HALWANI BROTHERS COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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(A SAUDI JOINT STOCK COMPANY)

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FOR THE YEAR ENDED 31 DECEMBER 2020

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

Opinion

We have audited the consolidated financial statements of Halwani Brothers Company - A Saudi Joint Stock Company - (" the Company" or "the Parent Company") and its Subsidiary ("the Group''), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements from (1) to (35), including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in "the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on those statements on 14 Rajab 1441(H), corresponding to 9 March 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in "the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Key audit matters (continued)

The key audit matter	How the matter was addressed in our audit
Revenue from contracts with customers Management performed a detailed analysis for each type of revenue contract, placing a specific focus on identifying performance obligations and variable prices arising from contracts with customers, including other factors such as the customer's right to return the goods and right to obtain a discount on quantities. Determination of trade discount depends on the following; significant scope of judgments, amount of purchases made by the concerned customers, and on the potential arrangements between the Company and its customer. In addition, determining a provision for good returns requires taking into account historical indicators. We have considered this issue as a key audit matter as revenue is a material area in the consolidated financial statements and is an indicator of performance. Calculation basis of revenue from contracts with customers involves significant scope for judgement by Management. Note 3 to the accompanying consolidated financial statements states the relevant accounting judgments, estimates and assumptions, and Note 5 to the accompanying consolidated financial statements states the related disclosures.	We have performed the following procedures to audit revenue from contracts with customers: • Evaluate Company's policy of recognizing revenue in accordance with International Financial Reporting Standards (15) "Revenue from contracts with customers". • Evaluate the design and implementation of internal control related to revenue recognition. • Execute control tests on transactions related to the Group's revenues that were recorded in the financial statements in addition to the information technology system. • Review procedures performed by Management in order to determine the trade discount and the right of return. • Performed sample tests of individual sales transactions and traced to the supported documents. • Review the presentation and disclosures in Note 5 of the accompanying consolidated financial statements related to revenue from contracts with customers.

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362), Maher T. Al-Khatib (514), Ahmed F. Al-Jumah (621)
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Key audit matters (continued)

The key audit matter	How the matter was addressed in our audit
Provision of trade receivables	
The total balance of trade receivables - as of 31 December 2020 amounted to SR 105 million, against a provision for impairment of SR 4.8 million. The collectability of trade receivables is a major component of the Group's working capital management, which is managed on an ongoing basis. International Financial Reporting Standards (9) "Financial Instruments" requires management to identify and include expected credit losses. Significant judgments, estimates and assumptions are made by Management in the context of application of IFRS 9. Considering the material impact of IFRS 9 on the Group's trade receivables, and the complex calculation of expected credit losses, we considered this as key audit matter for review. Refer to Note 2 of the accompanying consolidated financial statements for the significant accounting policies, Note 3 to the accompanying consolidated financial statements for the relevant accounting judgments, estimates and assumptions, and Note 19 of the accompanying consolidated financial statements regarding the disclosure of the provision for impairment against receivables.	• We have assessed the significant judgments, estimates and assumptions made by management such as those used by management in calculating the probability of default and subsequent losses of default by comparing available data with historical data. • We have reviewed future factors (the main economic factors) which are important in showing the effect of future events on expected credit losses. • We have reviewed the methodology developed by management for calculating the impairment loss in accordance with IFRS 9. We also tested the mathematical accuracy and basic data used in the expected credit losses model. • We have evaluated the disclosures about the consolidated financial statements in accordance with the requirements of IFRS 9 and IFRS 7.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Other information included in the Group's 2020 annual report

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2020 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the SOCPA and the provisions of Companies' Law and the Parent Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF HALWANI BROTHERS COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.

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

Dr. Mohamed Al-Amri & Co.
Certified Public Accountants
Jeddah

20 Rajab, 1442(H)
4 March, 2021 (G)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020'

	Note	2020 SR	2019 SR
Revenue from contracts with customers	5	1,055,048,729	899,871,874
Cost of revenue		(697,921,241)	(668,869,325)
GROSS PROFIT		**357,127,488**	**231,002,549**
Selling and distribution expenses	7	(145,402,625)	(128,691,637)
General and administrative expenses	8	(64,952,498)	(52,117,622)
Impairment in property and equipment		(4,599,614)	-
Other income (expenses), net	6	2,388,516	(929,851)
PROFIT FROM OPERATIONS		**144,561,267**	**49,263,439**
Finance costs	9	(9,993,468)	(20,738,277)
Gain (loss) on derivative instruments at fair value through statement of comprehensive income	26	532,275	(1,178,689)
(Loss) / gain on foreign currency differences		(481,145)	670,913
PROFIT BEFORE ZAKAT AND INCOME TAX		**134,618,929**	**28,017,386**
Zakat	10(c)	(6,024,904)	(3,306,315)
Income tax	10(e)	(27,750,914)	(22,354,571)
NET PROFIT FOR THE YEAR		**100,843,111**	**2,356,500**
Other comprehensive income			
Profit /(losses) that can be reclassified to consolidated statement of profit or loss in subsequent periods			
Foreign currency differences	11	3,160,432	10,044,292
Other comprehensive income not to be reclassified to consolidated statement of profit or loss in subsequent periods:			
Change in assumptions of employee defined benefits' liabilities	11	(874,902)	(3,846,400)
Total comprehensive income		**2,285,530**	**6,197,892**
Total other comprehensive income for the year after zakat and income tax		**103,128,641**	**8,554,392**
EARNINGS PER SHARE			
Basic and diluted earnings per share for the year attributable to ordinary shareholders from operating profit	13	4.60	1.57
Basic and diluted earnings per share for the year attributable to ordinary shareholders from net profit	13	3.21	0.07

Chief Financial officer	Chief Executive officer	Chairman
Yasser Awad Abdelwahab Mohamed	Thamer Temairik	Abdulaziz M. Yamani

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 SR	2019 SR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	14	523,679,436	548,395,976
Intangible assets	15	1,446,206	4,507,344
Right of use assets	16	20,095,621	21,971,117
TOTAL NON-CURRENT ASSETS		**545,221,263**	**574,874,437**
CURRENT ASSETS			
Inventories	17	200,214,367	198,164,836
Trade receivables and other receivables	19	120,154,270	129,887,725
Cash and cash equivalent	20	77,180,188	40,124,303
TOTAL CURRENT ASSETS		**397,548,825**	**368,176,864**
TOTAL ASSETS		**942,770,088**	**943,051,301**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	21	314,285,730	314,285,730
Statutory reserve	22	142,857,150	142,857,150
Retained earnings		221,273,095	152,733,459
Foreign currency translation reserve		(144,829,000)	(147,989,432)
TOTAL SHAREHOLDERS' EQUITY		**533,586,975**	**461,886,907**
NON-CURRENT LIABILITIES			
Term loans	23	56,250,000	93,750,000
Islamic murabaha contracts	24	-	3,007,058
Deferred tax liability	10	453,474	1,396,449
Lease contract obligations	16	11,986,232	12,566,492
Employee defined benefits' liabilities	25	37,871,102	36,505,600
TOTAL NON-CURRENT LIABILITIES		**106,560,808**	**147,225,599**
CURRENT LIABILITIES			
Current portion of term loans	23	37,500,000	74,311,113
Current portion of islamic murabaha contracts	24	93,342,792	121,068,162
Current portion of lease contract obligations	16	5,149,427	5,893,249
Trade payables		77,926,192	67,025,945
Accrued expenses and other current liabilities	26	56,978,419	40,792,495
Zakat and income tax payable	10	31,725,475	24,847,831
TOTAL CURRENT LIABILITIES		**302,622,305**	**333,938,795**
TOTAL LIABILITIES		**409,183,113**	**481,164,394**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**942,770,088**	**943,051,301**

Chief Financial officer	Chief Executive officer	Chairman
Yasser Awad Abdelwahab Mohamed	Thamer Temairik	Abdulaziz M. Yamani

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the parent				
	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Total shareholders' equity
	SR	SR	SR	SR	SR
As at 1 January 2019	**285,714,300**	**142,857,150**	**182,794,789**	**(158,033,724)**	**453,332,515**
Bonus shares issued (Note 21)	28,571,430		(28,571,430)		
Net profit for the year	-	-	2,356,500	-	2,356,500
Other comprehensive income	-	-	(3,846,400)	10,044,292	6,197,892
Total comprehensive income	-	-	(1,489,900)	10,044,292	8,554,392
Balance at 31 December 2019	**314,285,730**	**142,857,150**	**152,733,459**	**(147,989,432)**	**461,886,907**
As at 1 January 2020	**314,285,730**	**142,857,150**	**152,733,459**	**(147,989,432)**	**461,886,907**
Net profit for the year	-	-	100,843,111		100,843,111
Other comprehensive income	-	-	(874,902)	3,160,432	2,285,530
Total comprehensive income	-	-	**99,968,209**	**3,160,432**	**103,128,641**
Dividends	-	-	(31,428,573)		(31,428,573)
Balance at 31 December 2020	**314,285,730**	**142,857,150**	**221,273,095**	**(144,829,000)**	**533,586,975**

Chief Financial officer
Yasser Awad Abdelwahab Mohamed

Chief Executive officer
Thamer Temairik

Chairman
Abdulaziz M. Yamani

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SR	2019 SR
OPERATING ACTIVITIES			
Profit before zakat and income tax		134,618,929	28,017,386
Adjustment to reconcile net income to net cash flows from operating activities:			
Depreciation of property, plant and equipment	14	39,024,508	36,700,600
Impairment of property, plant and equipment	14	4,599,614	-
Amortization of intangible assets	15	3,432,464	2,883,301
Depreciation of right of use assets	16	7,736,721	6,610,517
Provision for employee defined benefits' liabilities	25	4,186,400	4,443,396
(Gain)/loss on disposal of property, plant and equipment and intangible assets	6	(24,621)	239,203
(Gain)/loss on derivative instruments at fair value through statement of comprehensive income	26	(532,275)	1,178,689
Provision for expected credit losses	19	762,719	2,661,116
Provision for slow moving inventory	17	3,126,297	7,627,920
Provision for contingencies	26	3,326,556	41,983
Finance costs	9	9,993,468	20,738,277
Changes in items of operating assets and liabilities		**210,250,780**	**111,142,388**
Inventories		(5,175,828)	(12,101,483)
Trade receivables and other receivables		8,949,099	21,311,672
Due from/to related parties		388,958	(8,447)
Trade payables and other current liabilities		23,924,569	(25,191,996)
		238,337,578	**95,152,134**
Zakat paid	10(d)	(3,106,864)	(1,484,487)
Income tax paid	10(f)	(25,203,361)	(18,955,534)
Employee benefits' liabilities paid	25	(3,695,800)	(6,790,300)
Finance cost paid		(8,554,676)	(19,106,974)
Net cash generated from operating activities		**197,776,877**	**48,814,839**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(18,170,874)	(9,858,575)
Purchase of intangible assets	15	(369,194)	(1,127,031)
Proceeds from sales of property, plant and equipment		228,324	197,272
Net cash used in investing activities		**(18,311,744)**	**(10,788,334)**

The attached notes 1 to 35 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 SR	2019 SR
FINANCING ACTIVITIES			
Proceeds from islamic murabaha contracts		324,042,423	443,617,274
Payments of islamic murabaha contracts		(354,963,908)	(559,921,068)
Payment of lease liability		(8,443,322)	(9,153,815)
Proceeds from term loans	23	-	150,000,000
Payment of term loans	23	(74,700,000)	(65,675,764)
Dividends paid	27	(31,428,573)	-
Net cash used in financing activities		**(145,493,380)**	**(41,133,373)**
NET CHANGE IN CASH AND CASH EQUIVALENT		33,971,753	(3,106,868)
Net difference in foreign currency translation		3,084,132	6,476,246
Cash and cash equivalent at the beginning of the year		40,124,303	36,754,925
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	20	**77,180,188**	**40,124,303**
SIGNIFICANT NON-CASH TRANSACTIONS:			
Change effect in the differences of translation of foreign currencies	11	3,160,432	10,044,292
Amortization of deferred finance costs	23	388,887	1,074,236
Transfer from property, plant and equipment to right-of-use assets, net	14	-	4,274,603
Change in assumptions on employee defined benefits' liabilities	11	(874,902)	(3,846,400)
Grant shares issued	21	-	28,571,430

Chief Financial officer
Yasser Awad Abdelwahab
Mohamed

Chief Executive officer
Thamer Temairik

Chairman
Abdulaziz M. Yamani

The attached notes 1 to 35 form an integral part of these 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 Dhul-Qi'dah 1388H (corresponding to 7 July 1968G).

The Company is listed in the Capital Market Authority (CMA) in the Kingdom of Saudi Arabia. It is also 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, as shown in Note (31).

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of Halwani Brothers Egypt - a closed Egyptian Joint Stock Company - a wholly owned Subsidiary of the Parent Company, which is engaged in manufacturing, packaging and distribution of all foodstuffs (together referred as the "Group")

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

The consolidated financial statements have been prepared on a historical cost basis except for derivative instruments that are measured at fair value and employee benefit obligations where the actuarial's present value calculations are used. The consolidated financial statements are presented in Saudi riyals (SR), the Company's financial currency, unless otherwise stated.

2.2 Going concern assessment

The outbreak of novel coronavirus ("COVID-19") since early 2020, spread globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the Republic of Egypt. However, the Group managed to maintain its profitable position and incurred net profit of SR 100.8 million compared to SR 2.4 million in 2019, despite the lockdown period during second quarter of year ended 31 December 2020. The COVID-19 pandemic, though impacted the economic activities and businesses across the world, has not impacted the economic activity and the Group's business.

The Group's management has proactively assessed the impact on its operations and has taken a series of preventive measures, including the formation of ongoing crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and society as a wider range as well as to ensure the continuity of supplying its products in all its markets. Despite these challenges, the Group's business and operations are currently still largely unaffected as the food industry in general has been exempt from various bans and restrictions imposed by the various regulatory authorities. The primary demand from retail and wholesale customers on the Group's products was not affected to a large extent. Based on these factors, the Group's management believes that the COVID-19 epidemic has not had a significant financial impact on the Group's results that were reported for the year ended 31 December, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Going concern assessment(continued)

The extent and duration of these impacts remain uncertain and depends on future developments that cannot be predicted and accurately at present in terms of the rate of mutation of the emerging corona virus COVID-19 and the extent and effectiveness of the containment measures taken. The Group's management will continue to monitor the situation closely to update any developments that may affect its financial statements, although the management at this time is not aware of any expected factors that may affect the Group's operations during or after 2021.

2.3 Basis of consolidation

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 subsidiaries to bring their 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 consolidated statement of profit or loss. 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 December, 2020	Ownership percentage as at 31 December, 2019	The activity
Halwani Brothers Company (a closed Egyptian joint stock Company) (the "Subsidiary Company")	Alsharqia - Arab Republic of Egypt	100%	100%	manufacturing, packaging, canning and distribution of all foods.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the consolidated statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in consolidated statement of comprehensive income.

B) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the date of the consolidated statement of financial position, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the consolidated statement of financial position.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the consolidated statement of financial position, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the consolidated statement of financial position.

The Group classifies all other liabilities as non-current.

C) Fair value measurement

Financial instruments

The Group measures financial instruments, such as derivatives at fair value at each financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the assets or transfer the liabilities takes place either:

- In the principal market for the assets or liabilities, or
- In the absence of a principal market, in the most advantageous market for the assets or liabilities

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Fair value measurement (Continued)
The principal or the most advantageous market must be accessible by the Group.

The fair value of assets or liabilities is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of non-financial assets considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

D) Revenue from contracts with clients
Revenue is recognized from contracts with customers when control of the goods or services passes to the customer and at an amount that reflects the price that the Group expects to receive in exchange for those goods or services.
The following are the special considerations that must be met before revenue is recognized:

1) Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, volume rebates). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

- Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

- Rights of return

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

E) Expenses

All expenses, including operating expenses, general and administrative expenses and other expenses, are recognized and recognized in the consolidated statement of comprehensive income in the fiscal year in which such expenditure was incurred.

Selling and distribution expenses are those expenses relating to sales, distribution and other incidental expenses, and all other expenses are classified as general and administrative expenses.

F) Zakat and income tax

1) Zakat

The Parent Company measures and recognizes zakat provision for each fiscal period in accordance with the Regulations of the zakat and tax regulations in the Kingdom of Saudi Arabia and on accruals basis. The Zakat provision is charged to the consolidated statement of comprehensive income under a separate line item. Any additional liabilities, if any, are credited in the same fiscal period in which the assessments are approved.

2) Income tax

Income tax assets and liabilities for the current and previous periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the Arab Republic of Egypt.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial statements at the financial position date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, unused tax discounts and unused tax losses, to the extent that these temporary differences can be deducted from taxable profit, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each date of preparing financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are reassessed at each date of preparing financial position and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Zakat and income tax (continued)

2) Income tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at each date of preparing financial position.

Current and deferred tax relating are recognised as revenue or expense in consolidated statement of comprehensive income.
Current and deferred tax related to transaction or event is directly recognized in the shareholders' equity. It is directly recognized in the shareholders' equity deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to use current tax assets to settle current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3) Value addition tax (VAT)
Expenses and assets are recognised net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. When receivables and payables are stated with the amount of VAT included, the net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

G) Foreign currencies

i) Transactions and balances
The Group's consolidated financial statements are presented in SR, which is also the Parent Company's functional currency. Each entity in the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group elected to reuse profits and losses resulted from the direct method of combination, which is the method used to complete combination.

Transactions in foreign currencies are initially recorded by the Group's Companies at their respective functional currency prevailing rate at the date the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at the functional currency spot rate of exchange prevailing at the date of preparing consolidated statement of financial position.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investments of the subsidiary. These are transferred to the statement of comprehensive income until the net investment is disposed of. Then, they are recognised in the consolidated statement of comprehensive income. Tax charges and changes resulting from exchange differences on those monetary items are also recorded in consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on re-measurement of non-monetary items measured at fair value are treated in line with the recognition of gain or loss on change in fair value in the item (differences from translation of items which are recognized at change in fair value in the consolidated statement of comprehensive income are treated the same way).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) Foreign currencies (continued)

ii) Group's Companies
On consolidation, the assets and liabilities of foreign operations are translated into Saudi riyals (SR) at the rate of exchange prevailing at the date of preparing the consolidated financial statements and translation of the items in consolidated statement of comprehensive income at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are directly recognised in consolidated statement of comprehensive income. On disposal of a foreign operation, the OCI component relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the fair value of assets and liabilities credited by carrying amount arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate at the date of the consolidated financial statement.

H) Cash dividend and non-cash distribution to shareholders in the Parent Company

Cash or non-cash distributions to shareholders in the Parent Company are recognized as liabilities when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the Regulations for Companies in KSA, a distribution is authorized when it is approved by the shareholders. The directly distributed amount is deducted from shareholders' equity and recognised as a liability. Board of Directors has the right to recognize interim dividends, provided that dividends will be approved by the next general assembly.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon the distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of comprehensive income.

I) Property, plant and equipment

Projects under progress are stated at cost net of impairment loss, if any. Projects under progress include the cost of materials, building, construction and other costs directly attributed to delivering the asset to the location and prepare it to be able to operate in the way determined by the management. Project under progress are not depreciated.

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replaced parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognised in the carrying amount as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of comprehensive income as incurred.

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

Buildings	20 - 33 years
Machines and equipment	10-15 years
Furniture and fixtures	5-10 years
Computers	4 years
Vehicles	4-8 years
Spare parts not for sale	7.5 years

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I) Property, plant and equipment (Continued)

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the consolidated statement of comprehensive income when the asset is derecognised. The residual values, useful lives and depreciation methods for the assets are reviewed at the end of each fiscal year and adjusted prospectively whenever necessary.

K) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives.

If ownership of the leased asset transfers to the Company at the end of the lease term, or if the cost reflects the exercise of the purchase option, depreciation is calculated using the estimated useful life of the asset. Right of use assets are subject to impairment. Refer to the accounting policies included in the "Impairment of Non-Financial Assets" paragraph.

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale as part of the cost of the asset. All other costs are expensed in the period in which they are due. Borrowing costs consist of interest cost and other costs that an entity incurs in connection with the borrowing of funds.

M) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets (excluding capitalized development costs) are not capitalized and expenditure is recognized in the consolidated statement income when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expenses on intangible assets with finite lives are recognized in the consolidated statement income in the expense category consistent with the function of the intangible assets.

The following is the amortization period for intangible assets with finite useful lives:

Programs and other intangible assets	3-10 years

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income.

N) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through comprehensive income.

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (D) Revenue from contracts with customers.

In order for a debt financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial assets (continued)

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through comprehensive income.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost includes trade and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to statement of profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the consolidated statement of profit or loss when the right of payment has been established.
The Group uses derivatives financial instruments such as interest rate swap and currency swap to manage its interest rate and currency risks (Note 26).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) Financial instruments (continued)

i) Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through statement of profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below: Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortized cost (Loans and borrowings)
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in consolidated statement of profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of profit or loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

O) Derivative financial instruments
The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) Financial instruments (continued)

O) Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories Costs are accounted as follows:

- Raw materials: purchase cost on a weighted average basis
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

P) Impairment of non-financial assets

The Group assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of goods, are recognized in the consolidated statement of comprehensive income in expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the date of preparing each consolidated statement of financial position to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

Q) Cash and cash equivalents

Cash and cash equivalents comprise of cash at banks and in hand and term deposits convertible to know amounts of cash with original maturity of three months or less, which are not subject to risk of changes in value, if any.

For the purpose of preparing the consolidated statement of cash flows, cash and cash equivalents consist of cash at banks and in hand and short term deposits as defined above, net of bank overdrafts as they are considered an integral part of the Group's cash management.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

S) Employee benefits obligations

i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in statement of financial position.

ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net liability recognized in the statement of financial position in respect of defined benefit post-employment plans is the present value of the projected defined benefit obligation (DBO) at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of comprehensive income.

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

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of income as past service costs.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of income while unwinding of the liability at discount rates used are recorded as financial cost. The actuarial valuation process takes into account the provisions of the Saudi Arabian Labour and Workmen law as well as Company's policy.

2. SIGNIFICANT ACCOUNTING POLICIES

2.5 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

a. New standards, interpretations and amendments not yet effective

IFRS	Summary	Effective date
Annual Improvements to IFRS: 2018-2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.	1 January 2022
Conceptual Framework for Financial Reporting (Amendments to IFRS 3)	In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.	1 January 2022
IAS 16 (Amendment - Proceeds before Intended Use)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022
IAS 37 (Amendment - Onerous Contracts - Cost of Fulfilling a Contract)	In May 2020, the IASB issued amendments to IAS 37, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022
IAS 1 (Amendment - Classification of Liabilities as Current or Non-Current)	In January 2020, the IASB issued amendments to IAS 1, which clarify how an entity classifies liabilities as current or non-current. The amendments initially had an effective date of 1 January 2022, however, in July 2020 this was deferred until 1 January 2023 as a result of the COVID-19 pandemic. At the IFRS Interpretations Committee's December meeting, the Committee discussed the amendments due to feedback from stakeholders which indicated that the requirements of the amendments may be unclear. These amendments are expected to have a significant impact on many entities, with more liabilities being classified as current, particularly those with covenants relating to borrowings.	1 January 2023
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023
IFRS 17	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.	1 January 2023

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 STANDARDS, INTERPRETATIONS, AND AMENDMENTS TO EXISTING STANDARDS (Continued)

b. New standards, interpretations and amendments effective in the current year

The following are the new standards, interpretations and amendments to standards that are effective in the current year which have not given rise to changes in the Group's accounting policies and have no impact on its financial statements:

IFRS	Summary	Effective date
IAS 1 and IAS 8 (Amendment - Disclosure Initiative - Definition of Material)	Materiality decisions are common in determining the level of precision in applying accounting policies in practice. These amendments are a component of the IASB's 'Disclosure Initiative' project, which is intended to simplify financial statements and increase their usability.	1 January 2020
IFRS 3 (Amendment - Definition of Business)	As a result of the post-implementation review of IFRS 3, these amendments modify the definition of a business. These changes will result in fewer acquisitions being accounted for as a business combination within the scope of IFRS 3. The amendments also introduce an optional 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is a business.	1 January 2020
Conceptual Framework for Financial Reporting (Revised)	The Conceptual Framework contains the improved definitions that underpin all requirements in IFRS (e.g. the definition of an asset, liability, income, expense, the objectives of general purpose financial reporting, etc.).	1 January 2020
IBOR Reform and its Effects on Financial Reporting - Phase 1	The amendments modify the requirements relating to hedge accounting in order to provide relief from potential consequences of IBOR reform, during the period before the related changes to benchmark rates take place. Additionally, the standards were amended to require additional disclosures explaining how an entity's hedging relationships are affected by the uncertainties involving IBOR reform.	1 January 2020
IFRS 16 (Amendment - COVID-19-Related Rent Concessions)	In response to the COVID-19 pandemic, in May 2020 the IASB issued amendments to IFRS 16, which permits lessees not to assess whether a rent concession received meets the definition of a lease modification, if certain criteria are satisfied. Instead, lessees apply other applicable IFRS standards, which will often result in a rent concession being recorded as a negative variable payment.	1 June 2020

3. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities at the date of preparing the financial statements. Uncertainty about these assumptions and estimates could result in making material adjustments to the carrying amount of asset or liabilities affected in future years.

1) Critical judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

A) Component parts of property, plant and equipment

The Group's assets, classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

B) Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset)

2) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the consolidated financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Group based its assumptions and estimates on parameters available at the date of preparing the consolidated financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

A) Useful life of intangible assets

The Group's management determines the estimated useful lives of its intangible assets for calculating amortization. This estimate is determined after considering the expected benefit obtained from the usage of the intangible assets. Management reviews the carrying value and useful lives annually and future amortization charge would be adjusted where the management believes the useful lives differ from previous estimates.

B) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales of long-term transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the estimated budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is based on the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

3. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

2) Estimates and assumptions (Continued)

C) Provision for expected credit losses of trade receivables

By adopting IFRS 9, the Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for Groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 29.

E) Taxes

Uncertainties exist with respect to the interpretation of compound tax regulations, amount, and timing of taxable income in future. Given the wide range of international business relations, long-term nature, present structured contractual agreements and differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to income tax and expenses already recorded. Provisions, based on reasonable estimates, are recoded for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Group's domicile. Contingent liabilities are not recognized when the Group assesses the ability to start proceedings of litigation and the existence of cash flows for deferred funds.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant judgement by management is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

F) Employee benefit liabilities

The cost of defined benefit liabilities regarding employee's end of service are determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the commission rates of corporate bonds in currencies consistent with the currencies of the post-employment defined liabilities with at least an 'AA' rating or above, as set by an internationally acknowledged rating agencies, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the respective countries. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the respective countries and future salary increases.

3. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

2) Estimates and assumptions (Continued)

G) Fair value measurement of financial instruments

When the fair value of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the Discounted Cash Flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

H) Estimating variable consideration for returns

The Group estimates variable considerations to be included in the transaction price for the sale of products with rights of return and volume rebates. The Group developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

The Group has applied the following provisions that materially affect the determination of the amount and timing of revenue from contracts with customers:

- Determining performance obligations in a transaction of selling goods.
- Determine sales verification dates.
- Determining the method of estimating the variable price and evaluating the restrictions: Some contracts for the sale of goods include the right of return and a commercial discount, and this increases the variable price. In the context of estimating the variable price, the Group should use the expected value method or the most probable amount method based on choosing the best method by which to better forecast the amount of variable price that the Group is entitled to in exchange for the goods.
- The Group decided that the expected value method is the appropriate method to use in estimating the variable price of sales of goods with return rights based on the large number of customer contracts that have the same characteristics. In the context of estimating the variable price of sales of merchandise with a trade discount, the Group decided to use a combination of two methods: the most probable amount method and the expected value method. The chosen method is one that best predicts the amount of the variable price based on the number of quantitative ceilings included in the contract.

K) Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

L) Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on net realizable value, representing the estimated selling price net of the estimated costs to perform the sale.

3. CRITICAL JUDGEMENTS, SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

2) Estimates and assumptions (Continued)

H) Going concern

The Group's management has assessed the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis.

4. SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged in providing products or specific services (business segment) or providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from other segments. The Group uses the geographical segment only as it operates in manufacturing, filling, whole and retail trade of food products.

The financial information of assets and liabilities related to geographical sectors after excluding the effect of balances among companies of the Group as at 31 December as follows:

Segments 2020	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt in thousands SR	Reconciliation in thousands SR	Total in thousands SR
Total Assets	833,679	257,123	(148,032)	942,770
Total Liabilities	300,092	110,655	(1,564)	409,183
Capital expenditure incurred during the year	9,355	8,816	-	18,171
2019				
Total Assets	865,831	219,364	(142,143)	943,052
Total Liabilities	403,944	79,268	(2,048)	481,164
Capital expenditure incurred during the year	2,873	6,986	-	9,859

4. SEGMENT REPORTING (Continued)

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 years ended 31 December 2019 and 31 December 2020 is as follows:

Segments 2020	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt in thousands SR	Reconciliation in thousands SR	Total in thousands SR
Revenue	497,218	557,831	-	1,055,049
Expenses, net:				
Cost of inventory recognized as an expense	(318,137)	(379,451)	-	(697,588)
Employee benefits expenses	(113,073)	(59,575)	-	(172,648)
Depreciation and amortization	(39,563)	(10,631)	-	(50,194)
Company's share in the results of the subsidiary	80,423	-	(80,423)	-
Zakat	(6,025)	-	-	(6,025)
Tax	-	(27,751)	-	(27,751)
Segment profit for the year	**100,843**	**80,423**	**(80,423)**	**100,843**

Segments 2019	Kingdom of Saudi Arabia in thousands SR	Arab Republic of Egypt in thousands SR	Reconciliation in thousands SR	Total in thousands SR
Revenue	416,648	486,143	(2,920)	899,871
Expenses, net:				
Cost of inventory recognized as an expense	(345,134)	(336,941)	2,920	(679,155)
Employee benefits expenses	(100,072)	(46,433)	-	(146,505)
Depreciation and amortization	(38,240)	(7,954)	-	(46,194)
Company's share in the results of the subsidiary	72,460	-	(72,460)	-
Zakat	(3,306)	-	-	(3,306)
Tax	-	(22,355)	-	(22,355)
Segment profit for the year	**2,356**	**72,460**	**(72,460)**	**2,356**

Detailed revenue information from contracts with customers for geographical segments is shown in Note (5).

5. REVENUE FROM CONTRACTS WITH CUSTOMERS

5.1 Disaggregated revenue information

Segments 2020	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	268,229	60,661	-	328,890
Meat products	58,529	457,882	-	516,411
Other products	170,460	39,288	-	209,748
Total	**497,218**	**557,831**	**-**	**1,055,049**
Type of customers				
Key customers	152,872	212,290	-	365,162
Wholesalers	141,939	267,478	-	409,417
Retailers	104,934	26,402	-	131,336
Catering	40,297	13,910	-	54,207
Exports	53,456	37,751	-	91,207
Others	3,720	-	-	3,720
Total	**497,218**	**557,831**	**-**	**1,055,049**

Segments 2019	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	194,491	61,067	-	255,558
Meat products	42,653	394,110	(2,920)	433,843
Other products	179,504	30,966	-	210,470
Total	**416,648**	**486,143**	**(2,920)**	**899,871**
Type of customers				
Key customers	125,083	170,627	-	295,710
Wholesalers	102,055	237,321	-	339,376
Retailers	85,879	21,085	-	106,964
Catering	58,366	21,054	-	79,420
Exports	44,295	36,056	(2,920)	77,431
Others	970	-	-	970
Total	**416,648**	**486,143**	**(2,920)**	**899,871**

5. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

5.1 Disaggregated revenue information (Continued)

Geographical markets	2020 thousands in SR	2019 thousands in SR
Kingdom of Saudi Arabia	443,762	372,353
Arab Republic of Egypt	520,080	450,087
Other markets	91,207	77,431
	1,055,049	**899,871**

5.2 Contract balance

	2020	2019
Trade receivables (Note 19)	100,152,995	119,948,723

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

5.3 Assets for goods return right and goods return liabilities

	2020	2019
Goods return liabilities arises from right of goods return (Note 26)	14,246,394	13,497,994

5.4 Performance obligations

The performance obligation is satisfied when control of the asset is transferred to the customer, generally on delivery of the goods. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

6. OTHER INCOME (EXPENSES), NET

	2020	2019
Gain (Loss) on disposal of property, plant and equipment, and intangible assets	24,621	(239,203)
Other expenses, net	(866,505)	(961,744)
Other income, net	438,605	271,096
Export sales support income (*)	2,791,795	-
	2,388,516	(929,851)

(*) On October 18, 2020, the Subsidiary Company obtained revenues in exchange for export sales support from the Export Development Fund in Arab Republic of Egypt.

7. SELLING AND DISTRIBUTION EXPENSES

	2020 SR	2019 SR
Salaries, wages and benefits (Note 12)	63,066,750	51,167,511
Activation of sales and marketing expenses	25,060,678	21,073,933
Car expenses	10,171,477	8,175,728
Expenses for export sales activation	7,086,898	8,909,103
Distribution commissions	5,178,042	5,721,857
Depreciation of property, plant and equipment (Note 14)	4,529,544	3,685,910
Transfer and upload	4,295,165	4,762,427
Depreciation of right-of-use assets (Note 16)	3,597,285	3,361,600
Promotion expenses	3,346,236	2,267,813
Amortization of intangible assets (Note 15)	3,432,464	2,883,301
Car rental	3,189,880	3,941,533
Insurance	1,607,153	1,428,720
Provision of expected credit losses - trade receivable (Note 19)	762,719	2,661,116
Others	10,078,334	8,651,085
	145,402,625	**128,691,637**

8. GENERAL AND ADMINSTRATIVE EXPENSES

	2020 SR	2019 SR
Salaries, wages and benefits (Note 12)	34,304,785	26,950,115
Expenses and allowances for attending the sessions of the Board of Directors and related committees	5,226,076	2,842,129
Dividend withholding tax	3,860,542	1,208,242
Studies and consultations	3,493,405	3,902,842
Computer supplies	3,419,213	3,307,642
Depreciation of property, plant and equipment (Note 14)	2,228,008	2,548,119
Maintenance	1,870,652	2,894,179
Bank commissions	1,034,775	684,954
Insurance	735,647	578,597
Mail and phone	394,566	676,069
Travel expenses	273,228	992,954
Depreciation of right of use assets (Note 16)	154,985	150,106
Others	7,956,616	5,381,674
	64,952,498	**52,117,622**

9. FINANCE COST

	2020	2019
Term financing expenses, islamic murabaha contracts and other banking expenses	8,554,676	19,106,974
Lease contract financing expenses	1,438,792	1,631,303
	9,993,468	20,738,277

10. ZAKAT AND INCOME TAX

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

	2020	2019
Zakat provision (Note 10-d)	6,695,477	3,777,437
Income tax provision (Note 10-f)	25,029,998	21,070,394
	31,725,475	24,847,831

b) Zakat liabilities were calculated based on the consolidated financial statements of the Group, while tax was calculated based on standalone financial statements of the Subsidiary Company:

	2020	2019
Shareholders' equity	578,447,755	611,872,791
Adjusted profit, net	146,534,747	50,609,655
Others	92,227,289	68,182,153
Term finance	93,750,000	138,714,620
Property, equipment, spare parts and others	(710,192,235)	(739,587,106)
Zakat base	200,767,556	129,792,113

Differences between accounting and zakat net income are mainly due to disallowed allowances in calculating zakatable income.

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

	2020	2019
Charge during the year	6,024,904	3,306,315
	6,024,904	**3,306,315**

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

	2020	2019
Balance at the beginning of the year	3,777,437	1,955,609
Charge during the year	6,024,904	3,306,315
Paid during the year	(3,106,864)	(1,484,487)
Balance at the end of the year (Note 10-a)	6,695,477	3,777,437

e) Tax charged to the consolidated statement of income:

	2020	2019
Current income tax (Note 10-f)	28,716,805	23,391,140
Deferred tax income (Note 10-g)	(965,891)	(1,036,569)
	27,750,914	**22,354,571**

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

	2020	2019
Balance at the beginning of the year	21,070,394	14,811,377
Charge during the year (Note 10-e)	28,716,805	23,391,140
Paid during the year	(25,203,361)	(18,955,534)
Translation differences	446,160	1,823,411
Balance at the end of the year (Note 10-a)	**25,029,998**	**21,070,394**

g) Movement in deferred tax liabilities during the year consists of:

	2020	2019
Balance at the beginning of the year	1,396,449	2,231,964
Deferred tax (income) / expense during the year charged to income statement (Note h)	(965,891)	(1,036,569)
Translation differences	22,916	201,054
Balance at the end of the year (Note 10-a)	**453,474**	**1,396,449**

10. ZAKAT AND INCOME TAX (Continued)

h) Deferred tax, net recorded in statement of comprehensive income during the year:

	2020	2019
Change in deferred tax asset during the year:		
(Decrease) / increase in deferred tax asset	1,416,862	1,164,689
Decrease / (increase) in deferred tax liabilities	(450,971)	(128,120)
Total deferred tax (income) / expense reported (Note 10-e, 10-g)	**(965,891)**	**(1,036,569)**

i) A reconciliation between the tax profit and the accounting profit multiplied by the tax rate for the years 2019 and 2020:

	2020	2019
Earnings before income taxes	108,173,668	98,615,902
Reconciliation		
Non-deductible expenses	12,214,960	737,747
Other	2,948,766	-
Taxable income	123,337,394	99,353,649
Tax rate	22.5%	22.5%
Income tax expense is disclosed in the consolidated statement of comprehensive income	27,750,914	22,354,571

j) Zakat and tax assessment

Zakat assessment (Halwani Brothers Company - Saudi Arabia)

The Parent Company finalized its zakat assessment up to 31 December 2014.

The Parent Company filed zakat declarations for the years from 2015 to 2018 and obtained a zakat certificate until 2018. The General Authority for Zakat and Tax (GAZT) issued zakat assessments for the aforementioned years, which showed additional zakat differences due in the amount of SR 15.3 million, which was objected by the Company. The Company's management believes, according to the assessment of its zakat advisor, the outcome of the objection will be in its favor, and that the expected payment amount is SR 1.6 million, and accordingly, an additional provision was made by this amount.

The Parent Company filed the zakat returns for the year 2019 and obtained a zakat certificate. As GAZT did not issue the Zakat assessment for the mentioned year.

Zakat status (Halwani Brothers Company - Egypt)

1) Corporate taxation

- The Subsidiary is exempt from taxes according to Law 8 until December 31, 2005.
- The books and records of the Subsidiary Company until 2018 were examined and the tax due was paid.
- The books and records of the Subsidiary Company were not checked for the year 2019.
- The declarations were submitted until 2019 and the payment due on them based on the declarations in light of the provisions of Law 91 of 2015.

2) Value Added Tax

- The Company's books and records were examined until the year 2019, and the tax due was paid.
- The Company pays the dues based on the declarations on time.

10. ZAKAT AND INCOME TAX (Continued)

j) Zakat and tax assessment (Continued)

Zakat status (Halwani Brothers Company - Egypt) (Continued)

3) Business earning taxes
- The books and records of the Subsidiary Company until 2017 were examined, and the tax due was paid.
- The Subsidiary Company's books and records for the years 2018 and 2019 were not examined.

4) Stamp due taxes
- The books and records of the Subsidiary Company up to the year 2019 were examined, and the tax due was paid.

5) Tax deduction
- The third period has been paid for the year 2020, and there are no financial dues from the Subsidiary Company.

6) Real estate taxes
- Accounting and payment of dues have been completed until the year 2020, and there are no financial dues on the Subsidiary Company.

K) Value Added Tax
The Group is registered for VAT purposes in the Kingdom of Saudi Arabia (the Parent Company) and the Arab Republic of Egypt (the Subsidiary Company). The Group pays the VAT due based on the tax returns.

11. COMPONENTS OF OTHER COMPREHENSIVE INCOME / (LOSS)

	2020	2019
Exchange difference on translation of foreign operations (refer Note below)	3,160,432	10,044,292
Change in assumptions of employees' defined benefits liabilities (Note 25)	(874,902)	(3,846,400)
	2,285,530	**6,197,892**

Exchange difference arising on translation of foreign operations represents the accumulative difference of translating the net non-financial assets of the Subsidiary Company as at 31 December 2020. Exchange difference is as a result of translation of Egyptian Pound (EGP) (functional currency of the Subsidiary Company) to Saudi Riyals (SR) (functional and presentation currency of the Parent Company) as at 31 December. The Group manages its exposure to change in the exchange rate of EGP to SR (Note 29)

There was no impact on income tax as a result of the above amendments to these financial statements.

12. SALARIES, WAGES AND BENEFITS
Allocation of salaries, wages and benefits for the year was as follows:

	2020	2019
Cost of sales	74,803,323	67,939,504
Selling and distribution expenses (Note 7)	63,066,750	51,167,511
General and administrative expenses (Note 8)	34,304,785	26,950,115
	172,174,858	**146,057,130**

13. EARNINGS PER SHARE

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

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

	2020	2019
Net profit for the year attributable to shareholders of the Parent Company (SR)	100,843,111	2,356,500
Weighted average number of shares during the year (per share)	31,428,573	31,428,573
Basic and diluted earnings per share (SR)	3.21	0.07

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

	2020	2019
Operating profit for the year attributable to shareholders of the Parent Company (SR)	144,561,267	49,263,439
Weighted average number of shares during the year (per share)	31,428,573	31,428,573
Basic and diluted earnings per share (SR)	4.60	1.57

No transactions were performed in relation with ordinary shares or potential ordinary shares between the date of the consolidated statement of financial position and the date of authorization for issuance of these consolidated financial statements.

There were no components affecting the weighted average number of ordinary shares

14. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Machine and equipment	Furniture and fixture	Computers and software	vehicles	Spare parts not for sale	Work in progress	Total
Cost									
1 January, 2020	**61,577,307**	**299,173,027**	**383,871,797**	**7,845,744**	**8,045,228**	**52,275,214**	**1,596,249**	**4,110,384**	**818,494,950**
Additions	-	-	-	-	-	-	-	18,170,874	18,170,874
Disposals	-	-	(1,075,992)	(154,100)	(2,842,751)	(516,374)	-	-	(4,589,217)
Transfers	-	1,679,684	5,177,459	151,823	1,166,984	4,801,013	-	(12,976,963)	-
Translation differences	102,503	469,871	986,081	21,161	77,027	243,928	-	3,677	1,904,248
31 December, 2020	**61,679,810**	**301,322,582**	**388,959,345**	**7,864,628**	**6,446,488**	**56,803,781**	**1,596,249**	**9,307,972**	**833,980,855**
Accumulated depreciation									
Balance 1 January, 2020	-	**53,125,032**	**164,324,254**	**6,187,033**	**5,413,874**	**39,992,671**	**1,056,110**	-	**270,098,974**
Depreciation	-	9,689,467	22,870,773	792,077	1,372,858	4,086,500	212,833	-	39,024,508
Disposals	-	-	(1,033,835)	(154,100)	(2,776,959)	(420,620)	-	-	(4,385,514)
Impairment	-	-	4,599,614	-	-	-	-	-	4,599,614
Translation differences	-	181,431	580,294	12,410	45,962	143,740	-	-	963,837
Balance 31 December, 2020	-	**62,995,930**	**191,341,100**	**6,837,420**	**4,055,735**	**43,802,291**	**1,268,943**	-	**310,301,419**
Net book value									
31 December, 2020	**61,679,810**	**238,326,652**	**197,618,245**	**1,027,208**	**2,390,753**	**13,001,490**	**327,306**	**9,307,972**	**523,679,436**

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Lands	Buildings	Machine and equipment	Furniture and fixture	Computers and software	vehicles	Spare parts not for sale	Work in progress	Total
Cost									
1 January, 2019	61,017,528	295,139,509	392,917,151	8,341,322	8,555,082	47,640,479	1,596,249	4,617,151	819,824,471
Transfer to right of use assets (Note 16)	-	-	(7,378,150)	-	-	-	-	-	(7,378,150)
Additions	-	-	-	-	-	-	-	9,858,575	9,858,575
Disposals	-	-	(9,577,466)	(805,096)	(1,287,086)	(649,140)	-	-	(12,318,788)
Transfers	61,166	1,914,369	3,222,652	218,793	537,573	4,426,942	-	(10,381,495)	-
Translation differences	498,613	2,119,149	4,687,610	90,725	239,659	856,933	-	16,153	8,508,842
31 December, 2019	**61,577,307**	**299,173,027**	**383,871,797**	**7,845,744**	**8,045,228**	**52,275,214**	**1,596,249**	**4,110,384**	**818,494,950**
Accumulated depreciation									
Balance 1 January, 2019	-	**43,088,371**	**152,999,529**	**5,961,216**	**4,881,125**	**36,607,246**	**843,277**	-	**244,380,764**
Transfer to right of use assets (Note 16)	-	-	(3,103,547)	-	-	-	-	-	(3,103,547)
Depreciation	-	9,309,422	21,324,674	942,543	1,720,335	3,190,793	212,833	-	36,700,600
Disposals	-	-	(9,471,831)	(772,343)	(1,233,738)	(404,845)	-	-	(11,882,757)
Translation differences	-	727,239	2,575,429	55,617	46,152	599,477	-	-	4,003,914
	-								
Balance 31 December, 2019	-	**53,125,032**	**164,324,254**	**6,187,033**	**5,413,874**	**39,992,671**	**1,056,110**	-	**270,098,974**
Net book value									
31 December, 2019	**61,577,307**	**246,047,995**	**219,547,543**	**1,658,711**	**2,631,354**	**12,282,543**	**540,139**	**4,110,384**	**548,395,976**

14 ROPERTY, PLANT AND EQUIPMENT (continued)

a) The Parent Company's new industrial complex is constructed on a land leased from Saudi Industrial Property Authority ("Modon") for 25 years period starting from 16 Sha'ban 1428 H (corresponding 29 August 2007), the contract can be renewed for additional period.

b) At 31 December 2020, property, plant and equipment comprise assets fully depreciated in books but still operating with a cost of SR 99.5 million (2019: SR 97 million).

c) As of 31 December, 2020, the value of work in progress amounting to SR 9.3 million (December 31, 2019: SR 4.1 million) is represented in payments for the purchase of property, plant and equipment.

d) Property, plant and equipment includes a land amounting to SR 3.4 million, of which land title is in the process of being transferred to the Parent company's name.

e) Depreciation for the year was allocated in statement of comprehensive income as follows:

	2020	2019
Cost of sales	32,266,956	30,466,571
Selling and distribution expenses (Note 7)	4,529,544	3,685,910
General and administrative expenses (Note 8)	2,228,008	2,548,119
	39,024,508	**36,700,600**

15 INTANGIBLE ASSETS

	Programs	Trademark and franchise fees	Total
Cost :			
1 January, 2020	3,075,708	9,733,626	12,809,334
Additions	-	369,194	369,194
Translation differences	18,182	-	18,182
31 December, 2020	**3,093,890**	**10,102,820**	**13,196,710**
Accumulated amortization			
1 January, 2020	2,969,949	5,332,041	8,301,990
Amortization of the year	28,078	3,404,386	3,432,464
Translation differences	16,050	-	16,050
31 December, 2020	**3,014,077**	**8,736,427**	**11,750,504**
Net book value: 31 December, 2020	**79,813**	**1,366,393**	**1,446,206**

	Programs	Trademark and franchise fees	Total
Cost :			
1 January, 2019	3,037,361	8,606,595	11,643,956
Additions	-	1,127,031	1,127,031
disposal	(38,787)	-	(38,787)
Translation differences	77,134	-	77,134
31 December, 2019	**3,075,708**	**9,733,626**	**12,809,334**
Accumulated amortization			
1 January, 2019	2,881,881	2,512,326	5,394,207
Amortization of the year	63,586	2,819,715	2,883,301
Disposal	(38,343)	-	(38,343)
Translation differences	62,825	-	62,825
31 December, 2019	**2,969,949**	**5,332,041**	**8,301,990**
Net book value: 31 December, 2019	**105,759**	**4,401,585**	**4,507,344**

16. LEASE CONTRACTS

The Group as a lessee

The Group has lease contracts for several rental properties. The term of leases generally ranges from 9 to 13 years. The Group's obligations under these contracts are secured by the lessor's ownership of these properties. Many lease contracts include contract extension and termination options and variable lease payments detailed below. Not all leases contain variable payments.

The Group also has some contracts for properties with a minimum lease term of 12 months or less. The Group applies recognition exemptions for "short term leases" and "impaired asset leases" to these assets.

The following are the carrying values of the right-to-use assets and lease-contract liabilities included during the year and the movement they have experienced during the year:

a) Right-of-use assets are represented as follows:

	2020	2019
Cost :		
1 January	32,111,489	-
Transfer from property, plant and equipment (Note 14)	-	7,378,150
Impact of application of IFRS (16)	-	22,216,821
Additions during the year	6,493,416	1,520,503
disposal during the year	(1,403,875)	-
Translation differences	269,518	996,015
As at 31 December	**37,470,548**	**32,111,489**
Accumulated amortization		
1 January	(10,140,372)	-
Transfer from property, plant and equipment (Note 14)	-	(3,103,547)
Amortization of the year	(7,736,721)	(6,610,517)
Disposal during the year	627,450	-
Translation differences	(125,284)	(426,308)
As at 31 December	(17,374,927)	(10,140,372)
Net book value as at 31 December	**20,095,621**	**21,971,117**

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

	2020	2019
Cost :		
January 1	18,459,741	-
Transfer from Obligations of financial lease contracts	-	2,748,496
Impact of application of IFRS (16)	-	20,832,992
Additions during the year	6,382,614	2,030,030
Interest expense	1,438,792	1,631,303
Payments	(8,443,322)	(9,153,815)
disposal during the year	(798,760)	-
Translation differences	96,594	370,735
As at December 31	**17,135,659**	**18,459,741**
Current portion	(5,149,427)	(5,893,249)
Non-Current portion	**11,986,232**	**12,566,492**

16. LEASE CONTRACTS (Continued)

The Group recorded the interest expense in relation to the lease liabilities under "finance charges" and recorded depreciation expense related to the right of use assets for the year ended 31 December as follows:

	2020	2019
Cost of sales	3,984,451	3,098,811
Selling and distribution expenses (Note 7)	3,597,285	3,361,600
General and administrative expenses (Note 8)	154,985	150,106
	7,736,721	**6,610,517**

The Group has cash flows totaling SR 17.1 million against the lease contracts as on 31 December, 2020 (2019: SR 21.9 million).

	2020	2019
Within one year	5,149,427	6,993,242
More than 1 to 5 years	8,596,158	11,311,097
More than 5 years	3,390,074	3,628,373
	17,135,659	**21,932,712**

The Group does not have any potential future lease payments during the next five years from the date of the consolidated statement of financial position in respect of periods that come after the date of exercising the extension and termination options not included in the term of the lease contract.

17. INVENTORY

	2020	2019
Raw materials	106,071,956	117,145,151
Finished goods	52,860,467	40,128,388
Packing material	28,113,718	25,626,969
Work in progress	1,339,129	1,475,954
Spare parts	18,141,972	16,723,237
Others	642,500	616,426
	207,169,742	201,716,125
Provision for slow moving inventory and obsolete inventories (see below)	(11,160,697)	(8,417,905)
	196,009,045	**193,298,220**
Goods in transit	4,205,322	4,866,616
	200,214,367	**198,164,836**

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

	2020	2019
Balance at the beginning of the year	8,417,905	1,188,597
Addition during the year	3,126,297	7,627,920
Write- off during the year	(416,606)	(529,549)
Translation differences	33,101	130,937
Balance at the end of the year	**11,160,697**	**8,417,905**

18. 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:

Dallah Trading Company	An affiliate owned by one of the major shareholders
Textile and Garment Company Ltd.	An affiliate owned by one of the major shareholders
Ismailia Poultry Company-Egypt	An affiliate owned by one of the major shareholders
Watan creativity Company for retail trade	Party to one of the members of the Board of Directors
Albaraka Bank	Party to one of the members of the Board of Directors
Fadeel Halwani	Related party by one of the major shareholders
Affiliates of the Parent Company	Related parties
Key management	Related parties
Board members	Related parties

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

	(Nature of transaction)	Transaction during the year		As at 31 December	
		2020	2019	**2020**	2019
		SR	SR	**SR**	SR
Fadheel Halwani	No transactions	-	-	-	2,729,352
Other parties	Different transactions	591,262	1,645,676	680,835	805,846
				680,835	**3,535,198**
Less: impairment of the value of related parties (Note below)				(612,912)	(3,445,638)
				67,923	**89,560**

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

	2020	**2019**
Balance at the beginning of the year	3,445,638	2,729,352
Addition during the year	38,148	716,286
Allowances reversal	(141,522)	-
Write- off during the year	(2,729,352)	-
Balance at the end of the year	**612,912**	**3,445,638**

18. RELATED PARTIES TRANSACTIONS AND BALANCES

b) Due to related parties

Due to related parties (accruals and other payable)	(Nature of transaction)	Transaction during the year		As at 31 December	
		2020 SR	2019 SR	2020 SR	2019 SR
Dallah Trading Company	Maintenance and spare parts contract	615,817	552,099	-	73,555
Textile and Garment Company Ltd.	Maintenance and spare parts contract	137,907	156,308	15,180	-
Ismailia Poultry Company-Egypt	Purchase of raw materials	3,979,803	3,403,030	641,957	89,235
Other parties	Various transactions	191,601	8,358,494	44,680	171,706
				701,817	**334,496**

Due to related parties (Islamic Murabaha)	*(Nature of transaction)*	Transaction during the year		As at 31 December	
		2020 SR	2019 SR	2020 SR	2019 SR
Albaraka Bank*	Islamic murabaha and current accounts	808,623	2,145,354	1,983,065	4,974,989
				1,983,065	**4,974,989**

*Al Baraka Bank balance is allocated as follows:

	2020	2019
Current accounts with banks (Note 20)	2,752,733	547,649
Islamic murabaha (Note 24)	(4,735,798)	(5,522,638)
	(1,983,065)	**(4,974,989)**

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

The Group's key management consists of senior executives of the Group who are responsible for planning, directing and supervising the Group's activities.

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

	(transaction)	Relation	*transactions*	
			2020 SR	2019 SR
Top management	Salaries and compensation	Parent Company	12,592,196	9,628,236
		Subsidiary Company	2,997,874	2,040,405
	End of service benefits	Parent Company	454,374	375,659
Board of Directors	Rewards	Parent Company	2,700,000	-
		Subsidiary Company	473,272	428,928
The Board of Directors and the relevant committees	Expenses and allowances for attending the meetings	Parent Company	2,052,804	2,413,201

18. RELATED PARTIES TRANSACTIONS AND BALANCES

D) Terms and conditions related to transactions with related parties:

Transactions with related parties are conducted on equal terms as other normal terms for clients. The balances due to the related parties are paid within 60 days. They are not against any guarantees nor carry any interest and are paid in cash. Transactions are also approved by the Board of Directors.

19. TRADE RECEIVABLES AND OTHER RECEIVABLES

	2020 SR	2019 SR
Trade receivables	104,983,429	142,438,724
Allowance for expected credit losses (Note 19(a) below)	(4,830,434)	(22,490,001)
Trade receivables , net	**100,152,995**	**119,948,723**
Due from related parties (Note 18)	67,923	89,560
Prepaid expenses	1,872,750	1,457,505
Employee loan (Note 19(c) below)	2,307,027	2,404,209
Advance payments to suppliers (Note 19(c) below)	10,461,148	1,877,478
Other receivables (Note 19(c) below)	5,292,427	4,110,250
	120,154,270	**129,887,725**

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

	2020 SR	2019 SR
Balance at the beginning of the year	22,490,001	31,591,979
Addition during the year (Note 7)	762,719	2,661,116
Payment during the year (Note d)	(18,455,490)	(11,996,092)
Translation differences	33,204	232,998
Balance at the end of the year	**4,830,434**	**22,490,001**

b) Customers' trade receivables have been reduced by receivables from customers in exchange for promotional activities, and sales returns. The balance of these receivables as of 31 December, 2020 amounted to SR 6.5 million (2019: SR 7.9 million).

c) Employee receivables, advances to suppliers and other receivables as of 31 December, 2020, amounts to SR 6.8 million, net of allowances (2019: SR 7.4 million).

d) During 2020, the Company's Board of Directors decided to write off bad debt amounting to SR 18.5 million.

20. CASH AND BANK BALANCES

	2020 SR	2019 SR
Cash on hand and at bank	71,781,713	35,886,357
Cheques under collection	5,398,475	4,237,946
	77,180,188	**40,124,303**

21. SHARE CAPITAL

On 21 March, 2019 (corresponding to Rajab 14, 1440H), the Board of Directors recommended the Parent Company to increase its Capital to SR 314.29 million by issuing one bonus share for every 10 outstanding ordinary shares. The Company's General Assembly approved the increase in 5 August, 2019, and accordingly, the Company's Articles of Association were amended on 30 September, 2019 and approvals were obtained from the Capital Market Authority, and the Ministry of Commerce and Investment. Thus, the Parent Company issued and fully paid up capital amounts to SR 314,285,730 divided into 31,428,573 shares, each share value of SR 10 as on 31 December, 2019, and there has been no change in the Company's capital during the year 2020.

On 27 December, 2020, the Board of Directors recommended the Parent Company to increase its capital to SR 353,571,446 million through the issuance of 1 share for every 8 shares held, a 12.5% increase in capital. The increase will amount to SR 39,285,716 from statutory reserve. The statutory procedures have not been completed as of the date of these consolidated financial statements.

22. STATUTORY RESERVE

In accordance with the Companies Law and the Parent Company's by-laws, the Parent Company must transfer 10% of its profit in each year to the statutory reserve. The Parent Company may cease such transfers when the statuary reserve equals 30% of the capital. As the Parent Company has achieved this in previous years, it has decided to discontinue such transfer.

23. TERM LOAN

	2020	2019
	SR	SR
Saudi Industrial Development Fund financing (Note a)	-	36,811,113
Banque Saudi Fransi financing (Note b)	93,750,000	131,250,000
Balance as at 31 December	**93,750,000**	**168,061,113**

a) On 15 June 2010, the Group signed a term loan facility agreement with Saudi Industrial Development Fund ("SIDF") at an amount of SR 165.2 million to finance new industrial complex project in Jeddah, Kingdom of Saudi Arabia. All existing property, plant and equipment of the new project and those to be constructed were pledged as a security against the facility. The facility balance was withdrawn in full by the Group. As per the terms of the agreement, the loan is payable in semi-annual instalments as per the agreed terms, and the last instalment is due in 2020.

The Company paid the remaining balance of SR 37.2 million during the period and accordingly, the property, plant and equipment were released during the year (31 December 2019: SR 48 million). The facility entails a prepaid fee of SR 12.5 million, recorded as deferred financing charges and accounted for at amortized cost using appropriate market rate under the EIR method.

The movement in SIDF loan during the year was as follows

	2020	2019
	SR	SR
Balance as at 1 January	37,200,000	85,200,000
Payment during the year	(37,200,000)	(48,000,000)
Balance as at 31 December	-	**37,200,000**
Less: Deferred financing costs (Note a below)	-	(388,887)
Balance as at 31 December	-	**36,811,113**
Less: current portion	-	(36,811,113)
Non-current portion	-	-

23. TERM LOAN (Continued)

b) During the year 2019, the Parent Company signed a financing agreement (Tawarruq) with Banque Saudi Fransi in the amount of SR 150 million. The balance of the financing has been completely withdrawn by the Parent Company. In accordance with the terms of the agreement, the financing is due in quarterly installments of SR 9,375 million, starting from 30 September, 2019, and the last installment is due on 30 June, 2023. The financing entails financing fees (at the prevailing rate in the Saudi interbank market plus a profit margin), the financing was secured by bonds issued to the bank.

The movement in Banque Saudi Fransi loan during the year was as follows

	2020	2019
	SR	SR
Balance as at 1 January	131,250,000	-
Proceed during the year	-	150,000,000
Payment during the year	(37,500,000)	(18,750,000)
Balance as at 31 December	93,750,000	131,250,000
Less: current portion	(37,500,000)	(37,500,000)
Non-current portion	**56,250,000**	**93,750,000**

The following table represents the remaining installments value of the entire financing amount as at 31 December:

	2020	2019
	SR	SR
2020	-	37,500,000
2021	37,500,000	37,500,000
2022	37,500,000	37,500,000
2023	18,750,000	18,750,000
	93,750,000	**131,250,000**

24. ISLAMIC MURABAHA CONTRACTS

The carrying value of the Islamic Murabah contracts as at 31 December is as follows:

Finance type	*Notes*	Currency	Amount in original currency		Amount in Saudi Rails	
			2020	2019	**2020**	2019
			SR	SR	**SR**	SR
Tawaruq	a	Saudi Riyals	80,000,000	87,998,212	80,000,000	87,998,212
Tawaruq	a	Saudi Riyals	-	28,181,926	-	28,181,926
Murabah (Note 8)	b	Egyptian Pound	19,902,528	23,679,250	4,735,798	5,522,638
Murabah	b	Egyptian Pound	36,171,503	10,172,258	8,606,994	2,372,444
Total facilities					**93,342,792**	**124,075,220**
Less: current portion					(93,342,792)	(121,068,162)
Non-current portion (Note b)					-	3,007,058

a) The Parent Company entered into short-term islamic murabaha (Tawaruq) contracts with local banks in the Kingdom of Saudi Arabia. These murabaha are paid within a period of three to eight months and the Parent Company pays financing burdens on financing according to the prevailing market rate among Saudi banks plus a profit margin, as on 31 December, 2020, the outstanding balance of these contracts amounted to an amount of SR 80 million (December 31, 2019: SR 116.2 million). The murabaha was guaranteed by promissory notes issued to the banks.

b) The Subsidiary Company has entered into short and long-term murabaha contracts with local banks in the Arab Republic of Egypt to finance its operations. The Subsidiary Company pays financing charges according to prevailing market rate. As of 31 December, 2020, the outstanding balance of these contracts amounted to an amount of SR 13.3 million (31 December, 2019: SR 7.9 million) there is no non-current portion (31 December, 2019: SR 3 million).

25. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS

	2020 SR	2019 SR
Balance as at 1 January	36,505,600	35,006,104
Current service cost	3,338,900	3,415,896
Finance costs	847,500	1,027,500
Paid during the year	(3,695,800)	(6,790,300)
Actuarial loss recognized during the year	874,902	3,846,400
Balance as at 31 December	**37,871,102**	**36,505,600**

Net benefit expense (recognized in the consolidated statement of comprehensive income) is as shown below:

	2020 SR	2019 SR
Current service cost	3,338,900	3,415,896
Finance costs	847,500	1,027,500
Net benefit expense	**4,186,400**	**4,443,396**

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

	2020 SR	2019 SR
Financial assumptions	(1,619,500)	(3,553,400)
Experience	2,494,402	6,783,500
Demographic assumptions	-	616,300
Total actuarial loss during the year	**874,902**	**3,846,400**

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

	2020	2019
Discount rate	1,70%	2,80%
Salary increase rate	3%	5%
Turnover rate	14%	14%
Average retirement age (years)	60 Year	60 Year

The effect of change in one of the actuarial assumptions that has reasonable change in the rate in the defined benefit obligation, with all other variable assumptions constant is presented as follows:

	2020 SR	2019 SR
Discount rate +0.25%	37,424,600	36,061,000
Discount rate -0.25%	38,330,400	36,963,200
Salary increase +0.25%	38,324,900	36,953,600
Salary increase -0.25%	37,427,700	36,068,100

25. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (Continued)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.
The following payments are expected in future years in respect of defined benefit plan:

	2020	2019
	SR	SR
Within the next 12 months (next annual reporting period)	8,418,300	7,988,700
Between 2 and 5 years	17,777,100	17,040,100
Between 5 and 10 years	18,083,400	18,426,876
Net benefit expense	**44,278,800**	**43,455,676**

The average duration of the defined benefit plan obligation at the end of the reporting period is 4.82 years (2019: 4.95 years).

26. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2020	2019
	SR	SR
Accrued expenses	11,109,304	9,975,273
Due to related parties (Note 18)	701,817	334,496
Advances from customers	3,385,108	2,613,772
Liabilities arising from the rights to return the goods	14,246,394	13,497,994
Employee accruals	16,196,463	6,011,615
Subsidiary Company tax receivables	5,756,893	2,346,418
Financial derivatives (*)	646,414	1,178,689
other	4,936,026	4,834,238
	56,978,419	**40,792,495**

(*) The Parent Company entered into a financial derivative contract to swap interest rates with a local commercial bank to meet interest rate fluctuations. As on 31 December, 2020, the fair value of the contract amounted to SR 646,414 (31 December, 2019: SR 1,178,689). Consequently, the Parent Company recorded profits during the year ended 31 December, 2020, amounting to SR 532,275 (2019: losses of SR 1,178,689). The nominal value of the interest rate in a swap contract as of December 31, 2020, amounted to SR 93,750,000 (2019: SR 131,250,000) (Note 23).

27. DIVIDEND

On May 14, 2020, the Extraordinary General Assembly approved, at its first meeting, the Board of Directors' proposal to distribute dividends to shareholders for the fiscal year ended on December 31, 2019, at an amount of SR 31,428,573 at a rate of SR 1 per share, equivalent to 10% of the par value of the share.

28. CONTINGENT LIABILITIES

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

	2020 SR	2019 SR
Letters of guarantee and documents for collection issued by banks	6,006,007	7,447,365

29. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are part of the Group's operations and are managed through a continuous mechanism including the identification and then assessment of risks with follow up in line with other approved restrictions and controls. Risk management is important for the Group's ability to achieve gains. Every employee in the Group is responsible for risk management related to his roles and responsibilities. The Group is exposed to market risk, commission rate risk, currencies risk, credit risk and liquidity risk.

Market risk
Market risk is the risk that the fair value arising from future cash flows of financial instruments will fluctuate because of changes in market prices. Market prices comprise of three types of risk: commission rate risk, currency risk, goods and other prices risk. Financial instruments affected by market risk include term loans and derivative financial instruments.

a) Commission rate risk
Commission rate risk is the risk of fluctuation of financial instrument value due to changes in interest rates in market and arises from the possibility of fluctuation of commission rates will affect future profitability or fair value of the financial instruments.

The Group is subject to commission rate risk on its commission bearing liabilities, including bank finance and Islamic murabaha contracts. The sensitivity of the income is the effect of the assumed changes in commission rates, with all other variables held constant, on the Group's profit for one year based on the floating rate financial liabilities held at 31 December 2020.

b) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The effect of the fluctuations in the exchange rates of the Egyptian Pound is shown below. 53% of the Group's sales for the year ended 31 December 2020 represents the sales of the Subsidiary Halwani Brothers Company - Egypt (31 December 2019: 54%) where the Egyptian Pound is used as the operational currency.

As at 31 December 2020, Group's financial assets and financial liabilities denominated in foreign currencies related to the Subsidiary Company (mainly in Egyptian Pound) amounted to SR 99.8 million and SR 83.6 million (2019: SR 58.5 million and SR 56.8 million), respectively.

The Parent Company did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The Group manages the currencies rates risk through monitoring the changes in the currencies rates continuously and taking the appropriate decisions.

c) Raw material price risk
The Group is using various raw materials as production inputs in its production process. Such raw materials are subject to price fluctuations that may affect the business results of the Group. To minimise such risk, the management monitors the prices of raw materials and take the decisions to purchase in view of price forecasts.

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk
Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. The 10 largest customers represent 43% of the outstanding accounts receivable as at 31 December 2020 (2019: 55%).

Impairment analysis is performed at each reporting date using an ECL matrix. Provision rates are based on past due days for different customer segments with similar loss patterns (by geographic sector, product type, customer type, and rating). The calculation reflects the probability weighted outcome, time value of money, reasonable and supportive information available at the date of the financial report about past events, current conditions and expectations of future economic conditions.

Trade receivables are written off if it is ascertained that they are not collected after the approval of the Group's Board of Directors. They are not subject to the application activity if the cost of this activity is expected to be higher than the benefit of doing so. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as shown in Note 19. The Group does not hold collateral. The Group assesses the concentration of risk in relation to trade receivables and impaired contract assets since the Group's clients are spread in countries with different legislations and operate in markets that are largely independent of each other.

Set out below is the information about the credit risk exposure on the Group’s trade receivables and contract assets using a provision matrix:

31 December 2020		*Trade receivables Days past due*					
	Not due SR	*< 90 days SR*	*91-180 days SR*	*181-270 days SR*	*271-360 days SR*	*360< days SR*	*Total SR*
Expected credit loss rate	0.2%	2.05%	5.43%	4.66%	63.69%	100%	
Estimated total gross carrying amounts at default	44,814,584	45,711,423	6,149,167	4,484,138	1,586,370	2,237,747	104,983,429
Expected credit loss	103,895	935,853	333,754	208,820	1,010,365	2,237,747	4,830,434

31 December 2019		*Trade receivables Days past due*					
	Not due SR	*< 90 days SR*	*91-180 days SR*	*181-270 days SR*	*271-360 days SR*	*360< days SR*	*Total SR*
Expected credit loss rate	0.4%	7.00%	12.1%	47.7%	84.8%	99%	
Estimated total gross carrying amounts at default	97,490,881	21,965,933	2,155,605	471,444	491,477	19,863,384	142,438,724
Expected credit loss	393,856	1,526,878	260,726	224,647	416,869	19,667,025	22,490,001

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

With respect to credit risk arising from the other financial instruments of the Group, the Group's exposure to credit risk arises from default of the counter parties, with a maximum exposure equal to the carrying amounts of these instruments

Business risk
Business risks arise from several external factors including epidemic diseases that generally affect processed meat industry. Other risk may arise from the possible shortage of agriculture crops used as basic raw materials in food industry. To reduce such risks the management monitors such risks and takes the appropriate decisions according to the situation.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet commitments associated with financial obligations when they fall due. The Group monitors its liquidity requirements on monthly basis and the management ensures that cash is available to meet any obligations when they arise. And to manage such risks, the Group periodically evaluates the available bank facilities to ensure sufficient liquidity to meet the future financial obligations when due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Approximately 74% of the Group's debt will mature in less than one year at 31 December 2020 (2019: 69.4%) based on the carrying value of borrowings reflected in the financial statements. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2020	1- 12 months SR	1 to 2 years SR	> 2 years SR	Total SR
Trade payables	77,926,192	-	-	77,926,192
Accruals and other liabilities	56,978,419	-	-	56,978,419
Term loans	37,500,000	37,500,000	18,750,000	93,750,000
Islamic murabaha contracts	93,342,792	-	-	93,342,792
Lease contract obligation	5,149,427	5,175,890	6,810,342	17,135,659
	270,896,830	**42,675,890**	**25,560,342**	**339,133,062**

29. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

	1- 12 months	1 to 2 years	> 2 years	Total
31 December 2019	SR	SR	SR	SR
Trade payables	67,025,945	-	-	67,025,945
Accruals and other liabilities	40,792,495	-	-	40,792,495
Term loans	74,311,113	75,000,000	18,750,000	168,061,113
Islamic murabaha contracts	121,068,162	3,007,058	-	124,075,220
Obligation under finance leases	5,893,249	4,564,147	8,002,345	18,459,741
	309,090,964	**82,571,205**	**26,752,345**	**418,414,514**

CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes capital, retained earnings and reserves. The primary objective of the Group's capital management is to maximise the shareholders' return. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders. In order to achieve this overall objective, the Group's capital management, amongst other things, aims at ensuring that it meets financial covenants attached to finance contracts with a profit rate and that define capital structure requirements.

Breaches in meeting the financial covenants would permit the banks to immediately call financing. The Group's policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

There are no breaches of financial covenants for any of the facility contracts existing at the date of the consolidated statement of financial position that entail profit rates during the current period.

	2020 SR	2019 SR
Interest-bearing loans and facilities	204,228,451	310,596,074
Trade and other credit balances	134,904,611	107,818,440
Less: Cash on hand and at banks and checks under collection	(77,180,188)	(40,124,303)
Net debt	261,952,874	378,290,211
Ordinary shares	314,285,730	314,285,730
Statutory reserve	142,857,150	142,857,150
Retained earnings	221,273,095	152,733,459
Foreign currency translation reserve	(144,829,000)	(147,989,432)
Total equity	**533,586,975**	**461,886,907**
Equity and net debt	**795,539,849**	**840,177,118**
Motion rate	33%	45%

No changes were made to the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019

30. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group's financial assets consist of cash in hand and at banks, trade and other receivables and due from related parties, while its financial liabilities consist of supplier's trade payables, Islamic murabaha contracts, term loan, obligation under finance leases, bank overdraft and due to related parties. As at 31 December 2018, these financial assets and liabilities are measured at amortized cost and there were no any other financial instruments and amounts for the Group measured at fair value.

30.1 Financial assets

	2020 SR	2019 SR
Trade and other receivables	120,154,270	129,887,725
Cash on hand and at banks and checks under collection	77,180,188	40,124,303
	197,334,458	**170,012,028**

30.2 Financial liability

	2020 SR	2019 SR
Trade payables	77,926,192	67,025,945
Payables and other credit balances	56,978,419	40,792,495
Islamic Murabaha contracts	93,342,792	124,075,220
Term loans	93,750,000	168,061,113
Lease contract obligations	17,135,659	18,459,741
	339,133,062	**418,414,514**

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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

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.

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

30. FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurement using

Liabilities measured at fair value	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		SR	SR	SR	SR
Financial derivatives (Note 26)	31 December 2020	646,414	-	646,414	-

Fair value measurement using

Liabilities measured at fair value	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		SR	SR	SR	SR
Financial derivatives (Note 26)	31 December 2019	1,178,689	-	1,178,689	-

The Group enters into derivative financial instrument principally with financial institutions having investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs is interest rate swaps. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations.

As at 31 December 2020 and 31 December 2019, the fair values of the Group's financial instruments are estimated to approximate their carrying values and are classified under level 2 of the fair value hierarchy. Fair value of trade receivables as at 31 December 2020 and 31 December 2019 is carrying amount because of short term nature of the balance.

Fair values of the Group's borrowings are determined by using discounted cash flows method using discount rate that reflects the borrowing rate as at the end of the reporting period. As at 31 December 2020 and 31 December 2019, the carrying amounts of borrowings were not materially different from their calculated fair values.

During the year ended 31 December 2020 and 2019, there were no movements between the hierarchy levels

31. COMPANY BRANCHES

Branch name	CR number	city
1	1010062529	Riyadh
2	1131009885	Bredah
3	2050021082	Dammam
4	3550019554	Tabuk
5	4030289283	Jeddah
6	4030296025	Jeddah
7	4030289284	Jeddah
8	4030289281	Jeddah
9	4030132194	Jeddah
10	4030120191	Jeddah
11	4031023161	Makkah
12	4030016296	Jeddah
13	4030016267	Jeddah
14	4032009936	Taif
15	4650007871	Almadinah
16	4030296028	Jeddah
17	4030289434	Jeddah
18	4030289287	Jeddah
19	4030289286	Jeddah
20	4030289285	Jeddah
21	4030289282	Jeddah
22	5855011496	Khamis Mushait
23	4700001129	Yanbu

32. IMPACT OF COVID 19

The outbreak of novel coronavirus ("COVID-19") since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia. The declaration of this pandemic by the World Health Organization necessitated the Group's management to revisit its significant judgments in applying the Group's accounting policies and the methods of computation and the key sources of estimation during the current year ended 31 December 2020.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Group's management carried out an impact assessment on the overall Group's operations and business aspects including factors like supply chain, travel restrictions, product demand, etc. and concluded that, as of the issuance date of these consolidated financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective development and will take further actions as necessary and appropriate in response to the economic disruption and other COVID-19 consequences.
Below are the key assumptions about the future and other key sources of estimations that may have significant risk of causing a material adjustment to these consolidated financial statements:

a) Provision of expected credit losses (ECL) of trade receivables

The uncertainties caused by COVID 19 has required the Group to reassess the input and assumptions used for the determination of ECL as at year end. The Group has considered the relevant forward-looking information with respect to; macro-economic scenario of the market it operates in; significant increase in credit risk; and assessing the indicator of impairment for the exposure in potentially affected sector.

32. IMPACT OF COVID 19 (Continued)

In determining the recoverability of trade receivables, the Group considers any significant change in the credit quality of trade receivables from the date credit was initially granted up to the reporting date. Since the majority of trade receivable are secured against guarantees or letter of credits, management believes that the allowance for ECL at the reporting date is appropriate (Refer Note 18).

b) Impairment of non-financial assets

Referring to the improved financial performance of the Group reported in these consolidated financial statements despite COVID-19 pandemic and going concern assessment mentioned in Note 2.4, management believes that the COVID-19 does not give rise to any impairment indicator. Accordingly, no impairment assessment is performed by the management.

c) Fair value of financial instrument

The Group has assessed the appropriateness of valuation techniques in line with the volatile environment due to current market conditions and has concluded that there is no material impact of COVID-19.

d) Going concern

Refer to Note 2.2 for no implications of COVID-19 on the going concern assumption used in the preparation of these consolidated financial statements.

33. Subsequent events

On February 3, 2021, the Ordinary General Assembly approved the recommendation of the Board of Directors to distribute cash dividends for the fiscal year 2020 at the rate of SR 1.5 per share and 15% of the capital in a total amount of SR 47,142,859.5

34. COMPARATIVE FIGURES

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

	2019 before reclassification	reclassification	2019 after reclassification
Consolidated Financial Position List			
Due from related parties	89,560	(89,560)	-
Trade receivables and other current assets	136,022,570	(6,134,845)	129,887,725
Due to related parties	334,496	(334,496)	-
Accruals and other current liabilities	46,682,404	(5,889,909)	40,792,495
Consolidated statement of comprehensive income			
Cost of revenue	667,224,897	1,644,428	668,869,325
Other income (expenses), net	892,638	37,213	929,851
Selling and distribution expenses	127,187,938	1,503,699	128,691,637
General and administrative expenses	55,302,962	(3,185,340)	52,117,622

34. COMPARATIVE FIGURES (Continued)

The Company has also reclassified some of the expenses between the Parent Company and the Subsidiary within the sectoral report note (Note 4) in order to conform to the presentation for the current year, but there is no impact on the profit for the year for the consolidated financial statements, as follows:

Consolidated statement of comprehensive income	Cost of revenue	Selling and distribution expenses	General and administrative expenses	Total
Saudi Arabia	-	-	(3,800,528)	(3,800,528)
Arab Republic of Egypt	1,681,641	1,076,819	1,042,068	3,800,528
net effect on profit for the year in the consolidated statement of comprehensive income	1,681,641	1,076,819	(2,758,460)	-

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements for the Group for the year ended 31 December 2020, were approved by the Board of Directors on 4 March, 2021.