

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

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

For the three-month period and year ended December 31, 2023
together with the Independent Auditor's Review Report

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS - (UNAUDITED)
For the three-month period and year ended December 31, 2023

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KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

Independent auditor's report on review of condensed

consolidated interim financial statements

To the Shareholders of Savola Group Company

Introduction

We have reviewed the accompanying December 31, 2023 condensed consolidated interim financial statements of Savola Group Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at December 31, 2023;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period and year ended December 31, 2023;
- the condensed consolidated statement of changes in equity for the year ended December 31, 2023;
- the condensed consolidated statement of cash flows for the year ended December 31, 2023; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim 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' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of 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 that are 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 December 31, 2023 condensed consolidated interim financial statements of **Savola Group Company** and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454



Jeddah, February 7, 2024
Corresponding to Rajab 26, 1445H

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة منقطة، مسجلة في المملكة العربية السعودية، رأس مالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لكي بي إم جي العالمية المحدودة، شركة الإنجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	December 31, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS			
Property, plant and equipment		6,044,413	5,838,918
Right-of-use assets		3,040,384	3,216,969
Intangible assets and goodwill		1,678,552	1,797,439
Investment property		192,618	176,830
Equity-accounted investees	6	9,309,103	8,942,646
Investments at fair value through other comprehensive income	7	98,068	104,428
Deferred tax asset		51,166	33,454
Non-current assets		20,414,304	20,110,684
Inventories		4,236,451	4,637,024
Derivative		--	25
Trade receivables		1,749,898	1,658,393
Prepayments and other receivables		1,592,835	1,492,612
Investments at fair value through profit or loss	7	22,871	43,448
Term deposits	5	738,395	623,074
Cash and cash equivalents	5	1,213,193	812,478
Assets held for sale	4	--	186,910
Current assets		9,553,643	9,453,964
TOTAL ASSETS		29,967,947	29,564,648
EQUITY			
Share capital	8	5,339,807	5,339,807
Share premium		342,974	342,974
Shares held under employees' share based payment plan	9	(120,774)	(51,862)
Statutory reserve	10	1,774,085	1,774,085
General reserve		4,000	4,000
Other reserves		(458,582)	(452,731)
Effect of transactions with non-controlling interests without change in control		(220,840)	(187,979)
Foreign currency translation reserve		(2,354,240)	(2,066,346)
Retained earnings		4,143,441	3,552,764
Equity attributable to owners of the Company		8,449,871	8,254,712
Non-controlling interests		1,083,098	1,061,981
TOTAL EQUITY		9,532,969	9,316,693
LIABILITIES			
Loans and borrowings	11	4,699,990	4,082,213
Lease liabilities		3,097,576	3,156,281
Employee benefits		842,718	844,487
Long-term payables		224,104	258,456
Provision against asset restoration		153,541	150,903
Deferred tax liability		85,675	111,153
Non-current liabilities		9,103,604	8,603,493
Loans and borrowings	11	3,934,958	4,062,383
Lease liabilities		422,483	566,439
Trade payables		3,505,496	3,893,105
Derivative		274,255	186,274
Accrued and other liabilities		3,194,182	2,770,552
Liabilities classified as held for sale	4	--	165,709
Current liabilities		11,331,374	11,644,462
TOTAL LIABILITIES		20,434,978	20,247,955
TOTAL EQUITY AND LIABILITIES		29,967,947	29,564,648

The accompanying notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	Three-month period ended December 31		Year ended December 31	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Audited)
Revenues	17	6,583,344	6,604,642	26,842,026	28,054,703
Cost of revenues	17	(5,202,722)	(5,412,553)	(21,401,924)	(23,180,622)
Gross profit		1,380,622	1,192,089	5,440,102	4,874,081
Share of results in investment in equity-accounted investees, net of zakat and tax		201,803	97,195	718,813	660,581
Selling and distribution expenses		(759,031)	(857,094)	(2,987,118)	(2,956,459)
Administrative expenses		(234,501)	(258,888)	(950,848)	(975,492)
Impairment reversal, net	6 & 12	111,932	65,155	111,932	65,155
Results from operating activities		700,825	238,457	2,332,881	1,667,866
Finance income		48,808	20,974	137,290	75,151
Finance cost		(387,779)	(214,510)	(1,188,432)	(751,527)
Net finance cost		(338,971)	(193,536)	(1,051,142)	(676,376)
Gain on sale of assets and liabilities classified as held for sale	4	202	--	18,677	--
Gain on sale of investments	7.2	--	41,871	--	41,871
Profit before zakat and income tax		362,056	86,792	1,300,416	1,033,361
Zakat and income tax expense	13	(37,949)	(9,852)	(229,940)	(168,476)
Profit for the period / year		324,107	76,940	1,070,476	864,885
Other Comprehensive Income					
<i>Items that will not be reclassified to profit or loss</i>					
Re-measurements of the defined benefit liability		43,935	39,612	43,935	39,612
Investments at fair value through other comprehensive income – net change in fair value		(1,965)	(5,035)	(6,359)	(142,841)
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Foreign operations - foreign currency translation differences		(40,055)	(250,492)	(341,298)	(174,494)
Investment in equity accounted investees – share of Other Comprehensive Income		(43,538)	(63,319)	9,696	(175,507)
Cash flow hedges - effective portion of changes in fair value		(33,849)	24,525	(20,003)	(5,550)
Other comprehensive loss		(75,472)	(254,709)	(314,029)	(458,780)
Total comprehensive income / (loss) for the period / year		248,635	(177,769)	756,447	406,105

The accompanying notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	Three-month period ended December 31		Year ended December 31	
		<u>2023</u> (Unaudited)	<u>2022</u> (Unaudited)	<u>2023</u> (Unaudited)	<u>2022</u> (Audited)
Profit / (loss) for the period / year attributable to:					
Owners of the Company		227,051	94,471	899,185	742,752
Non-controlling interests		97,056	(17,531)	171,291	122,133
Profit for the period / year		<u>324,107</u>	<u>76,940</u>	<u>1,070,476</u>	<u>864,885</u>
Total comprehensive income / (loss) for the period / year attributable to:					
Owners of the Company		172,927	(149,322)	646,061	293,974
Non-controlling interests		75,708	(28,447)	110,386	112,131
Total comprehensive income / (loss) for the period / year		<u>248,635</u>	<u>(177,769)</u>	<u>756,447</u>	<u>406,105</u>
Earnings per share attributable to the Owners of the Company (in Saudi Riyal):					
Basic	15	<u>0.43</u>	<u>0.18</u>	<u>1.69</u>	<u>1.39</u>
Diluted	15	<u>0.43</u>	<u>0.18</u>	<u>1.69</u>	<u>1.39</u>

The accompanying notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Owners of the Company											
	Share capital	Share premium	Shares held under employees' share based payment plan	Statutory reserve	General reserve	Other reserves	Effect of transactions with non-controlling interests without change in control	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2023	5,339,807	342,974	(51,862)	1,774,085	4,000	(452,731)	(187,979)	(2,066,346)	3,552,764	8,254,712	1,061,981	9,316,693
Total comprehensive income / (loss)												
Profit for the year	--	--	--	--	--	--	--	--	899,185	899,185	171,291	1,070,476
Other comprehensive income / (loss)	--	--	--	--	--	(8,965)	--	(287,894)	43,735	(253,124)	(60,905)	(314,029)
	--	--	--	--	--	(8,965)	--	(287,894)	942,920	646,061	110,386	756,447
Transaction with non-controlling interest without change in control (Note 1)	--	--	--	--	--	--	(32,861)	--	--	(32,861)	(27,139)	(60,000)
Charge for equity-settled employees' share based payment plan (Note 9)	--	--	--	--	--	3,114	--	--	--	3,114	(6)	3,108
Purchase of shares held under employees' share based payment plan (Note 9)	--	--	(80,000)	--	--	--	--	--	--	(80,000)	--	(80,000)
Dividends (Note 8)	--	--	--	--	--	--	--	--	(352,427)	(352,427)	(62,124)	(414,551)
Dividend on treasury Shares	--	--	--	--	--	--	--	--	184	184	--	184
Settlement of treasury Shares	--	--	11,088	--	--	--	--	--	--	11,088	--	11,088
Balance at December 31, 2023	5,339,807	342,974	(120,774)	1,774,085	4,000	(458,582)	(220,840)	(2,354,240)	4,143,441	8,449,871	1,083,098	9,532,969

The accompanying notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (AUDITED) (CONTINUED)

For the year ended December 31, 2022

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Owners of the Company											
	Share capital	Share premium	Shares held under employees' share based payment plan	Statutory reserve	General reserve	Other reserves	Effect of transactions with non-controlling interests without change in control	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2022	5,339,807	342,974	(30,433)	1,774,085	4,000	(104,866)	(187,979)	(1,899,084)	2,840,089	8,078,593	1,013,220	9,091,813
<u>Total comprehensive income / (loss) for the year</u>												
Profit for the year	--	--	--	--	--	--	--	--	742,752	742,752	122,133	864,885
Other comprehensive income / (loss)	--	--	--	--	--	(318,988)	--	(167,262)	37,472	(448,778)	(10,002)	(458,780)
	--	--	--	--	--	(318,988)	--	(167,262)	780,224	293,974	112,131	406,105
Charge for equity-settled employees' share based payment plan (Note 9)	--	--	--	--	--	10,219	--	--	--	10,219	56	10,275
Purchase of shares held under employees' share based payment plan (Note 9)	--	--	(21,429)	--	--	--	--	--	--	(21,429)	--	(21,429)
Dividends (Note 8)	--	--	--	--	--	--	--	--	(106,796)	(106,796)	(63,426)	(170,222)
Transfer of fair value reserve of investments designated at FVOCI	--	--	--	--	--	(39,096)	--	--	39,096	--	--	--
Dividend on Treasury Shares	--	--	--	--	--	--	--	--	151	151	--	151
Balance at December 31, 2022	<u>5,339,807</u>	<u>342,974</u>	<u>(51,862)</u>	<u>1,774,085</u>	<u>4,000</u>	<u>(452,731)</u>	<u>(187,979)</u>	<u>(2,066,346)</u>	<u>3,552,764</u>	<u>8,254,712</u>	<u>1,061,981</u>	<u>9,316,693</u>

The accompanying notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	<u>2023</u> (Unaudited)	<u>2022</u> (Audited)
Cash flows from operating activities			
Profit for the year		1,070,476	864,885
<u>Adjustments for:</u>			
Depreciation and amortisation		1,122,260	1,063,333
Net finance cost		1,051,142	676,376
Share of results in investment in equity-accounted investees, net of zakat and tax		(718,813)	(660,581)
Share based payment expense	9	3,108	10,275
Impairment reversal, net	12	(111,932)	(65,155)
(Gain) / loss on sale of property, plant and equipment and write-off of software		(18,824)	33,863
Gain on sale of assets and liabilities classified as held for sale	4	(18,677)	--
Gain on sale of investments	7.2	--	(41,871)
Zakat and income tax expense		229,940	168,476
		<u>2,608,680</u>	<u>2,049,601</u>
<u>Changes in:</u>			
Inventories		102,643	(1,332,826)
Trade receivables		(236,048)	(209,695)
Prepayments and other receivables		99,065	(214,630)
Trade payables		(177,585)	1,183,412
Employee benefits		50,494	35,117
Accrued and other liabilities		191,457	73,143
		<u>2,638,706</u>	<u>1,584,122</u>
Cash generated from operating activities			
Finance cost paid		(727,761)	(401,147)
Zakat and income tax paid		(176,373)	(78,404)
		<u>1,734,572</u>	<u>1,104,571</u>
Net cash generated from operating activities			
Cash flows from investing activities			
Acquisition of property, plant and equipment, investment property		(909,147)	(863,939)
Proceeds from sale of property, plant and equipment		33,836	30,575
Dividends received from equity accounted investments		366,746	356,827
Acquisition of investments		--	(28,140)
Net change in FVTPL investments		20,577	(16,379)
Net proceeds from sale of assets and liabilities classified as held for sale	4	41,403	--
Net proceeds from sale of investments	7	--	459,256
Transaction with non-controlling interest without change in control	1	(60,000)	--
Net changes in bank deposits with maturity more than three months		(181,103)	(104,066)
		<u>(687,688)</u>	<u>(165,866)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Net change in loans and borrowings - current		208,906	1,201,602
Net change in loans and borrowings - non-current		621,817	(1,012,969)
Dividends paid		(384,987)	(107,753)
Payment of lease liabilities		(689,339)	(677,348)
Net changes in non-controlling interests		(62,124)	(63,426)
Purchase of shares held under employees' share based payment plan	9	(80,000)	(21,429)
		<u>(385,727)</u>	<u>(681,323)</u>
Net cash used in financing activities			

The accompanying notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	<u>Note</u>	<u>2023</u> (Unaudited)	<u>2022</u> (Audited)
Net change in cash and cash equivalents		661,157	257,382
Effect of movement in exchange rates on cash and cash equivalents		(129,457)	(175,453)
Cash and cash equivalents at beginning of the year	5	<u>600,759</u>	<u>518,830</u>
Cash and cash equivalents at December 31	5	<u>1,132,459</u>	<u>600,759</u>
Supplemental schedule of non-cash financial information:			
Actuarial reserve		<u>43,935</u>	<u>39,612</u>
Other reserves		<u>(16,666)</u>	<u>(323,898)</u>
Foreign currency translation reserve		<u>(341,298)</u>	<u>(174,494)</u>

The accompanying notes 1 to 23 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION

Savola Group Company is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030019708 issued in Jeddah on Rajab 21, 1399H (corresponding to June 16, 1979). The Company was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978).

The Company's registered office is located at the following address:

Savola Tower,
The Headquarter Business Park,
Prince Faisal Bin Fahad Street,
Jeddah 23511-7333,
Kingdom of Saudi Arabia.

These accompanying condensed consolidated interim financial statements comprise the financial statements of Savola Group Company (the "Company" or the "Parent Company") and its local and foreign subsidiaries (collectively referred as the "Group"), collectively involved in the manufacturing and sale of vegetable oils and to set up related industries, retail outlets, dairy products, fast foods, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

The new Companies Law issued through Royal Decree M/132 on 01/12/1443H (corresponding to June 30, 2022) (hereinafter referred as the "New Law") came into force on 26/06/1444H (corresponding to January 19, 2023) as well as the amended implementing regulations that were issued by the Capital Market Authority (CMA) based on the New Law. In this regard, the Company after assessing the impact of the New Law, convened an Extraordinary General Assembly meeting on 20/02/1444H (corresponding to May 10, 2023), which has approved the amendment of certain provisions of the Company's By-laws to ensure compliance with the requirements of the new Companies' Law and the amended CMA implementing regulations. Legal formalities associated with the Company's amended By-laws were completed during the second quarter of 2023.

At December 31, 2023, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

(I) Direct subsidiaries of the Company

i) Operating subsidiaries

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
Savola Foods Company ("SFC")	Saudi Arabia	Foods	100	100
Panda Retail Company ("Panda") (Note 1 (III))	Saudi Arabia	Retail	100	98.87
Good Food Company ("GFC")	Saudi Arabia	Holding company	100	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	80	80
Herfy Food Services Company ("Herfy")	Saudi Arabia	Restaurant & manufacturing bakery products	49	49

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(I) Direct subsidiaries of the Company (continued)

ii) Holding and Dormant subsidiaries

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
Adeem Arabia Company	Saudi Arabia	Holding company	100	100
Al Utur Arabian Company for Commercial Investment	Saudi Arabia	Holding company	100	100
Al Matana Holding Company	Saudi Arabia	Holding company	100	100
Madarek Investment Company	Jordan	Holding company	100	100
United Properties Development Company	Saudi Arabia	Dormant company	100	100
Subsidiaries controlled through Al Matana Holding Company:				
SGC Ventures Limited	Cayman Islands	Holding company	100	100
SGC Marketplace Venture	Cayman Islands	Holding company	100	100
SGC Agritech Ventures	Cayman Islands	Holding company	100	100

(II) Savola Foods Company

The Parent Company has a 100% (December 31, 2022: 100%) ownership interest in Savola Foods Company (“SFC”), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 236/G dated Dhul Qadah 21, 1435H (September 16, 2014). Prior to its conversion to a closed joint stock company, SFC was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030180782 issued in Jeddah on Rajab 05,1429H (July 08, 2008).

The principal objective of SFC is to deal in wholesale and retail trading of food items. SFC through its direct and indirect subsidiaries is engaged in the manufacturing, processing, marketing and distribution of products including edible oil, pasta, sugar, spices, nuts, pulses, seafood, confectionery, and agro cultivation, in the local and overseas market.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

Subsidiaries controlled through Savola Foods Company:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oils	95.19	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	Holding company	100	100
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	100	100
Savola Foods Emerging Markets Company Limited	British Virgin Islands (BVI)	Holding company	95.43	95.43
Savola Foods for Sugar Company	Cayman Islands	Holding company	95	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	100	100
International Foods Industries Company ("IFI")	Saudi Arabia	Manufacturing of specialty fats	100	100
Seafood International Two FZCO	UAE	Seafood products trading and distribution	100	100
Afia Arabia for Foods	Saudi Arabia	Dormant company	100	100
Seafood International Holdco	Cayman Islands	Holding company	100	100
Al Maoun International Holding Company	Saudi Arabia	Holding company	100	100
Marasina International Real Estate Investment Limited	Saudi Arabia	Holding company	100	100
Commodities Sourcing Company for Trading	Saudi Arabia	Trading Company	100	100
Snacking and Ingredients Food Holding Company Limited ("SIFCO")	UAE	Holding company	100	100
Industrial Sustainable Development Company (ISDC)	Saudi Arabia	Renewable energy	100	--
SIFCO				
Bayara Holding Limited	Cayman Islands	Holding company	100	100
Bayara FZE Limited	UAE	Holding Company	100	100
Savola Snacks	Egypt	Manufacturing of snacks	99	99

* The Group's subsidiary, Savola Snacks entered into an Asset Purchase Agreement (APA) dated May 17, 2022, to acquire property, plant and equipment in Egypt against a total consideration of EGP 622 million. In this regard, the consideration amount was transferred to an escrow account on April 5, 2022, by the Group. During 2023, all assets were acquired under the APA and transferred to Savola Snacks and accordingly payment in full was released to the seller. Hence, the APA and escrow stands completed as at the reporting date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

a) Subsidiaries controlled through Afia International Company:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
Savola Behshahr Company (“SBeC”)	Iran	Holding company	90	90
Malintra Holdings	Luxembourg	Dormant company	100	100
Savola Foods Limited (“SFL”)	BVI	Holding company	100	100
Afia International Company – Jordan (under liquidation)	Jordan	Dormant company	98.57	98.57
Inveszk Inc.	BVI	Holding company	90	90
Afia Trading International	BVI	Dormant company	100	100
Savola Foods International	BVI	Dormant company	100	100
KUGU Gida Yatum Ve Ticaret A.S (“KUGU”)	Turkey	Holding company	100	100
Aseel Food – Hold Co.	Cayman Island	Holding company	100	100
<u>SBeC</u>				
Behshahr Industrial Company	Iran	Manufacturing of edible oils	79.9	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	100	100
Savola Behshahr Sugar Company	Iran	Trading and distribution	100	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	100	100
<u>Behshahr Industrial Company</u>				
Mahsoolat Daryae Ta’m Afarin Saba Company (Sahel)	Iran	Seafood products trading and distribution	100	100
<u>SFL</u>				
Afia International Company, Egypt (“AICE”)	Egypt	Manufacturing of edible oils	99.95	99.95
<u>AICE</u>				
Savola For Export and Import	Egypt	Trading and distribution	49	49
<u>KUGU</u>				
Savola Gida Sanayi Ve Ticaret Anonim Şirketi	Turkey	Manufacturing of edible oils	100	100

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

b) Subsidiaries controlled through Savola Industrial Investment Company:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
United Sugar Company (“USC”)	Saudi Arabia	Manufacturing of sugar	74.48	74.48
<u>USC</u>				
Alexandria Sugar Company, Egypt (“ASCE”)*	Egypt	Manufacturing of sugar	62.13	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	100	100
<u>ASCE</u>				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	100	100
c) Subsidiaries controlled through Savola Foods Emerging Markets Company Limited:				
Savola Morocco Company (Refer Note 4)	Morocco	Manufacturing of edible oils	--	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of edible oils	100	100
Afia International Company – Algeria	Algeria	Manufacturing of edible oils	100	100
d) Subsidiaries controlled through Savola Foods Company International Limited:				
Modern Behtaam Royan Kaveh Company	Iran	Food and confectionery	100	100
Middle East Technology Ventures Limited	Cayman Island	Holding Company	100	100
e) Subsidiaries controlled through Al Maoun and Marasina				
Alofog Trading DMMC	UAE	Trading and distribution	100	100
f) Subsidiaries controlled through Seafood International Two FZCO				
Seafood International One FZCO	UAE	Seafood products distribution	80	80

* The Group’s effective ownership interest in ASCE is 71.66% (December 31, 2022: 71.66%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

g) Subsidiaries controlled through Bayara Holding Limited:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
Kamali Investment Limited	UAE	Holding Company	100	100
Kandoo Worldwide Limited	BVI	Dormant company	100	100

h) Subsidiaries controlled through Bayara FZE

GYMA Food Industries LLC	UAE	Processing of spices, nuts and pulses	100	100
Bayara Saudi Arabia Limited Group	Saudi Arabia	Processing of spices, nuts and pulses	100	100
Profood Holdings Limited (under liquidation)	UAE	Dormant company	100	100
GYMA Trading LLC	UAE	Trading of spices, nuts and pulses	100	--

(III) Panda Retail Company

The Parent Company has a 100% (December 31, 2022: 98.87%) ownership interest in Panda Retail Company (“Panda”), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 235/G dated Rajab 22, 1431H (July 3, 2010). Prior to its conversion to a closed joint stock company, Panda was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010137417 issued in Riyadh on Rabi-ul-Awal 1, 1416H (July 28, 1995).

Panda together with its subsidiaries is principally engaged in wholesale and retail trading in food supplies and consumable materials. Panda Group operates through its network of hypermarkets and supermarkets.

During 2023, the Group entered into a share purchase agreement with Saudi Geant Company Limited (“the Seller”) to acquire the Seller’s minority interest of 1.13% in Panda Retail Company in exchange for consideration amounting to SR 60 million, resulting in increase in Group’s ownership interest in Panda to 100%. The transaction was classified as an acquisition without change in control and the resulting adjustment amounting to SR 32.86 million was recorded in equity under “Effect of transactions with non-controlling interests without change in control”.

Thereafter, on December 19, 2023, the shareholders of Panda resolved in the Extraordinary General Assembly Meeting, to decrease the share capital of the Panda by SR 695 million to absorb its accumulated losses followed by capital injection of SR 800 million by the shareholders. The legal formalities in this regard were completed on December 27, 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(III) Panda Retail Company (continued)

Subsidiaries controlled through Panda:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Direct ownership interest (%)</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
Giant Stores Trading Company	Saudi Arabia	Retail	100	100
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	100	100
Panda International for Retail Trading	Egypt	Retail	100	100
Panda Bakeries Company	Saudi Arabia	Dormant company	100	100
Atabet Al Bab Communications and Information Technology LLC	Saudi Arabia	E-commerce	100	100

Giant

Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	95	95
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(IV) Good Food Company

The Parent Company has a 100% (December 31, 2022: 100%) ownership interest in Good Food Company (“GFC”), which was incorporated as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030603674 issued in Jeddah on Rabi-ul-Thani 21, 1439H (January 8, 2018).

GFC through its direct and indirect subsidiaries is principally engaged in the processing, wholesale, retail and distribution of frozen food and seafood in the local and overseas markets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(IV) Good Food Company (continued)

Subsidiaries controlled through GFC (collectively referred to as “Al Kabeer Group of companies”):

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>December 31, 2023</u>	<u>December 31, 2022</u>
Variety Food Factory Company	Saudi Arabia	Manufacturing of frozen food	51	51
Al Ahsan Trading Company	Saudi Arabia	Trading and distribution	51	51
Al Helal Imports and Exports Company	Bahrain	Trading and distribution	51	51
Sahar Enterprises Company	UAE	Trading and distribution	51	51
Sahar Food Industry Company	UAE	Manufacturing of frozen food	51	51
Al Kabeer Holding Limited	UAE	Holding Company	51	51
Best Foodstuff Trading Company	UAE	Trading and distribution	51	51

Subsidiaries controlled through Al Kabeer Holding Limited:

Cascade Investments Limited (CIL)	UAE	Investment company	100	100
Cascade Marine Foods Company	UAE	Manufacturing of frozen food	100	100
Al Sabah Foodstuff Enterprises Company	UAE	Trading and distribution	100	100
Best Foods Company	Oman	Trading and distribution	100	100

2. BASIS OF PREPARATION

a) Statement of compliance

The accompanying condensed consolidated interim financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards for Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA) and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended December 31, 2022 (“last annual financial statements”).

These financial statements do not include all of the information required for a complete set of IFRS financial statements, however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since last annual financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

2. BASIS OF PREPARATION (continued)

a) Statement of compliance (continued)

i) Accounting convention / Basis of Measurement

These condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, going concern concept and under the historical cost basis, except for investments other than those carried at amortized cost, firm commitments and inventory under fair value hedging relationship, derivative financial instruments, lease liabilities and employee benefits which are recognised at the present value of future obligation using the Projected Unit Method. Certain comparative amounts have been reclassified to conform to the current period's presentation and do not have a material effect on these condensed consolidated interim financial statements.

ii) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyal (SR) which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

b) Critical accounting estimates and judgments

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's annual consolidated financial statement as at and for the year ended December 31, 2022. A number of amendments to standards which are effective from January 1, 2023, do not have a material effect on these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

4. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During the year ended December 31, 2022, the Group decided to divest its interest in Savola Morocco Company and United Edible Oils Holding Limited which were presented as ‘held for sale’. Details of assets and liabilities held for sale are as follows:

	December 31, <u>2022</u>
Assets classified as held for sale, relating to	
- Savola Morocco Company	186,910
- United Edible Oils Holding Limited	--
	<u>186,910</u>
Liabilities associated with assets held for sale, relating to	
- Savola Morocco Company	162,635
- United Edible Oils Holding Limited (Note 4.2)	3,074
	<u>165,709</u>

In this respect, the Company signed a Share Purchase Agreement (SPA) dated November 10, 2022 to sell the Company’s interest in Savola Morocco Company. During the three-month period ended March 31, 2023, all legal formalities for the sale of Savola Morocco Company were completed and the net consideration of SR 41.4 million was received against net carrying amount and transaction charges of SR 22.9 million, resulting in a gain on disposal amounting to SR 18.5 million.

The net loss relating to these business disposal groups amounted to SR 12.3 million for the year ended December 31, 2022.

- 4.1 The carrying amounts of assets and liabilities of Savola Morocco Company as at the date of sale were as follows:

Current assets	200,037
Non-current assets	36,355
Current liabilities	(213,879)
Non-current liabilities	(779)
Carrying amount of assets and liabilities	<u>21,734</u>

- 4.2 United Edible Oils Holding Limited had excess of loss over cost of investment and was accordingly included in liabilities amounting to SR 3.07 million for the year ended December 31, 2022.

During the year ended December 31, 2023, the Group sold its investment in United Edible Oils Holding Limited under a SPA dated November 20, 2023. As of December 31, 2023, all legal formalities for the sale were completed, resulting in a gain on disposal amounting to SR 0.2 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

5. CASH AND BANK BALANCES

	December 31, 2023	December 31, 2022
Cash in hand	43,795	24,441
Cash at bank- current account	743,688	766,342
Cash and bank balances	787,483	790,783
Deposits with maturity less than three months	425,710	21,695
Cash and cash equivalents presented in statement of financial position	1,213,193	812,478
Bank overdrafts	(80,734)	(211,719)
Cash and cash equivalents for cash flow purposes	1,132,459	600,759
Term deposits (Note 5.1)	738,395	623,074

5.1 Term deposits are deposits with commercial banks, with an original maturity of more than three months and yield commission income at prevailing market rates. The management expects to realize these deposits within 12 months from the reporting date.

6. EQUITY ACCOUNTED INVESTEEES

The details of the Group's equity accounted investees are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Relationship</u>	<u>Principal business sector</u>	<u>Ownership interest (%)</u>		<u>Amount</u>	
				<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Almarai Company	Saudi Arabia	Associate	Fresh food products	34.52	34.52	8,770,990	8,387,491
Kinan International for Real Estate Development Company ("Kinan") (Note 6.1)	Saudi Arabia	Associate	Real estate	29.9	29.9	396,592	356,764
United Sugar Company, Egypt ("USCE") (Note 6.2)	Egypt	Associate	Manufacturing of sugar	33.82	33.82	128,475	185,345
Intaj Capital Limited	Cayman Islands	Associate	Fund management	49	49	13,046	13,046
						9,309,103	8,942,646

6.1 Kinan submission for registration of 3% of the Company's share capital on the parallel market was approved by the Capital Market Authority (CMA) on December 20, 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. EQUITY ACCOUNTED INVESTEEES (continued)

6.2 During the year ended December 31, 2023, the Company has adjusted the carrying value of its investment in USCE based on its fair value and recorded an impairment charge amounting to SR 1.6 million (December 31, 2022: SR 16.9 million). The fair value is assessed using income approach under “IFRS 13 – Fair value measurement”. The significant assumptions used are as follows:

	<u>2023</u>	<u>2022</u>
EBITDA margin	4.2%	3.9%
Long term growth rate	4.23%	4.1%
Discount rate	15.5%	13.5%

- If forecast EBITDA margins decrease by 25 bps (average 3.98% over FY24-FY28), the value will decline by SR 7.8 million.
- If the discount rate increases by 50 bps, the value will decline by SR 3.9 million: and
- If the long-term rate growth rate decreases by 25 bps, the value will decline by SR 1.0 million.

7. INVESTMENTS

	December 31, <u>2023</u>	December 31, <u>2022</u>
Investments at fair value through other comprehensive income (Note 7.1)	<u>98,068</u>	104,428
Investments at fair value through profit or loss	<u>22,871</u>	<u>43,448</u>

7.1 Investments at fair value through other comprehensive income

	December 31, <u>2023</u>	December 31, <u>2022</u>
Quoted investments (Note 7.1.1)	57,780	55,871
Unquoted investments	<u>40,288</u>	<u>48,557</u>
	<u>98,068</u>	<u>104,428</u>

7.1.1 The Group has applied an appropriate market participant discount factor in valuing certain quoted investments due to the security-specific restrictions on disposal. Accordingly, these investments have been classified as level 2 securities.

7.2 As part of the Group’s continued focus on exiting from non-core assets, during the year 2022, the Group entered into an agreement with Taiba Investment Company for sale of its investments in Knowledge Economic City Company (KEC) and Knowledge Economic City Developers Company Limited (KECD). The sale transaction was completed on December 29, 2022 and generated cash proceeds amounting to SR 459 million, resulting in a gain of SR 39 million (related to KEC), recorded in the condensed consolidated statement of other comprehensive income, and a gain of SR 41.9 million (related to KECD), recorded in the condensed consolidated statement of profit or loss.

8. SHARE CAPITAL AND DIVIDEND DECLARATION

At December 31, 2023 and December 31, 2022, the Group’s share capital of SR 5.3 billion consists of 533.981 million fully paid shares of SR 10 each.

On May 10, 2023, the Company’s shareholders in their Extraordinary General Assembly Meeting approved dividends to the Shareholders for the year ended December 31, 2022 with a total amount of SR 352.4 million at SR 0.66 per share.

Subsequent to the year ended December 31, 2023, the Group’s Board has recommended to increase the share capital by SR 6 billion through right issue of shares. Further, the Board has also recommended the distribution of Group’s entire shareholding in Almarai Company to the shareholders of the Group, subject to securing necessary approvals.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

9. SHARE BASED PAYMENT PLAN

On April 29, 2020, the shareholders of the Company approved the Employees Long Term Incentive Program (“Plan”) for the benefit of certain eligible senior executives of the Group (the “Participants”). The Plan entitles the Participants a conditional right to receive a number of restricted share units (each unit equal to the value of one share of the Company at the Grant date), following the satisfaction of service condition.

Significant features of the Plans are as follows:

<u>Grant date</u>	<u>Total number of shares granted</u>	<u>Service / vesting period</u>	<u>Fair value per share on grant date</u>
September 10, 2023	700,176	3 years	SR 34.8
September 10, 2022	645,549	3 years	SR 31.2
September 10, 2021	403,647	3 years	SR 39.25
September 10, 2020	341,675	3 years	SR 49.0

Fair value per share on grant date is the closing price per share on Tadawul as at the grant date.

The total expense recognised for employees' services received during the period ended December 31, 2023, under the Plan amounted to SR 3.1 million (December 31, 2022: SR 10.3 million) and is included in ‘salaries and employee related expenses’ with a corresponding increase in the condensed consolidated statement of changes in equity under the ‘Other reserves’.

During the period ended December 31, 2023, the September 10, 2020 Plan is vested resulting in vesting of 229,479 shares, while 112,196 shares were forfeited due to non-completion of service condition.

During the period ended December 31, 2023, the Group purchased 2,182,858 (December 31, 2022: 637,955) treasury shares amounting to SR 80 million (December 31, 2022: SR 21.4 million) in connection with the Plan. This includes shares funded by certain subsidiaries that are held by the Company in fiduciary capacity until vesting.

As at December 31, 2023, the number of shares to be vested are 1,530,797 (December 31, 2022: 1,166,407), after forfeiture of 218,575 shares (December 31, 2022: 205,705 shares) due to the non-completion of service condition of certain employees.

10. STATUTORY RESERVE

In accordance with the Company’s amended by-laws (refer Note 1), it is not required to set aside a statutory reserve. Nevertheless, the Ordinary General Assembly may, when determining dividends from the net profit, decide to allocate reserves in the amount that serves the Company’s interests or ensure distribution of stable profits as much as possible to the shareholders. For this reason, the statutory reserve appearing in these condensed consolidated interim financial statements is the previous statutory reserve of the Company, that was required as per the old Companies’ Law. This reserve can be utilized for the benefit of the Company or its shareholders, upon a recommendation by the Board of Directors to the Ordinary General Assembly as per the Company’s amended By-laws.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

11. LOANS AND BORROWINGS

The following information reflects the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost:

	December 31, <u>2023</u>	December 31, <u>2022</u>
Non-current liabilities		
Secured bank loans	--	14,845
Unsecured bond issues (Sukuk) (Note 11.2)	1,000,000	1,000,000
Unsecured bank loans	3,699,990	3,067,368
	<u>4,699,990</u>	<u>4,082,213</u>
Current liabilities		
Current portion of secured bank loans	11,862	29,691
Current portion of unsecured bank loans	390,951	415,886
Secured bank loan	43,103	141,873
Unsecured bank loans	3,408,308	3,263,214
Bank overdraft	80,734	211,719
	<u>3,934,958</u>	<u>4,062,383</u>
	<u>8,634,948</u>	<u>8,144,596</u>

- 11.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its subsidiaries. These borrowings are mainly in Saudi Riyals, Egyptian Pounds, Iranian Riyals, US Dollars, Algerian Dinar, Turkish Lira, United Arab Emirates Dirhams and Sudanese Pounds. Certain of these borrowings are secured by a charge on the property, plant and equipment of certain overseas subsidiaries. Certain loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the borrowings of subsidiaries are secured by corporate guarantees of the Parent Company. As at December 31, 2023, loans and borrowings include sharia-compliant financing facilities amounting to SR 8.2 billion (December 31, 2022: SR 7.2 billion).
- 11.2 On July 9, 2019, the Group completed the offering of its new Sukuk, under the new program, with a total value of SR 1 billion with a tenor of 7 years and carrying an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.60% payable semi-annually. The Sukuk will mature on July 9, 2026. The issuance included SR 507 million of the previous Sukuk, that has been redeemed and exchanged.
- 11.3 Property, plant and equipment amounting to SR 128.3 million (December 31, 2022: SR 147.5 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.
- 11.4 Inventories amounting to SR 24.4 million (December 31, 2022: SR 74.3 million) are pledged with foreign banks as collateral against the bank borrowing facilities of certain overseas subsidiaries.
- 11.5 As at December 31, 2023, the Group has unused bank financing facilities amounting to SR 6.0 billion (December 31, 2022: SR 6.9 billion) to manage short term and long term liquidity requirements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the year ended December 31, 2023

(Expressed in thousands of Saudi Riyal unless otherwise stated)

12. IMPAIRMENT REVERSAL / LOSS

The Group reviews the carrying amounts of its non-financial assets including goodwill to determine whether their carrying values exceed the recoverable amounts. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is established based on the estimated future cash flows on the basis of budget after excluding impact of future renovation, using growth rates, terminal value percentages and discounting to their present value using pre-tax discount rates as mentioned in note 12(a) and 12(c).

Retail segment:

Key assumptions used for determination of value in use except for freehold land:

Cash flow projections were prepared using budgeted earnings before interest, zakat, depreciation and amortization (EBITDA) taking into account past experience, and following factors:

- (i) Estimated revenue and EBITDA growth for future five years based on expected sales volume and price growth for these years.
- (ii) Estimated improvement in gross margins and EBITDA as a result of improvement plans currently being carried out by the Group.

These cash flows were discounted using a pre-zakat discount rate which was estimated using industry average weighted-average cost of capital and cost of debt, with a target debt to equity ratio of 56.3% (December 31, 2022: 81.2%) at a post Zakat cost of debt of 6.3% (December 31, 2022: 6.6%).

a) Impairment reversal on recoverable amount of non-current assets excluding freehold land:

During the year, the Group has recognised an impairment reversal of SR 4.4 million (December 31, 2022: SR 37.8 million) against right-of-use assets; impairment reversal of SR 2.5 million (December 31, 2022: SR 36.7 million) against items of property, plant and equipment; and, impairment reversal of SR 0.5 million (December 31, 2022: SR 1.5 million) against intangible assets, due to favourable changes in economic environment affecting footfall and basket size in retail segment.

The recoverable amount is based on “value-in-use” method and was determined at the level of cash generating unit (“CGU”) as identified by management and consists of the net operating assets of each store. In determining value in use for the CGUs, the cash flows (determined using approved five-year business plan and budget) were discounted at a rate of 12.8% to 14.1% (December 31, 2022: 12.6% to 13.7%) on a post-Zakat basis and were projected up to the year 2028. Fair value less costs to sell was used as the basis to determine recoverable amount for two owned stores.

The key assumptions used for determination of recoverable amounts are as follows:

	<u>2023</u>	<u>2022</u>
Budgeted gross margin	25.5% to 26.3%	24.5% to 26.2%
Revenue growth rate	3.0% to 4.4%	3.0% to 3.9%
Operating expenses as percentage of sale	17.0% to 17.9%	17.7% to 18.2%
Budgeted EBITDA margins	8.4% to 8.5%	6.8% to 8.0%
Discount rate	12.8% to 14.1%	12.6% to 13.7%
Terminal growth value	2.0%	2.0%

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12. IMPAIRMENT REVERSAL / LOSS (continued)

b) Impairment reversal on recoverable amount of freehold land parcels:

The Group recognized an impairment reversal of SR 39.4 million (2022: SR 36.3 million) on freehold lands, due to favorable changes in market dynamics.

The recoverable amount is estimated by three independent experts and is based on “comparable” method and was determined at the level of individual assets as identified by management. In determining market value, properties with similar characteristics in the same market area that have recently been sold were selected. Once those properties were found, they were compared to the properties in question and an adjustment in value was made for comparative deficiencies and advantages.

c) Impairment loss on goodwill:

An impairment loss of SR 12.7 million was recognised during the year ended December 31, 2022, on the goodwill of Atabet Al Bab Communications and Information Technology LLC.

The key assumptions used for determination of recoverable amounts, using value in use basis, were as follows:

	<u>2022</u>
Budgeted gross margin	19.1% to 21.3%
Weighted average revenue growth rate	8.1%
Operating expenses as percentage of sales	25.0% to 29.9%
Budgeted EBITDA margins	-8.6% to -5.9%
Discount rate	12.0%
Terminal growth value	2.0%

The calculation of value in use is most sensitive to the assumptions on revenue growth rate and operating expenses as percentage of revenue and long-term growth rate used to extrapolate cash flows beyond the budget period of 5 years.

Foods Processing segment

a) Impairment loss on goodwill

During the year ended December 31, 2023, an impairment loss amounting to SR 75 million has been recognised, on the goodwill of Bayara Holding Company, based on determination of recoverable value, where the fair value was estimated using discounted cashflows model. The key assumptions used for determination of recoverable amounts, using fair value less costs of disposal, were as follows:

	<u>2023</u>
Budgeted EBITDA margins	10.2% to 15.9%
Discount rate	13.3% to 14.5%
Terminal growth value	2.1%

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12. IMPAIRMENT REVERSAL / LOSS (continued)

b) Impairment reversal on recoverable amount of non-current assets excluding freehold land:

In 2016, an impairment loss amounting to SR 160 million was recorded against the property, plant and equipment of a subsidiary in food processing segment. During recent years, the results of the subsidiary have shown consistent considerable improvement. Based on determination of recoverable value, where the value in use was estimated using income approach, a reversal of impairment amounting to SR 160 million was recorded in these condensed consolidated interim financial statements.

The key assumptions used for determination of recoverable amounts, using discounted cashflows model (over a period of 5 years), are as follows:

	<u>2023</u>
Budgeted EBITDA margins	25.4%
Discount rate	24% to 25%
Terminal growth value	5.1%

Furthermore, the onset of an armed conflict in the Republic of Sudan during 2023 led to identification of certain impairment indicators for the Group's subsidiary located in this territory. Accordingly, the recoverability of this entity's assets was assessed based on the value in use method. The recoverable amount was estimated using the income approach derived from financial forecasts under different scenarios. Estimates utilized in the projected cash flows included growth rates, pre-tax discount rates and terminal value percentages and resulted in an impairment loss amounting to SR 18.3 million and was recorded in these condensed consolidated interim financial statements. Also see Note 22.

The significant assumptions used are as follows:

	<u>2023</u>
Budgeted EBITDA margins	10.1%
Discount rate	77.5%
Terminal growth value	4.9%
Discount rate used for terminal year	62.5%

The calculation of value in use is most sensitive to the assumptions on revenue growth rate and operating expenses as percentage of revenue and long-term growth rate used to extrapolate cash flows beyond the budgeted period.

13. ZAKAT AND INCOME TAXES

(a) Zakat status

The Zakat, Tax and Customs Authority ("ZATCA") conducted a field audit on the Company's accounts for the years 2005 to 2012 and claimed additional Zakat difference of SR 85.8 million. Subsequently, the assessment was agreed with the ZATCA Settlement Committee and the Company settled the liability with an amount of SR 10.2 million. Moreover, the years from 2013 to 2018 were also finalized based on the disclosure initiative. The group settled additional liability of SR 5.4 million as per the amended returns. During the year 2020, the ZATCA issued a revised claim, for the previously finalized years from 2014 to 2018 claiming additional zakat difference of SR 59.5 million. The management had escalated the Company's objection against the said claim to the level of General Secretariat of Tax Committees (GSTC). The GSTC issued the official decision showing a reduction of Zakat difference to SR 29.6 million.

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13. ZAKAT AND INCOME TAXES (continued)

(a) Zakat status (continued)

The management had transferred the case to the Appeal Committee and believes that the settlement of the claim is not probable, therefore no provision has been recorded in these condensed consolidated interim financial statements. The ZATCA issued amended assessments for years 1999 and 2000 and claimed additional SR 1.9 million. The case was escalated to the Bureau of Grievances.

ZATCA issued the assessment on a formerly owned subsidiary and claimed additional Zakat differences of SR 13 million. The case was escalated to the GSTC. The GSTC issued the official decision showing a reduction of Zakat difference to SR 7 million. Subsequently, the assessment was agreed with the ZATCA Settlement Committee, and the Company settled a liability with an amount of SR 2 million.

Certain subsidiaries in the foods processing sector have also received final or provisional zakat certificates until the year 2022. Accordingly, payment plans have been pursued as per the agreement with ZATCA and liabilities have been adjusted against the final settlement amounts. Also, the Group has pending appeals against additional claims and assessments of certain subsidiaries with total Zakat differences of SR 33.5 million (December 31, 2022: approximately SR 31 million). Moreover, the ZATCA issued an additional claim amounting to SR 51.8 million for another subsidiary for the years 2015 to 2018. The subsidiary escalated an objection against the said claim to the level of General Secretariat of Tax Committees and obtained a favourable outcome that resulted in no further liability.

(b) Income tax status

The Group's foreign subsidiaries are obliged to pay income tax as per applicable tax laws of their countries of incorporation. Tax paying foreign subsidiaries determine their liabilities based on applicable corporate rates to the adjusted taxable income for the year. Certain foreign subsidiaries are also obliged to pay quarterly advance tax determined on prior year tax liability bases.

Certain foreign subsidiaries have received final tax assessments for certain years and provisional tax assessments for other years. They have also received queries from departments of income tax after their assessment or inspections for open years, for which replies have been filed.

The Group management believes that there are no significant amounts under protest with departments of income tax in any foreign operation.

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14. CONTINGENCIES AND COMMITMENTS

	December 31, <u>2023</u>	December 31, <u>2022</u>
	Amounts in millions of <u>Saudi Riyals</u>	
Letters of credits	19	65
Bank guarantees	186	131
Commitments to buy raw sugar	704	175
Commitments to sell refined sugar	1,314	741
Capital commitments	45	38
	<u>Quantity in Metric tonnes</u>	
Commitments to buy raw sugar	326,689	96,550
Commitments to sell refined sugar	457,874	315,652

During 2022, certain overseas subsidiaries in food processing segment received preliminary aggregate claims from local regulatory authorities and commercial banks amounting to SR 410 million, that were subsequently reduced to SR 297.4 million, to affect a new pricing mechanism for edible oil products by replacing subsidized rate mechanism. In this connection, such subsidiaries, while contesting the claims, have made payments of SR 197 million and accrued a provision amounting to SR 12 million, based on the management's best estimate against possible outlays.

During the year, the local regulator has raised additional claim amounting to SR 64 million. Management has challenged such claim and has recorded an additional provision amounting to SR 44.5 million, based on the management's best estimate against possible outlays.

15. EARNINGS PER SHARE

Basic earnings per share for the three-month period and year ended December 31, 2023 and December 31, 2022 have been computed by dividing the net profit attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding amounting to 531.462 million (December 31, 2022: 532.724 million) during such periods.

Diluted earnings per share for the three-month period and year ended December 31, 2023 and December 31, 2022, have been computed by dividing the profit attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, amounting to 532.993 million (December 31, 2022: 533.890 million).

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15. EARNINGS PER SHARE (continued)

Weighted average number of ordinary shares for the purpose of computing earnings per share are as follows:

	For the year ended December 31,	
	<u>2023</u>	<u>2022</u>
<u>For Basic EPS calculation</u>		
Issued ordinary shares	533,980,700	533,980,700
Effect of treasury shares	(2,518,967)	(1,257,045)
Weighted average number of shares outstanding	<u>531,461,733</u>	<u>532,723,655</u>
<u>For Diluted EPS calculation</u>		
Weighted average number of shares outstanding for Basic EPS	531,461,733	532,723,655
Effect of dilutive potential ordinary shares	1,530,797	1,166,407
Weighted average number of shares outstanding	<u>532,992,530</u>	<u>533,890,062</u>

16. RELATED PARTIES

Related parties include the Group's shareholders, associates and affiliated companies, other entities related to certain consolidated subsidiaries and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group's management.

Key management personnel compensation

Compensation to the Group's key management personnel includes salaries, non-cash benefits, and post-employment benefits. The Group has recognised an expense of SR 34.4 million for year ended December 31, 2023 (December 31, 2022: SR 32.9 million).

Board of Directors' remuneration for the year ended December 31, 2023 amounting to SR 2.2 million (December 31, 2022: SR 2.2 million) has been calculated in accordance with the Company's By-laws and is charged to the condensed consolidated statement of profit or loss and other comprehensive income. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 3.1 million (December 31, 2022: SR 3.1 million) are charged to expenses and included under administrative expenses.

Other related party transactions

A number of companies transacted with the Group during the period. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on arm's length basis.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within agreed credit period from the date of transaction. None of the balances are secured. No expense has been recognised in the current or prior period for bad or doubtful debts in respect of amounts owed by related parties.

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16. RELATED PARTIES (continued)

The aggregate value of related parties' transactions and outstanding balances including those related to key management personnel, and entities over which they have control or significant influence are as follows:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>2023</u>	<u>2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Due from related parties – Trade receivables</u>						
Almarai	Associate	Trade	69,647	66,463	7,362	7,770
Western Bakeries Company Limited	Affiliate	Trade	84,689	73,585	8,884	6,586
					16,246	14,356
<u>Due from related parties – Prepayments and other receivables</u>						
USCE	Associate	Non-trade Non-trade (16.1)	45,957 (42,438)	63,416 --	85,942	--
Khairat AlSharq for General Trade and Manufacturing Foodstuff Company (KASCO) (Note 4)	Affiliate	Non-trade	28,053	15,289	--	28,053
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Non-trade	7,180	6,390	3,788	2,249
Waste Collection & Recycling Company	Affiliate	Non-trade	2,561	9,370	444	1,070
Zohoor Alreef	Affiliate	Non-trade	166	106	577	360
					90,751	31,732

16.1 Includes the compensation to USCE on account of mutually agreed cancellation of a contract due to certain restrictions imposed on export of refined beet sugar by the Government of Egypt.

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16. RELATED PARTIES (continued)

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>2023</u>	<u>2022</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<i>Due to related parties – Trade payables</i>						
Almarai	Associate	Trade	797,939	716,998	122,964	116,378
Nestle Group	Affiliate	Trade	253,666	243,135	30,172	33,519
Mayar Food Company	Affiliate	Trade	149,609	122,388	36,928	45,272
Del Monte Saudi Arabia Limited	Affiliate	Trade	8,117	66,018	2,003	2,668
Al Manhal Water Factory Company Limited	Affiliate	Trade	7,610	6,146	1,400	1,153
Al Jazirah Dates & Food Factory	Affiliate	Trade	--	3	49	49
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	9,591	12,190	1,791	--
					195,307	199,039
<i>Due to related parties – Accrued and other liabilities</i>						
USCE	Associate	Non-trade	147,879	--	--	63,031
Kinan	Associate	Non-trade	24,842	29,017	--	--
Arabian Centers Company	Affiliate	Non-trade	23,811	27,979	--	--
Dur Hospitality Company	Affiliate	Non-trade	6,000	18,000	--	--
Abdul Kader Al Muhaidib & Sons Co	Shareholder	Non-trade	15,480	--	--	--
					--	63,031

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17. OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (Chief Operating Decision Maker) reviews internal management reports on at least quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Food processing - includes manufacturing, sale and distribution of Edible oils, Sugar, Pasta, Spices, Nuts, Pulses and other food products.

Retail - includes hyper markets, supermarkets and convenience stores operations.

Food services - includes food products and fast food restaurants' chain operated by Herfy.

Frozen Food - includes manufacturing, wholesale and retail distribution of frozen food products operated by Good Food Company.

Investments - includes real estate activities, investments in equity-accounted investees and other investments.

The segments which do not meet any of the quantitative thresholds for determining reportable segments, are classified as "Others / Eliminations", which mainly include the eliminations.

Performance is measured based on segment profit net of income tax and zakat, as included in the internal management reports. Management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Information regarding the results of each reportable segment is included below:

	Reportable Segments						Total
	Food Processing	Retail	Food Services	Frozen Food	Investments	Others / Eliminations	
December 31, 2023							
External revenues	14,692,673	10,326,447	1,148,043	674,863	--	--	26,842,026
Inter segment revenue	396,368	4,930	25,653	39,209	29,557	(495,717)	--
Segment Revenue	15,089,041	10,331,377	1,173,696	714,072	29,557	(495,717)	26,842,026
Cost of revenues	(12,732,755)	(7,773,626)	(889,283)	(466,836)	--	460,576	(21,401,924)
Impairment reversal / (loss)	65,521	46,828	--	--	(417)	--	111,932
Segment net profit before non-controlling interests	580,618	46,662	8,386	58,150	376,660	--	1,070,476
Segment net profit	451,610	46,662	8,386	58,150	376,660	(42,283)	899,185
Segment assets	10,306,177	6,995,161	1,906,672	1,046,669	14,307,196	(4,593,928)	29,967,947
Segment liabilities	7,954,558	5,878,187	873,194	780,500	5,758,471	(809,932)	20,434,978

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17. OPERATING SEGMENTS (continued)

	Reportable Segments					Others / Eliminations	Total
	Food Processing	Retail	Food Services	Frozen Food	Investments		
December 31, 2022							
External revenues	16,105,768	10,109,087	1,213,400	626,448	--	--	28,054,703
Inter segment revenue	<u>335,035</u>	<u>4,923</u>	<u>30,438</u>	<u>43,561</u>	<u>27,335</u>	<u>(441,292)</u>	<u>--</u>
Segment Revenue	<u>16,440,803</u>	<u>10,114,010</u>	<u>1,243,838</u>	<u>670,009</u>	<u>27,335</u>	<u>(441,292)</u>	<u>28,054,703</u>
Cost of revenues	(14,454,991)	(7,772,921)	(903,425)	(460,919)	--	411,634	(23,180,622)
Impairment reversal / (loss)	(14,880)	99,617	(17,545)	--	(2,037)	--	65,155
Segment net profit before non-controlling interests	499,732	(158,171)	(1,064)	53,453	470,935	--	864,885
Segment net profit / (loss)	404,894	(158,171)	(1,064)	53,453	470,935	(27,295)	742,752
Segment assets	<u>10,516,497</u>	<u>6,621,681</u>	<u>1,994,500</u>	<u>975,229</u>	<u>13,266,875</u>	<u>(3,810,134)</u>	<u>29,564,648</u>
Segment liabilities	<u>8,092,843</u>	<u>6,389,886</u>	<u>937,947</u>	<u>726,694</u>	<u>4,804,881</u>	<u>(704,296)</u>	<u>20,247,955</u>

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18. HYPERINFLATIONARY ACCOUNTING

The Group closely monitors the economic conditions for its foreign operations including qualitative consideration prescribed in IAS 29 – Financial Reporting in Hyperinflationary Economies. The Group uses available official statistics or other reliable information sources to estimate the impact of hyperinflation.

Accordingly, during the year ended December 31, 2023 the Group’s foreign operations in Iran, Sudan and Turkey were subject to hyperinflation and reported amounts of the local operations have been adjusted in accordance with IAS 29. The official statistics published for Iran, Sudan and Turkey have been used to estimate the hyperinflation accounting impact recorded during the year ended December 31, 2023.

The main effects on the Group’s condensed consolidated interim financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) are as follows:

	<u>Year ended December 31, 2023</u>			
	<u>Iran</u>	<u>Sudan</u>	<u>Turkey</u>	<u>Total</u>
Revenue increased / (decreased) by	78,904	(107,540)	37,610	8,974
Profit for the year increased / (decreased) by	(34,346)	8,888	(13,203)	(38,661)
Total non-current assets increased / (decreased) by	(97,802)	(33,254)	10,141	(120,915)
Currency translation differences impacted by	(41,847)	(49,584)	19,598	(71,833)
	<u>Year ended December 31, 2022</u>			
	<u>Iran</u>	<u>Sudan</u>	<u>Turkey</u>	<u>Total</u>
Revenue increased by	123,693	230,542	69,400	423,635
Profit for the year decreased by	(47,747)	(11,626)	(7,138)	(66,511)
Total non-current assets increased by	69,339	15,046	28,377	112,762
Currency translation differences impacted by	130,567	(174)	40,656	171,049

The conversion factors used for the CPI adjustment for the year ended is given below:

	December 31, <u>2023</u>	December 31, <u>2022</u>
Conversion factor for Iran	1.3931	1.4615
Conversion factor for Sudan	1.0921	2.0703
Conversion factor for Turkey	1.6477	1.6427

19. FINANCIAL RISK MANAGEMENT

a) Accounting classification and fair values

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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19. FINANCIAL RISK MANAGEMENT (continued)

a) Accounting classification and fair values (continued)

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As the Group's financial instruments are compiled under the historical cost convention, except for FVOCI investments, FVTPL investments, inventory and firm commitments under fair value relationships and derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It doesn't include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

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19. FINANCIAL RISK MANAGEMENT (continued)

a) Accounting classification and fair values (continued)

	Carrying amount				Fair Value			
	Mandatorily at FVTPL - others	Designated at fair value	Hedging instruments	FVOCI	Level 1	Level 2	Level 3	Total
December 31, 2023								
<i>Financial assets measured at fair value</i>								
Investment at fair value through profit or loss	22,871	--	--	--	--	--	22,871	22,871
Future exchange contracts used for hedging	--	--	299,786	--	--	299,786	--	299,786
Equity securities (Note 7)	--	--	--	98,068	4,522	53,258	40,288	98,068
	<u>22,871</u>	<u>--</u>	<u>299,786</u>	<u>98,068</u>	<u>4,522</u>	<u>353,044</u>	<u>63,159</u>	<u>420,725</u>
<i>Financial liabilities measured at fair value</i>								
Future exchange contracts used for hedging	--	--	246,536	--	--	246,536	--	246,536
Put option	--	274,255	--	--	--	--	274,255	274,255
	<u>--</u>	<u>274,255</u>	<u>246,536</u>	<u>--</u>	<u>--</u>	<u>246,536</u>	<u>274,255</u>	<u>520,791</u>
	Carrying amount				Fair Value			
	Mandatorily at FVTPL - others	Designated at fair value	Hedging instruments	FVOCI	Level 1	Level 2	Level 3	Total
December 31, 2022								
<i>Financial assets measured at fair value</i>								
Investment at fair value through profit or loss	43,448	--	--	--	1,109	--	42,339	43,448
Future exchange contracts used for hedging	--	--	73,222	--	--	73,222	--	73,222
Call option	--	25	--	--	--	--	25	25
Equity securities (Note 7)	--	--	--	104,428	--	55,871	48,557	104,428
	<u>43,448</u>	<u>25</u>	<u>73,222</u>	<u>104,428</u>	<u>1,109</u>	<u>129,093</u>	<u>90,921</u>	<u>221,123</u>
<i>Financial liabilities measured at fair value</i>								
Future exchange contracts used for hedging	--	--	116,701	--	--	116,701	--	116,701
Other future exchange contracts	--	53,459	--	--	--	53,459	--	53,459
Put option	--	186,274	--	--	--	--	186,274	186,274
	<u>--</u>	<u>239,733</u>	<u>116,701</u>	<u>--</u>	<u>--</u>	<u>170,160</u>	<u>186,274</u>	<u>356,434</u>

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19. FINANCIAL RISK MANAGEMENT (continued)

b) Measurement of fair values

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair value, as well as significant unobservable input used.

Financial instruments measured at fair value

<u>Type</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurements</u>
Equity securities	Market comparison technique. PE multiple, Price to Book value.	Price Earnings Multiples, Discount factor, Price to Book value and Price to Tangible Book Value.	Not applicable
Future contracts	Broker quotes	Not applicable	Not applicable
Put and Call option	Black Scholes Model	Strike price Volatility of Sugar index Spot price (fair value)	Increase in fair value will decrease the Put Option and increase the Call option values. Increase in volatility index will increase the value of Put and Call options.

20. CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a leverage ratio, which is calculated as total liabilities (as shown in the condensed consolidated statement of financial position) less Cash and cash equivalents.

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(Expressed in thousands of Saudi Riyal unless otherwise stated)

20. CAPITAL MANAGEMENT (continued)

Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserves. The leverage ratio as follows:

	December 31, 2023	December 31, <u>2022</u>
Total liabilities	20,434,978	20,247,955
Less: Cash and cash equivalents	(1,213,193)	(812,478)
Adjusted net debt	19,221,785	19,435,477
Total equity	9,532,969	9,316,693
Hedging reserve	30,662	5,667
Adjusted equity	9,563,631	9,322,360
Adjusted net debt to adjusted equity ratio	2.01	2.08

21. AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE

a) Standards, interpretations, and amendments issued

This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after January 1, 2023 and that are available for early adoption in annual periods beginning on January 1, 2023.

<u>Standards, amendments, interpretations</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after January 1, 2023.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after January 1, 2023.
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after January 1, 2023.

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21. AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

b) Standards, interpretations, and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the condensed consolidated interim financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

<u>Standards, amendments, interpretations</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.	Deferred until accounting periods starting not earlier than January 1, 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

The standards, interpretations, and amendments with an effective date of January 1, 2023, will not have any material impact on the Group's condensed consolidated interim financial statements, whereas, for other above-mentioned standards, interpretations, and amendments, the Company is currently assessing the implications on the Group's financial statements on adoption.

22. SUDAN OPERATIONS

During April 2023, an armed conflict began in the Republic of Sudan. In this respect, the management has temporarily suspended production operations keeping in view the safety of its workforce and set-up a taskforce to closely monitor the situation and assess the impact on its operations. As of December 31, 2023, except for the matters explained in Note 12, management believes that the possible impact is not material to the Group's operations.

23. DATE OF AUTHORISATION FOR ISSUE

These condensed consolidated interim financial statements were authorized for issue by the Company's Board of Directors on February 6, 2024, corresponding to Rajab 25, 1445H.