

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

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

**FOR THE THREE-MONTH
THE PERIOD ENDED 31 MARCH 2023 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 2023

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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 2023, and the related interim condensed consolidated statement of comprehensive income, changes in shareholders' equity and cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes from 1 to 15. 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.

Maher Al-Khatieb
Certified Public Accountant
License Number 514



16 May 2023(G)
26 Shawwal 1444 (H)

HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)

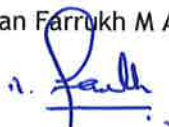
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2023

	<i>Note</i>	<i>For the three-months period ended 31 March 2023</i> SR <i>Unaudited</i>	<i>For the three-months period ended 31 March 2022</i> SR <i>Unaudited</i>
Revenue from contracts with customers	(4)	255,215,989	301,534,713
Cost of revenue		(183,955,230)	(205,801,585)
GROSS PROFIT		71,260,759	95,733,128
Selling and distribution expenses		(41,836,529)	(43,770,869)
General and administrative expenses		(16,866,275)	(21,245,564)
Other expenses, net		844,822	-
PROFIT FROM OPERATIONS		13,402,777	30,716,695
Finance costs		(5,519,289)	(1,268,007)
(Loss)/Gain on derivative instruments at fair value through statement of comprehensive income		(43,471)	93,934
(Loss) on foreign currency differences		(996,874)	(1,442,979)
PROFIT BEFORE ZAKAT AND INCOME TAX		6,843,143	28,099,643
Zakat		(1,900,000)	(1,700,000)
Income tax		(3,306,583)	(6,748,840)
PROFIT FOR THE PERIOD		1,636,560	19,650,803
OTHER COMPREHENSIVE INCOME:			
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency differences		(26,663,565)	(27,718,986)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(25,027,005)	(8,068,183)
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)	0.05	0.56

Chief Financial officer

Nouman Farrukh M Abdussalam

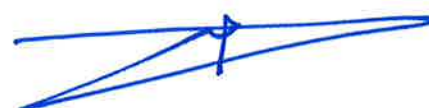


Acting as Chief Executive officer

Fawaz Mohammed Halwani



Authorized member of
the Board of Directors
Abdulelah Sabahi



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)

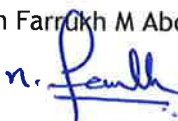
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2023

		31 March 2023 Unaudited	31 December 2022 Audited
	Note	SR	SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment		450,220,222	465,325,434
Intangible assets		2,870,224	2,863,569
Right of use assets		27,818,439	28,422,295
Deferred tax assets		32,259	-
TOTAL NON-CURRENT ASSETS		480,941,144	496,611,298
CURRENT ASSETS			
Asset Available for sale		5,272,034	5,272,034
Inventories		226,668,542	246,253,588
Trade receivables and other receivables		178,984,101	164,300,865
Cash and cash equivalent	(7)	45,546,643	97,529,513
Investment at amortized cost	(8)	11,194,395	-
TOTAL CURRENT ASSETS		467,665,715	513,356,000
TOTAL ASSETS		948,606,859	1,009,967,298
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital		353,571,450	353,571,450
Statutory reserve		106,071,435	106,071,435
Retained earnings		191,894,413	190,257,853
Foreign currency translation reserve		(242,892,963)	(216,229,398)
TOTAL SHAREHOLDERS' EQUITY		408,644,335	433,671,340
NON-CURRENT LIABILITIES			
Term loans	(9)	-	4,163,000
Islamic Murabaha Contracts	(10)	6,002,325	7,915,762
Deferred tax liabilities		-	177,550
Lease liability		21,437,714	22,812,504
Employees defined benefits' obligations		33,211,553	36,286,100
TOTAL NON-CURRENT LIABILITIES		60,651,592	71,354,916
CURRENT LIABILITIES			
Current portion of term loans	(9)	16,664,000	16,668,000
Current portion of Islamic Murabaha Contracts	(10)	2,207,772	7,610,049
Islamic Murabaha Contracts short term	(10)	276,607,101	304,492,489
Letters of credit liabilities		18,291,178	18,291,178
Current portion of lease contract obligations		6,729,275	5,511,739
Trade payables		72,204,197	68,463,818
Accrued expenses and other current liabilities		67,471,238	66,469,759
Zakat and income tax		19,136,171	17,434,010
TOTAL CURRENT LIABILITIES		479,310,932	504,941,042
TOTAL LIABILITIES		539,962,524	576,295,958
TOTAL EQUITY AND LIABILITIES		948,606,859	1,009,967,298

Chief Financial officer

Nouman Farrukh M Abdussalam



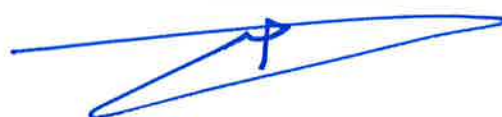
Acting as Chief Executive officer

Fawaz Mohammed Halwani



Authorized member of the
Board of Directors

Abdulelah Sabahi





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 CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
For the three-month period ended 31 March 2023

	<i>Share capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Foreign currency translation reserve</i> SR	<i>Total equity</i> SR
As at 1 January 2023	353,571,450	106,071,435	190,257,853	(216,229,398)	433,671,340
Net profit for the period	-	-	1,636,560	-	1,636,560
Other comprehensive income	-	-	-	(26,663,565)	(26,663,565)
Total comprehensive income	-	-	1,636,560	(26,663,565)	(25,027,005)
Balance at 31 March 2023 (Unaudited)	353,571,450	106,071,435	191,894,413	(242,892,963)	408,644,335

	<i>Share capital</i> SR	<i>Statutory reserve</i> SR	<i>Retained earnings</i> SR	<i>Foreign currency translation reserve</i> SR	<i>Total equity</i> 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

Chief Financial officer
Nouman Farrukh M Abdussalam


Acting as Chief Executive officer
Fawaz Mohammed Halwani


Authorized member of the
Board of Directors
Abdulelah Sabahi


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HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 31 March 2023

	<i>For the three-month period ended 31 March 2023 SR Unaudited</i>	<i>For the three- month period Ended 31 March 2022 SR Unaudited</i>
OPERATING ACTIVITIES		
Profit before zakat and tax	6,843,143	28,099,643
Adjustment to reconcile operating income to net cash flows:		
Depreciation of property, plant, and equipment and right of use assets	10,299,517	11,342,592
Amortization of intangible assets	107,752	101,550
Provision for employees defined benefits' obligations	1,131,019	901,106
(Gain)/ Loss on disposal of property, plant, equipment and intangible assets	(661,968)	39,131
Loss/ (Gain) on derivative instruments at fair value through statement of comprehensive income	43,471	(93,934)
Provision for expected credit losses and other receivables	1,686,703	1,182,286
Provision for slow-moving inventory	(15,152)	36,774
Provision for contingencies	62,400	395,807
Finance costs	5,519,289	1,268,007
Changes in items of operating assets and liabilities	25,016,174	43,272,962
Inventories	(1,175,227)	(87,806,815)
Trade receivables and other receivables	(25,648,259)	(61,288,828)
Trade payables and other current liabilities	16,962,708	80,745,689
	15,155,396	(25,076,992)
Zakat and income tax paid	-	(1,276,385)
Defined Employees benefits' obligations paid	(4,205,566)	(815,623)
Finance cost paid	(5,127,534)	(744,179)
Net cash generated from operating activities	5,822,296	(27,913,179)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and intangible assets	(2,592,390)	(12,155,315)
Proceeds from sales of property, plant and equipment and intangible assets	877,433	(31,538)
Net cash used in investing activities	(1,714,957)	(12,186,853)
FINANCING ACTIVITIES		
Proceeds from Islamic Murabaha Contracts	231,557,549	219,393,051
Payments of Islamic Murabaha Contracts	(257,411,141)	(139,179,437)
Payment of lease liabilities	(2,043,490)	(2,228,863)
Payment of term loans	(4,167,000)	(10,417,000)
Net cash used in financing activities	(32,064,082)	67,567,751
NET CHANGES IN CASH AND BANK BALANCES	(27,956,743)	27,467,719
Net difference in foreign currency translation	(12,831,732)	(13,697,329)
Cash and cash equivalent at the beginning of the period	97,529,513	90,365,697
CASH AND BANK BALANCES AT THE END OF THE PERIOD	(7) 56,741,038	104,136,087
SIGNIFICANT NON-CASH TRANSACTIONS:		
Change effect in the differences of translation of foreign currencies	(26,663,565)	(27,718,986)

Chief Financial officer

Nouman Farrukh M Abdussalam




Acting as Chief Executive officer

Fawaz Mohammed Halwani



Authorized member of the
Board of Directors
Abdulelah Sabahi



The attached notes 1 to 15 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 2022. In addition, results for the interim period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 Going concern assessment

The Goup's management has made an assessment of the Goup's ability to continue to carry out its business in accordance with the principle of going concern and the group is convinced that it has the resources to continue its business in the foreseeable future. Also, management is not aware of any material uncertainties that may affect the Group's ability to continue its business. Accordingly, these Interim condensed consolidated financial statements have been prepared on a going concern basis.

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

During the period ending on March 31, 2023, the Egyptian pound recorded a decrease in the exchange rate by 24.5% against the Saudi Riyal. As a result, a currency translation adjustment was recorded in relation of the translation of operations for the subsidiary in the Arab Republic of Egypt.

2.4 New StandardsAmendment to Standards and Interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2023 and has been explained in Group annual Consolidated Financial Statements, but they do not have a material effect on the Group's Interim Condensed Consolidated Financial Statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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, 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a Subsidiary begins when the Group obtains control over the Subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a Subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the it ceases to control the Subsidiary. When necessary, adjustments are made to the financial statements of the 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 2023	Ownership percentage as at 31 December 2022	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.

3. SEGMENT REPORTING (continued)

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 2023 and 31 December 2022 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 31 March 2023 (Unaudited)</u>				
Total assets	830,498	240,242	(122,133)	948,607
Total liabilities	421,854	127,195	(9,086)	539,963
<u>As per 31 December 2022 (audited)</u>				
Total assets	882,417	271,622	(144,072)	1,009,967
Total liabilities	448,745	136,423	(8,872)	576,296

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 2023 and 31 March 2022 is as follows

<u>Segments</u>	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt in thousands SR	Reconciliation in thousands SR	Total in thousands SR
<u>As of 31 March 2023 (Unaudited)</u>				
Revenue from contracts with customers	127,108	128,108	-	255,216
Company's share in the results of the Subsidiary	5,117	-	(5,117)	-
Segment profit for the period	1,637	5,117	(5,117)	1,637
<u>As of 31 March 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

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

For the three-month period ended 31 March 2023

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, 2023, and March 31, 2022:

<u>Segments</u> <u>For the three-month period</u> <u>ending March 31, 2023</u> <u>(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	61,498	31,486	-	92,984
Meat products	12,870	85,002	-	97,872
Other products	52,740	11,620	-	64,360
Total	127,108	128,108	-	255,216
Type of customers				
Key customers	36,719	22,297	-	59,016
Wholesalers	39,167	51,605	-	90,772
Retailers	16,767	27,850	-	44,617
Catering	16,327	7,950	-	24,277
Exports	15,130	18,406	-	33,536
Others	2,998	-	-	2,998
Total	127,108	128,108	-	255,216
<u>Segments</u> <u>For the three-month period</u> <u>ending March 31, 2022</u> <u>(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	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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2023

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Geographical markets	For the three-month period ended 31 March	
	2023 thousands in SR Unaudited	2022 thousands in SR Unaudited
Kingdom of Saudi Arabia	111,978	121,348
Arab Republic of Egypt	109,702	146,937
Other markets	33,536	33,250
	255,216	301,535

5. ZAKAT AND INCOME TAX

There has been no material change in the Group's zakat or tax status compared to the year ended December 31, 2022.

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 2023 SR Unaudited	31 March 2022 SR Unaudited
Net profit for the period attributable to shareholders of the Parent Company (SR)	1,636,560	19,650,803
Weighted average number of shares of outstanding during the period	35,357,145	35,357,145
Basic and diluted earnings per share (SR)	0.05	0.56

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

7. CASH AND CASH EQUIVALENTS

	31 March 2023 SR Unaudited	31 December 2022 SR Audited
Cash on hand and at bank	37,509,789	94,004,905
Cheques under collection	8,036,854	3,524,608
	45,546,643	97,529,513

For the purposes of preparing the interim condensed consolidated statement of cash flows, cash and cash equivalents are as follows:

	31 March 2023 SR Unaudited	31 March 2022 SR Unaudited
Investments at amortized cost - less than three months cash and cash equivalents	11,194,395	-
	45,546,643	104,136,087
	56,741,038	104,136,087

8. INVESTMENT AT AMORTIZED COST

During the period the Group purchased treasury bills with an value of EGP 90,007,512, equivalent to SR10,925,949, with a nominal value of EGP 94,350,000, Maturity date on May 16, 2023, and the present value reached an amount of SR 11,194,395 as of March 31, 2023.

9. TERM LOANS

	<i>As at 31 March 2023 Unaudited</i>	<i>As at 31 December 2022 Audited</i>
Alrajhi Bank financing (Note a)	16,664,000	20,831,000
	<u>16,664,000</u>	<u>20,831,000</u>
Less: current portion	(16,664,000)	(16,668,000)
Non-current portion	<u>-</u>	<u>4,163,000</u>

(A) During the year 2021, the parent company signed a financing agreement with Al Rajhi Bank in the amount of SR 65 million. The amount of SR 50 million was withdrawn by the parent company. According to the terms of the agreement, the financing is due to be repaid in quarterly installments of SR 4.2 million starting from June 30, 2021, and the last installment is due on March 31, 2024. The financing incurs financing fees (at the prevailing rate in the market between Saudi banks plus a profit margin). The financing was secured by promissory notes issued to the bank.

10. ISLAMIC MURABAHA CONTRACTS

The following is the carrying value of the Islamic Murabaha contracts as of March 31, 2023 and December 31, 2022 :

10.1 ISLAMIC MURABAHA CONTRACTS NON-CURRENT

The following is the carrying value of the Islamic Murabaha contracts as of March 31, 2023 and December 31, 2022 :

<u>Finance type</u>	<u>Notes</u>	<u>Currency</u>	<u>Amount in original currency</u>		<u>Amount in Saudi Rails</u>	
			<i>As at 31 March 2023 Unaudited</i>	<i>As at 31 December 2022 Audited</i>	<i>As at 31 March 2023 Unaudited</i>	<i>As at 31 December 2022 Audited</i>
<i>Murabaha (Note 11.b)</i>	A	Egyptian Pound	67,590,112	102,739,882	8,210,097	15,525,811
(less) Current porstion of long term Murabaha					(2,207,772)	(7,610,049)
Non- current porstion of long term Murabaha					6,002,325	7,915,762

a) The Subsidiary company entered into long-term Murabaha contracts with a local bank in Egypt to finance its operations. The Subsidiary company pays financing charges according to what is prevailing in the market. As of March 31, 2023, the outstanding balance of these contracts amounted to SR 8.2 million (31 December 2022: SR 15.5 million), and there is a non-current part of 6 million Saudi Riyals (31 December 2022: SR 7.9 million).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-month period ended 31 March 2023

10. ISLAMIC MURABAHA CONTRACTS (Continued)

10.2 ISLAMIC MURABAHA CONTRACTS CURRENT

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

Finance type	Notes	Currency	Amount in original		Amount in Saudi Rials	
			currency		As at	As at
			As at 31 March 2023 Unaudited	As at 31 December 2022 Audited	March 31, 2023 Unaudited	December 31, 2022 Audited
Tawaruq	A	Saudi Riyals	64,500,000	92,500,000	64,500,000	92,500,000
Tawaruq	A	Saudi Riyals	27,520,233	62,984,446	27,520,233	62,984,446
Tawaruq	A	Saudi Riyals	98,400,000	65,000,000	98,400,000	65,000,000
Tawaruq	A	Saudi Riyals	19,900,000	50,000,000	19,900,000	50,000,000
Tawaruq	A	Saudi Riyals	48,203,741	-	48,203,741	-
Murabaha	B	Egyptian Pound	148,870,409	225,043,457	18,083,127	34,008,043
Total facilities					276,607,101	304,492,489

- a) The parent company entered into short-term Islamic Murabaha contracts (Tawarruq) with local banks in the Kingdom of Saudi Arabia. These murabahas are paid within a period of three to eight months, and the parent company pays financing charges on the financing according to the prevailing market rate between Saudi banks plus a profit margin, as on March 31, 2023, the outstanding balance of these contracts amounted to SR 258.5 million (December 31, 2022: SR 270.4 million). Murabahas were secured by promissory notes issued to banks.
- b) The subsidiary also entered into short Murabaha contracts with local banks in the Arab Republic of Egypt to finance its operations. The Subsidiary company pays financing charges according to the market price. As of March 31, 2023, the outstanding balance of these contracts amounted to SR 18 million (December 31, 2022: SR 34 million).

11. 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
Alrabie Saudi foods company	Affiliate owned by a major shareholder
Dallah Trading Company	Affiliate owned by a major shareholder
Ismailia Poultry Company-Egypt	Affiliate owned by a major shareholder
Watan creativity Company for retail trade	A party to a member of the board of directors
Albaraka Bank	A party to a member of the board of directors
Aquat Food Industries	A party to a member of the board of directors
Mecca Corporation for Printing	A party to a member of the board of directors
Al Wasta Food Services Co. Ltd	A party to a member of the board of directors
Albaik food systems Co.	A party to a member of the board of directors
Emaar The Economic City Company	A party to a member of the board of directors
Affiliates of the Parent Company	Related parties
Key management	Related parties
Board members	Related parties

The following are the main transactions relating to related parties during the three months ended March 31, 2023 and March 31, 2022, and related party balances as of March 31, 2023, and December 31, 2022:

11. 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
		31 March 2023	31 March 2022	31 March 2023	31 December 2022
		Unaudited	Unaudited	Unaudited	Audited
Albaik food systems Co.	Selling finished goods	1,526,113	1,355,287	644,829	664,486
Other parties	Different transactions	855,542	377,538	372,225	849,172
				<u>1,017,054</u>	<u>1,513,658</u>
Less: impairment of the value of related parties				(9,614)	(261,311)
				<u>1,007,440</u>	<u>1,252,347</u>

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
		31 March 2023	31 March 2022	31 March 2023	31 December 2022
		Unaudited	Unaudited	Unaudited	Audited
Dallah Trading Company	Purchase	-	59,167	-	68,042
Ismailia Poultry Company-Egypt	Purchase of raw materials	37,645	792,073	-	66,793
Other parties	Various transactions	458,977	30,305	90,800	85,355
				<u>90,800</u>	<u>220,190</u>
Due to related parties (Islamic Murabaha)					
Albaraka Bank*	Islamic Murabaha and current accounts	8,210,097	10,887,633	7,378,360	14,662,272
				<u>7,378,360</u>	<u>14,662,272</u>

*Al Baraka Bank balance is allocated as follows:

	As at 31 March 2023	As at 31 December 2022
	Unaudited	Audited
Current accounts with banks	(831,737)	(863,539)
Islamic Murabaha (Note 10.1)	8,210,097	15,525,811
	<u>7,378,360</u>	<u>14,662,272</u>

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 31 March 2023	As at 31 March 2022
	Unaudited	Unaudited
Salaries and compensation	2,888,496	2,980,716
End of service benefits	64,235	81,944
Rewards and allowances for attending the meetings	2,088,821	2,354,398
	<u>5,041,552</u>	<u>5,417,058</u>

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 31 March 2023 Unaudited</i>	<i>As at 31 December 2022 Audited</i>
Trade and other receivables	178,984,101	164,300,865
Cash and cash equivalent	45,546,643	97,529,513
Investment at amortized cost	11,194,395	-
	<u>235,725,139</u>	<u>261,830,378</u>

12.2 Financial liability

	<i>As at 31 March 2023 Unaudited</i>	<i>As at 31 December 2022 Audited</i>
Trade payables	72,204,197	68,463,818
Accrued expenses and other current liabilities	67,471,238	66,469,759
Islamic Murabaha Contracts	284,817,198	320,018,300
Term loans	16,664,000	20,831,000
Documentary liability	18,291,178	18,291,178
Lease contract obligations	28,166,989	28,324,243
	<u>487,614,800</u>	<u>522,398,298</u>

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.

As of March 31, 2023, and December 31, 2022, 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, 2023, and December 31, 2022 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, 2023 and March 31, 2022

13. CONTINGENT LIABILITIES

	<i>As at 31 March 2023 Unaudited</i>	<i>As at 31 December 2022 Audited</i>
Letters of guarantee and documents for collection issued by banks	29,959,458	28,125,313

14. THE IMPACT OF THE CONFLICT ON THE STATE OF THE REPUBLIC OF SUDAN:

During April 2023, political turmoil broke out in the Republic of Sudan. This may have financial effects on many economic entities that have transactions with the Republic of Sudan, as well as on direct interests (such as suppliers, customers, investments ,and lenders). The political events are constantly changing.

The main potential effects arising from the disruption of the political situation are as follows

- Interruptions or suspension of production and closure of roads and facilities.
- Travel disturbances to the Republic of Sudan.
- Fluctuation of commodity and currency prices, which may lead to an increase in costs and expenses.
- Disruptions in banking systems and capital markets

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

15. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements for the Group for the period ended 31 March 2023, were approved by the Board of Directors on 10 May 2023.