 671,739 | 1,261,533 |
| Prepaid expenses | 8,228,874 | 5,614,357 |
| Employee loan | 3,015,745 | 2,381,215 |
| Advance payments to suppliers | 8,633,980 | 13,643,878 |
| Other receivables | 5,302,737 | 6,106,810 |
| | 214,196,781 | 161,572,668 |

8. TERM LOAN

| | <i>As at March 31, 2022 Unaudited</i> | <i>31 December 2021 SR Audited</i> |
|--|---|--|
| Alrajhi Bank financing (Note a) | 33,332,000 | 37,499,000 |
| Banque Saudi Fransi financing (Note b) | - | 6,250,000 |
| | <u>33,332,000</u> | <u>43,749,000</u> |
| Less: current portion (Note a , b) | <u>(16,668,000)</u> | <u>(22,918,000)</u> |
| Non-current portion (Note a , b) | <u>16,664,000</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 June 30, 2021, and the last installment is due on March 31, 2024.

The financing entails financing fees (at the prevailing rate in the Saudi interbank market plus a profit margin), the financing was 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 September 30, 2019, and the last installment is due on September 30, 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, so that the last installment will be paid on March 31, 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.

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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9. ISLAMIC MURABAHA CONTRACTS

The carrying value of the Islamic Murabaha contracts as at 31 March 2022 and 31 December 2021 is as follows:

| <u>Finance type</u> | <u>Notes</u> | <u>Currency</u> | <u>Amount in original</u> | | <u>Amount in Saudi Rials</u> | |
|---|--------------|-----------------|---------------------------|-----------------|------------------------------|--------------------|
| | | | <u>currency</u> | | <u>As at</u> | <u>As at</u> |
| | | | <u>March 31,</u> | <u>December</u> | <u>As at</u> | <u>31 December</u> |
| | | | <u>2022</u> | <u>31, 2021</u> | <u>March 31, 2022</u> | <u>2021</u> |
| | | | <u>Unaudited</u> | <u>Audited</u> | <u>Unaudited</u> | <u>Audited</u> |
| Tawaruq | A | Saudi Riyals | 83,431,561 | 89,000,000 | 83,431,561 | 89,000,000 |
| Tawaruq | A | Saudi Riyals | 74,871,304 | 12,418,293 | 74,871,304 | 12,418,293 |
| Tawaruq | A | Saudi Riyals | 35,000,000 | 50,000,000 | 35,000,000 | 50,000,000 |
| Murabaha (Note 10) | B | Egyptian Pound | 57,257,697 | 11,289,861 | 11,717,062 | 2,686,586 |
| Murabaha | B | Egyptian Pound | 116,221,037 | 32,075 | 23,783,162 | 7,633 |
| Murabaha | B | Egyptian Pound | 2,266,207 | - | 463,751 | - |
| Total facilities | | | | | 229,266,840 | 154,112,512 |
| Less: Short-term Islamic Murabaha Contracts | | | | | (193,302,865) | (151,418,293) |
| Less: Current portion of Islamic Murabaha Contracts | | | | | (24,681,492) | (209,350) |
| Non-current portion of Islamic Murabaha Contracts | | | | | 11,282,483 | 2,484,869 |

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 financing according to the prevailing market rate among Saudi banks plus a profit margin, on 31 March 2022, the outstanding balance of these contracts amounted to SR193,3 million (December 31, 2021: SR 151,4 million). The Murabaha was guaranteed by promissory notes issued to the banks.

b) The Subsidiary Company has entered into short and long-term Murabaha Contracts with local banks in the Arab Republic of Egypt to finance its operations. The Subsidiary Company pays financing charges according to the prevailing market rate. As of 31 March 2022, the outstanding balance of these contracts amounted to an amount of SR 36 million (31 December 2021: SR 2.7million).

10. 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:

| <u>Name</u> | <u>Relationship</u> |
|--|---|
| Al Rabie Saudi Food Company | Affiliate owned by a major shareholder |
| Dallah Trading Company | Affiliate owned by a major shareholder |
| Textile and Garment Co., Ltd. | Affiliate owned by a major shareholder |
| Ismailia Egypt Poultry Company | Affiliate owned by a major shareholder |
| Al Baraka Bank | A party to a member of the board of directors |
| Al Wusta 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 |
| Albaik fast food company | A party to a member of the board of directors |
| Makkah Al Mukarramah Foundation for Printing | A party to a member of the board of directors |
| Affiliates of the parent company | Related parties |
| Senior management and senior executives | Related parties |
| Board members | Related parties |

The following are the main transactions relating to related parties during the three months ended March 31, 2022 and March 31, 2021, and related party balances as of March 31, 2022, and December 31, 2021:

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10. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

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

| | (Nature of transaction) | Transaction for the three-month period ended | | As at | As at |
|--|-------------------------|--|-----------------------------|-----------------------------|------------------------------|
| | | March 31, 2022 Unaudited | March 31, 2021 Unaudited | March 31, 2022 Unaudited | December 31, 2021 Audited |
| Albaik food systems Co. | Selling finished goods | 1,355,287 | - | 626,981 | 1,141,681 |
| Other parties | Different transactions | 377,538 | 203,184 | 548,069 | 623,163 |
| | | | | 1,175,050 | 1,764,844 |
| Less: impairment of the value of related parties | | | | (503,311) | (503,311) |
| | | | | 671,739 | 1,261,533 |

b) Due to related parties

| Due to related parties (accruals and other payable) | (Nature of transaction) | Transaction for the three-month period ended | | As at | As at |
|---|---------------------------------------|--|-----------------------------|-----------------------------|------------------------------|
| | | March 31, 2022 Unaudited | March 31, 2021 Unaudited | March 31, 2022 Unaudited | December 31, 2021 Audited |
| Dallah Trading Company | Purchase | 59,167 | 184,000 | - | 79,753 |
| Textile and Garment Company Ltd. | Purchase of finished goods | - | 103,368 | - | - |
| Ismailia Poultry Company-Egypt | Purchase of raw materials | 792,073 | 921,770 | 269,335 | 249,223 |
| Other parties | Various transactions | 30,305 | 19,708 | 28,126 | 65,508 |
| | | | | 297,461 | 394,484 |
| Due to related parties (Islamic Murabaha) | | | | | |
| Albaraka Bank* | Islamic Murabaha and current accounts | 10,887,633 | 32,866 | 9,839,500 | 2,130,365 |
| | | | | 9,839,500 | 2,130,365 |

*Al Baraka Bank balance is allocated as follows:

| | As at March 31, 2022 Unaudited | As at March 31, 2021 Audited |
|-----------------------------|--------------------------------------|------------------------------------|
| Current accounts with banks | (1,877,562) | (556,221) |
| Islamic Murabaha (Note 9) | 11,717,062 | 2,686,586 |
| | 9,839,500 | 2,130,365 |

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:

| | As at March 31, 2022 Unaudited | As at March 31, 2021 Unaudited |
|---|--------------------------------------|--------------------------------------|
| Salaries and compensation | 2,980,716 | 2,897,658 |
| End of service benefits | 81,944 | 80,247 |
| Rewards and allowances for attending the meetings | 2,354,398 | 2,111,577 |
| | 5,417,058 | 5,089,482 |

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

| | <i>As at March 31, 2022 Unaudited)</i> | <i>As at December 31, 2021 Audited</i> |
|--|--|--|
| Accrued expenses | 24,506,014 | 16,684,281 |
| Due to related parties (Note 10) | 297,461 | 394,484 |
| Advances from customers | 6,396,556 | 6,474,103 |
| Liabilities arising from the right to return the goods | 17,063,553 | 15,637,317 |
| Employee accruals | 13,446,461 | 9,623,614 |
| Subsidiary Company tax accrual | 4,524,925 | 5,388,354 |
| Financial derivatives | 152,644 | 246,577 |
| Other accruals | 9,382,335 | 3,929,126 |
| | 75,769,949 | 58,377,856 |

12. 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 loans, obligation under finance leases, and due to related parties, as below:

12.1 Financial assets

| | <i>As at March 31, 2022 Unaudited</i> | <i>As at December 31, 2021 Audited</i> |
|-----------------------------|---|--|
| Trade and other receivables | 214,196,781 | 161,572,668 |
| Cash and cash equivalent | 104,136,087 | 90,365,697 |
| | 318,332,868 | 251,938,365 |

12.2 Financial liability

| | <i>As at March 31, 2022 Unaudited</i> | <i>As at December 31, 2021 Audited</i> |
|--|---|--|
| Trade payables | 132,389,990 | 82,419,425 |
| Accrued expenses and other current liabilities | 75,769,949 | 58,377,856 |
| Islamic Murabaha Contracts | 229,266,840 | 154,112,512 |
| Term loans | 33,332,000 | 43,749,000 |
| Lease contract obligations | 27,458,331 | 29,829,980 |
| | 498,217,110 | 368,488,773 |

All assets and liabilities for which fair value is measured or 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2022

12. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

12.2 Financial liability (Continued)

As of March 31, 2022, and December 31, 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 as at March 31, 2022, and December 31, 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 ending on March 31, 2022, and March 31, 2021.

13. CONTINGENT LIABILITIES

| | <i>As at March 31, 2022 Unaudited</i> | <i>As at December 31, 2021 Audited</i> |
|---|---|--|
| Letters of guarantee and documents for collection issued by banks | 28,523,994 | 47,335,207 |

14. 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>2021</u> <u>before reclassification</u> | <u>reclassification</u> | <u>2021</u> <u>after reclassification</u> |
|--|---|-------------------------|--|
| <u>Consolidated Financial Position List</u> | | | |
| Current portion of Islamic Murabaha Contracts | 151,627,643 | (151,418,293) | 209,350 |
| Short-term Islamic Murabaha Contracts | - | 151,418,293 | 151,418,293 |

15. DIVIDENDS

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

16. Approval of the interim condensed consolidated financial statements

These interim condensed consolidated financial statements for the Group for the period ended 31 March 2022, were approved by the Board of Directors on 08 May 2022.