

BINDAWOOD HOLDING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
For the year ended December 31, 2022

BINDAWOOD HOLDING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

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KPMG Professional Services

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Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

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

Independent Auditor's Report

To the Shareholders of BinDawood Holding Company (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of BinDawood Holding Company - a Saudi Joint Stock Company - (the "Company" or the "Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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 2022, 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 issued by the Saudi Organization for Chartered and Professional 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 International Code of Ethics for Professional Accountants (including International Independence Standards), that is 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.

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 period. 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.



Independent Auditor's Report

To the Shareholders of BinDawood Holding Company (A Saudi Joint Stock Company)

Recognition of suppliers' support incentive

Refer Note 2.4 and Note 3 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>The Group has agreements with suppliers whereby volume-related allowances, promotional and marketing allowances and various other fees and discounts (collectively "supplier support incentives") are recognised in connection with the purchase of goods from suppliers and are recorded as a reduction from cost of sales / inventory balances when it is probable that the suppliers' support incentive will be earned and the amount can be estimated reliably</p> <p>We deemed the recognition of suppliers' support incentive to be a key audit matter given:</p> <ul style="list-style-type: none">• the materiality of annual incentives recognized in the consolidated financial statements;• large number of suppliers with varying contractual relationships where significant judgement is required to estimate the incentives which are dependent on the Group's eligibility subject to the achievement of certain contractual conditions and a number of other factors that includes prevailing industry practices, certain promotional activities, continuing supplier relationship, as well as the Group's business performance during the year in terms of annual sales;• exercise of professional judgment in determining whether such incentives are considered part of the purchase price of the product in estimating the recognition of such incentives; and• the complexity involved in assumptions used for estimating these amounts for the year ended.	<p>We performed the following audit procedures to address the key audit matter:</p> <ul style="list-style-type: none">• evaluated the underlying process by obtaining understanding of the process and by performing test of controls;• on a sample basis, checked whether amounts recognised are reasonable and recorded in the correct period in reference to the contractual performance obligations per the supplier agreements;• verified that supplier support incentives related to the inventory balance as at year end are appropriately reduced;• reviewed the accuracy and completeness of key inputs and system reports used by management against underlying supports; and• assessed the adequacy of related disclosure within the Group's consolidated financial statements.



Independent Auditor's Report

To the Shareholders of BinDawood Holding Company (A Saudi Joint Stock Company)

Valuation and existence of inventories

Refer Note 2.4 and Note 3 to the consolidated financial statements.

The key audit matter

Inventories as at 31 December 2022 amounted to SR 877 million representing 47% of current assets of the Group (2021: SR 818 million representing 45% of the current assets of the Group).

The cost of inventory is reduced by provisions including those relating to estimated losses due to shrinkage (Note 2.4).

We deemed it to be a key audit matter given:

- the Group deals with large number of inventory items at multiple locations with high volume of transactions daily which increases the risk of inventory shrinkage; and
- significant judgements made by the management in assessing the level of provisions required as of year end which includes assessment of inventory levels in relation to revenue for the period in consideration.

Refer to Note 10 of the consolidated financial statements which details the inventory.

How the matter was addressed in our audit

We performed the following audit procedures to address the key audit matter:

- attended stock counts and performed sample counts at a number of the Group's stores;
- evaluated the stock taking process and the provisioning process and performed test of controls. When reviewing management's inventory count processes and controls, we also obtained the understanding of and evaluated the process for controlling or managing stock movements during the count;
- performed roll forward / roll back procedures including transactions testing on sample basis;
- assessed reasonableness of the assumptions used in estimating the shrinkage provision including reviewing of accuracy and completeness of the key inputs with the underlying supports. We reviewed recent count results, for a sample of Group's stores, to ensure that the year-end shrinkage provision adequately reflected the levels of stock loss experienced during the year;
- performed cut-off testing related to receipt and issuance of inventory;
- performed net realisable value testing on a sample basis; and
- assessed the adequacy of related disclosure included in the consolidated financial statements of the Group.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The 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.



Independent Auditor's Report

To the Shareholders of BinDawood Holding Company (A Saudi Joint Stock Company)

Other Information (continued)

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 annual report, when made available to us, 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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and 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, Audit Committee, 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 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 judgement and maintain professional scepticism 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.
- 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.



Independent Auditor's Report

To the Shareholders of BinDawood Holding Company (A Saudi Joint Stock Company)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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, then 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 of BinDawood Holding Company ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 period 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.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No: 454



Jeddah, 5 April 2023

Corresponding to: 14 Ramadan 1444H

BINDAWOOD HOLDING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

(Expressed in Saudi Riyals, unless otherwise stated)


	Notes	2022	2021
ASSETS			
Non-current assets			
Property and equipment	7	714,432,584	740,366,616
Intangible assets and goodwill	8	234,524,709	766,663
Right-of-use assets	9	1,985,799,777	2,082,507,784
		<u>2,934,757,070</u>	<u>2,823,641,063</u>
Current assets			
Inventories	10	877,334,562	818,299,661
Trade and other receivables	11	371,894,437	377,299,337
Due from related parties	16	40,209,729	60,041,325
Prepayments and advances	12	69,353,366	67,982,562
Cash and cash equivalents	13	509,251,728	484,094,320
		<u>1,868,043,822</u>	<u>1,807,717,205</u>
Total assets		<u>4,802,800,892</u>	<u>4,631,358,268</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1,143,000,000	1,143,000,000
Statutory reserve	15	123,181,060	111,315,577
Foreign currency translation reserve		6,732,130	—
Other reserves	30	(26,826,901)	—
Retained earnings		101,200,210	156,825,980
Equity attributable to owners of the Company		<u>1,347,286,499</u>	<u>1,411,141,557</u>
Non-controlling interests		34,570,764	—
Total equity		<u>1,381,857,263</u>	<u>1,411,141,557</u>
Non-current liabilities			
Employees' end of service benefits	17	109,004,972	114,910,169
Lease liabilities – non-current portion	9	1,979,014,685	2,076,716,538
		<u>2,088,019,657</u>	<u>2,191,626,707</u>
Current liabilities			
Due to related parties	16	7,667,609	7,958,203
Trade payables, accruals and other liabilities	18	935,318,563	657,485,105
Unearned income and other payable	19	48,113,776	46,125,746
Lease liabilities – current portion	9	319,439,893	297,538,559
Zakat liabilities	20	22,384,131	19,482,391
		<u>1,332,923,972</u>	<u>1,028,590,004</u>
Total liabilities		<u>3,420,943,629</u>	<u>3,220,216,711</u>
Total equity and liabilities		<u>4,802,800,892</u>	<u>4,631,358,268</u>



Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

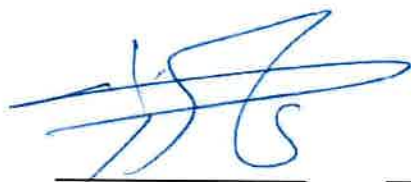
BINDAWOOD HOLDING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Notes	2022	2021
Revenue	21	4,897,027,199	4,382,169,554
Cost of sales		(3,459,955,754)	(2,943,253,282)
Gross profit		1,437,071,445	1,438,916,272
Selling and distribution expenses	22	(1,099,098,478)	(1,008,962,507)
General and administration expenses	23	(195,582,986)	(164,991,879)
Other operating income		8,606,225	9,662,319
Operating profit		150,996,206	274,624,205
Other income	24	84,079,542	71,544,663
Finance cost	9	(85,012,579)	(88,065,665)
Profit before Zakat and tax		150,063,169	258,103,203
Zakat and tax	20	(25,330,545)	(17,539,457)
Profit for the year		124,732,624	240,563,746
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of end of service benefits liability	17	14,838,816	512,969
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign operations - foreign currency translation differences		6,732,130	--
Other comprehensive income for the year		21,570,946	512,969
Total comprehensive income for the year		146,303,570	241,076,715



Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

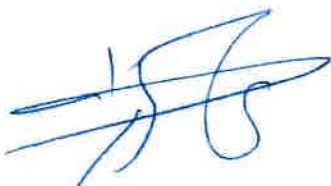
BINDAWOOD HOLDING COMPANY
(A Saudi Joint Stock Company)

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

For the year ended 31 December 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Notes	2022	2021
Profit attributable to:			
Owners of the Company		118,654,833	240,563,746
Non-controlling interests		6,077,791	--
Profit for the year		<u>124,732,624</u>	<u>240,563,746</u>
Total comprehensive income attributable to:			
Owners of the Company		140,136,843	241,076,715
Non-controlling interests		6,166,727	--
Total comprehensive income for the year		<u>146,303,570</u>	<u>241,076,715</u>
Earnings per share attributable to the owners of the Company			
Basic and Diluted	25	<u>1.04</u>	<u>2.10</u>



Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

BINDAWOOD HOLDING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Share capital	Statutory reserve	Foreign Currency Translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests (NCI)	Total equity
Balance at 1 January 2021	1,143,000,000	87,259,202	--	--	82,680,640	1,312,939,842	--	1,312,939,842
Total comprehensive income for the year								
Profit for the year	--	--	--	--	240,563,746	240,563,746	--	240,563,746
Other comprehensive income for the year	--	--	--	--	512,969	512,969	--	512,969
Transactions with the owners of the Company								
Dividend (note 14.1)	--	--	--	--	(142,875,000)	(142,875,000)	--	(142,875,000)
Transfer to statutory reserve (note 15)	--	24,056,375	--	--	(24,056,375)	--	--	--
Balance at 31 December 2021	1,143,000,000	111,315,577	--	--	156,825,980	1,411,141,557	--	1,411,141,557

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

BINDAWOOD HOLDING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Share capital	Statutory reserve	Foreign Currency Translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests (NCI)	Total equity
Balance at 1 January 2022	1,143,000,000	111,315,577	--	--	156,825,980	1,411,141,557	--	1,411,141,557
Changes in ownership interests								
Acquisition of subsidiary with NCI	--	--	--	--	--	--	10,535,368	10,535,368
Acquisition by NCI without change in control	--	--	--	--	--	--	17,868,669	17,868,669
Acquisition of additional shares in a subsidiary	--	--	--	(26,826,901)	--	(26,826,901)	--	(26,826,901)
Total comprehensive income for the year								
Profit for the year	--	--	--	--	118,654,833	118,654,833	6,077,791	124,732,624
Other comprehensive income for the year	--	--	6,732,130	--	14,749,880	21,482,010	88,936	21,570,946
Transactions with the owners of the Company								
Dividend (note 14.1)	--	--	--	--	(177,165,000)	(177,165,000)	--	(177,165,000)
Transfer to statutory reserve (note 15)	--	11,865,483	--	--	(11,865,483)	--	--	--
Balance at 31 December 2022	1,143,000,000	123,181,060	6,732,130	(26,826,901)	101,200,210	1,347,286,499	34,570,764	1,381,857,263


Chairman


Chief Executive Officer


Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

BINDAWOOD HOLDING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

(Expressed in Saudi Riyals, unless otherwise stated)

	Notes	2022	2021
Cash flows from operating activities			
Profit for the year		124,732,624	240,563,746
Adjustments for:			
Depreciation on property and equipment	7	161,551,288	162,125,281
Depreciation on right-of-use assets	9	276,211,946	258,505,686
Amortization of intangible assets	8	1,497,756	215,289
Finance cost on lease liabilities	9	85,012,579	88,113,119
Impairment loss on trade receivables	11	1,911,179	13,367,573
COVID-19 related rent concessions	9	(57,199,547)	(64,723,385)
(Gain)/loss on disposal of property and equipment		(525,483)	82,338
Provision for employees' end of service benefits	17	17,785,836	18,461,265
Gain on termination of lease liabilities, net		(144,077)	(337,835)
Zakat	20	23,350,785	17,539,457
		<u>634,184,886</u>	<u>733,912,534</u>
<i>Changes in working capital:</i>			
Inventories		(59,034,901)	181,967,987
Trade and other receivables		87,213,722	(58,054,294)
Prepayments and advances		5,064,762	10,368,531
Trade payables, accruals and other liabilities		176,584,495	(98,722,193)
Due from related parties		24,543,685	(60,041,325)
Due to related parties		(8,499,539)	(8,972,405)
Unearned income and other payable		1,988,030	9,775,864
Cash generated from operating activities		<u>862,045,140</u>	<u>710,234,699</u>
Zakat paid	20	(20,469,981)	(15,430,099)
Employees' end of service benefits paid	17	(10,361,567)	(7,620,121)
Finance cost paid on lease liabilities	9	(85,012,579)	(88,113,119)
Net cash from operating activities		<u>746,201,013</u>	<u>599,071,360</u>
Cash flows from investing activities			
Acquisition of property and equipment	7	(133,926,580)	(84,547,809)
Acquisition of intangible assets	8	(1,369,552)	(815,302)
Proceeds from sale of property and equipment		2,216,828	1,547,131
Acquisition of subsidiary, net of cash acquired	2	(213,207,080)	-
Net cash used in investing activities		<u>(346,286,384)</u>	<u>(83,815,980)</u>
Cash flows from financing activities			
Payment of lease liabilities	9	(198,425,365)	(120,483,784)
Dividends paid	14	(177,165,000)	(142,875,000)
Net cash used in financing activities		<u>(375,590,365)</u>	<u>(263,358,784)</u>
Net increase in cash and cash equivalents		24,324,264	251,896,596
Cash and cash equivalents at 1 January	13	484,094,320	232,197,724
Effect of movement in exchange rates on cash held		833,144	-
		<u>509,251,728</u>	<u>484,094,320</u>
Cash and cash equivalents at 31 December	13	<u>509,251,728</u>	<u>484,094,320</u>
SUPPLEMENTARY NON-CASH INFORMATION			
Additions to right-of-use assets	9	168,723,161	101,103,454
Additions to lease liabilities	9	168,723,161	101,103,454
Lease modification during the year	9	4,526,573	(65,241,728)
Depreciation on right-of use assets capitalized	9	7,588,425	6,530,315
Remeasurement gain on employees' benefit plan	17	14,838,816	512,969
Foreign currency translation		5,119,969	-



Chairman



Chief Executive Officer



Chief Financial Officer

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

BINDAWOOD HOLDING COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022
(Expressed in Saudi Riyals, unless otherwise stated)

1. CORPORATE INFORMATION

BinDawood Holding Company (the "Company" or the "Parent Company") is a Saudi Joint Stock Company. The Company was initially registered as a Limited Liability Company in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 4031063470 dated 16 Shaban 1432H (corresponding to 17 July 2011). The shareholders of the Company resolved to change the legal status of the Company from "Limited Liability Company" to "Closed Joint Stock Company". The Ministry of Commerce announced the conversion into a Closed Joint Stock Company on 16 Ramadan 1438H (corresponding to 11 June 2017) fully owned by majority Saudi shareholders and minority GCC nationals. During the year 2020, the Company's shares were listed on the Saudi Stock Exchange (Tadawul) in the Kingdom of Saudi Arabia.

The registered office of the Company is located at the following address:

BinDawood Holding Company
Masjid Al Haram Road
Al Azizia District
P.O. Box 5510, Makkah 21955
Kingdom of Saudi Arabia.

The Parent Company's objective is to manage its subsidiaries and provide required support to them. It also includes acquiring the required properties and movable assets for its activities, acquire, lease and utilize industrial and commercial equity rights, patents and brand names, franchise and other abstract rights for its subsidiaries or others.

These accompanying consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (note 2.3), collectively referred as the 'Group'. The Group is principally engaged in the following activities:

- Retail trading of foodstuff and household items;
- Operating bakeries and restaurants;
- Providing information technology and communication services;
- Providing delivery, storage and transportation services;
- Acquiring and managing investments; and
- Providing market influencing and digital marketing services

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

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

BINDAWOOD HOLDING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

(Expressed in Saudi Riyals, unless otherwise stated)

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.2 Basis of measurement

These consolidated financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for employees' end of service benefits which are recognised at the present value of future obligation using the Projected Unit Credit Method.

These consolidated financial statements are presented in Saudi Riyals (SR), which is also the Parent Company's functional and presentational currency. All amounts have been rounded to the nearest SR, unless otherwise stated.

2.3 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired include, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and asset is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. A gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated statement of profit or loss and other comprehensive income.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group has engaged an external consultant for the purpose of Purchase Price Allocation ("PPA") in respect of the acquisitions made during the period. However, the PPAs have not yet been completed and as a result, the Group has considered the carrying amounts at the date of acquisition as the provisional fair values of the net assets acquired and calculated a provisional value of goodwill on acquisition. These amounts are provisional subject to the finalization of PPA.

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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Basis of consolidation (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (note 2.3) as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through 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 it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement 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 establish 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 power 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 Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, with any resultant gain or loss is recognised in consolidated statement of profit or loss and other comprehensive income. Any investment retained is recognised at fair value.

Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Basis of consolidation (continued)

Goodwill

Goodwill represents the difference between the cost of businesses acquired and the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment loss on goodwill is not reversed.

Non-controlling interests

Non-controlling interests (NCI) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into SR at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into SR at the average exchange rate for the period in consideration.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

These consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries:

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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Basis of consolidation (continued)

Transactions eliminated on consolidation (continued)

<u>Name</u>	<u>Place of incorporation</u>	<u>Principle field of activity</u>	<u>Effective shareholding of the Parent Company %</u>	
			<u>31 December 2022</u>	<u>31 December 2021</u>
BinDawood Superstores Trading Company (A Limited Liability Company)	Makkah, Saudi Arabia	Engaged in retail trading of foodstuff and household items	100%	100%
Danube Company for Foodstuffs and Commodities (A Limited Liability Company)	Jeddah, Saudi Arabia	Engaged in retail trading of foodstuff and household items	100%	100%
Danube Star for Bakeries and Marketing Company (A Limited Liability Company)	Jeddah, Saudi Arabia	Wholesale of bakery and related products to commercial supermarkets	100%	100%
Future Retail for Information Technology Company (A Limited Liability Company)	Jeddah, Saudi Arabia	Acquiring and managing investments in subsidiaries	100%	--

During the year ended 31 December 2022, the Parent Company established and acquired subsidiaries indirectly through Future Retail for Information and Technology Company (note 30). The details of other subsidiaries are mentioned as below.

<u>Name</u>	<u>Place of incorporation</u>	<u>Principle field of activity</u>	<u>Effective shareholding of the Parent Company %</u>	
			<u>31 December 2022</u>	<u>31 December 2021</u>
International Applications Trading Company (A Limited Liability Company)	Jeddah, Saudi Arabia	Providing information technology and communication services	62%	--
Future Tech Retail – France	Paris, France	Acquiring and managing investments in subsidiaries	86.53%	--

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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Basis of consolidation (continued)

Transactions eliminated on consolidation (continued)

During the year ended 31 December 2022, International Applications Trading Company has acquired the following subsidiaries:

<u>Name</u>	<u>Place of incorporation</u>	<u>Principle field of activity</u>	<i>Effective shareholding of the Parent Company %</i>	
			31 December 2022	31 December 2021
Amjad United Investment and Development Company	Jeddah, Saudi Arabia	Providing delivery services including transportation and storage of goods	62%	--
First Commercial Applications Company	Jeddah, Saudi Arabia	Providing information technology and communication services	62%	--
Future Flower Trading Company	Jeddah, Saudi Arabia	Engaged in wholesale and retail of other merchandise	62%	

Future Tech Retail – France initially acquired 80.46% shareholding on 27 July 2022 in Ykone S.A.S (a Limited Liability Company) which is based in Paris, France and is principally engaged in providing market influencer and digital marketing services. On 22 December 2022, Future Tech Retail – France further acquired 18.14% shareholding resulting in a total effective shareholding of BinDawood Holding Company of 85.32%. Ykone S.A.S has the following subsidiaries:

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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)**2.3 Basis of consolidation (continued)****Transactions eliminated on consolidation (continued)**

<u>Name</u>	<u>Place of incorporation</u>	<u>Principle field of activity</u>	<u>Effective shareholding of the Parent Company %</u>	
			<u>31 December 2022</u>	<u>31 December 2021</u>
Ykone S.A.S (Limited Liability Company)	Paris, France	Engaged in providing market influencer and digital marketing services	85.32%	--
Oddly Enough SAS	Paris, France	Engaged in providing market influencer and digital marketing services	85.32%	--
Ykone Limited	AbuDhabi, United Arab Emirates	Engaged in providing market influencer and digital marketing services	85.32%	--
Ykone USA Inc.	New York, United States of America	Engaged in providing market influencer and digital marketing services	85.32%	--
Ykone SARL	Geneva, Switzerland	Engaged in providing market influencer and digital marketing services	85.32%	--
Ykone Saudi for Advertisement	Riyadh, Saudi Arabia	Engaged in providing market influencer and digital marketing services	85.32%	--
New Media Agency	Milan, Italy	Engaged in providing market influencer and digital marketing services	43.51%	--
Cover Communications GmBH	Munich, Germany	Engaged in providing market influencer and digital marketing services	57.16%	--
Shanghai Ykone Commerce Consulting Company Limited	Shanghai, Japan	Engaged in providing market influencer and digital marketing services	85.32%	--

BinDawood Holding Company has acquired effective ownership of 21.33% in Ykone Asia Limited (Hongkong).

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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- Sensitivity analysis disclosure (note 17)
- Financial instruments risk management (note 28)
- Capital management (note 29)

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

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 recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

In determining the lease term, the Group takes into account 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 either 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 customisation to the leased asset).

Going concern

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

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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Determination of control

Management has considered the accounting treatment and the principles in IFRS 10 “Consolidated Financial Statements” and have determined that certain entities are controlled by the Group. In determining the appropriate accounting treatment for these entities, management applied significant judgment. If management’s judgments were to change, this would result in the deconsolidation of these entities and instead would be treated as a joint arrangement or associate. These entities currently have consolidated assets and liabilities impacting the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income. The following are the key considerations and judgements applied by management in concluding that the Group has control over these entities:

- The relevant activities associated with those entities include the ability to prepare and approve the annual budget. As the Group can appoint the majority of the Board of directors on these entities, this gives the Group the ability to unilaterally approve annual business plans and as such has power over the relevant activities. The approval of the 5 year business plan is considered protective and not substantive.
- The Group can appoint the key management personnel of these entities such as the Chief Executive Officer and Chief Financial Officer, etc. As such the Group has the power and the ability to affect the variable returns and control such entities.

Assumptions and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements, are described below:

Impact of COVID-19

Since early 2020, the Novel Coronavirus Pandemic (COVID-19) has spread globally across various geographies including the Kingdom of Saudi Arabia, causing disruption to businesses and slowdown of economic activities in general as a result of travel restrictions and social distancing requirements. The extent to which COVID-19 impacts the Group’s business, operations, and financial results depend on many factors and future developments, that the Group may not be able to estimate reliably during the current year.

During 2020 and 2021, the Group’s management continued to carry out an impact assessment on the overall Group’s operations, estimated its liquidity requirements and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, supplier incentives etc. Accordingly, the management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures.

Globally, there has been significant drop in the number of registered cases. As a result, restrictions related to COVID-19 such as social distancing, travel bans, requirement for travellers to present a negative PCR or rapid antigen test on arrival test have been lifted.

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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Assumptions and estimation uncertainties (continued)

Impact of COVID-19 (continued)

Based on these factors, management believes that apart from the COVID-19 related rent concession, the COVID-19 pandemic has had no material effect on the Group's reported financial results for the year ended 31 December 2022 including the significant accounting judgements and estimates. The Group continues to monitor the COVID-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations beyond 2022.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets and their physical wear and tear. The management reviews the residual value and useful lives annually and future depreciation charges are adjusted where the management believes the useful lives differ from previous estimates.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Inventories which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical and anticipated selling prices.

Provision for stock losses

Provision is created for stock losses at branch level keeping in view various factors including actual result of stock takes, provision created for prior period and the actual sales for the period. The amount determined is provided for monthly and is adjusted for any change in factors, if required.

Defined benefit plans

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each year end. The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality corporate/government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market. The mortality rate is based on publicly available mortality tables for the country and tend to change only in response to demographic changes. Further details about employee benefits obligations are provided in note 17.

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2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Assumptions and estimation uncertainties (continued)

Suppliers' support incentive

The Group receives additional incentives, including marketing allowances from its suppliers according to the volume of purchases during the year. The Group management relies on the exercise of professional judgment in determining whether such incentives are considered part of the purchase price of the product in estimating the recognition of such incentives. There are large number of suppliers with varying contractual relationships where significant judgement is required to estimate the incentives which are dependent on the Group's eligibility subject to the achievement of certain contractual conditions and a number of other factors that includes prevailing industry practices, certain promotional activities, continuing supplier relationship, as well as the Group's business performance during the year in terms of annual sales. Such incentives are recognized in accordance with the contracts signed with suppliers and involves estimates that reflect the amount the Group expect to realize based on the on the estimated value of the supplier support incentives.

Impairment of trade receivables

The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The loss allowance is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Goodwill – Annual impairment testing of goodwill

Goodwill impairment tests are performed for the group of cash generating units ("CGU") to which goodwill is allocated. The group of CGU is defined based on certain acquisitions and CGU's arising from those acquisitions. The structure and groups of CGU are assessed on an annual basis. The impairment test of goodwill is performed at least annually for each group of CGUs to which goodwill is allocated. To determine the value in use, the discounted cash flow models are used. The most important parameters in the impairment test include assumptions related to sales growth rate and pre-tax discount rates. As the PPA in respect of acquisitions made during the year have not yet been completed and a provisional value of goodwill is recorded in these financial statements, the management has not performed the annual impairment testing of goodwill.

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3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements with those followed from consolidated financial statements of the preceding year. Certain comparative amounts have been reclassified to conform to the current year's presentation.

3.1 Current versus non-current classification

Assets

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 realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

Liabilities

A liability is current when:

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

The Group classifies all other liabilities as non-current.

3.2 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue from contracts with customers when it transfers control over a good or service to a customer based on a five-step model as set out in IFRS 15:

- **Step 1. Identify the contract with a customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- **Step 2. Identify the performance obligations in the contract:** A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- **Step 3. Determine the transaction price:** The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Revenue recognition (continued)

- **Step 4.** Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- **Step 5.** Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied. When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized, this gives rise to a contract liability.

Revenue from sale of goods

Revenue is income arising from the sale of goods in the ordinary course of the Group's activities, net of value added taxes. Net sales correspond to sales via Group's retail stores, sales through online platform and credit sales. Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, that is, on the delivery of the goods (commonly at the store checkout for the sales via Group's retail stores). Revenue from sale of goods is recorded at the fair value of consideration received or receivable, net of returns and allowances and promotional discounts.

The products on sale in the Group's retail stores are sold with a right of return and the return period is limited based on the Group's general conditions of sale.

Revenue from advertisement, listing and sampling

Revenue from advertisement, listing and sampling is recognized at a point in time when the performance obligation as stated in the contract with the customer has been satisfied and the Group has objective evidence that all criteria for acceptance have been satisfied. The Group generates revenue by receiving a share of advertisement income from the customer.

Revenue from sale of software

The Group also generates revenue from the sale of software solutions facilitating online sale of goods to third party customers and therefore recognises the revenue at the point in time when control of the application is transferred to the customer, that is, on the delivery of the software.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Revenue recognition (continued)

Revenue from marketing agency, talent management and data and trainings

Revenue for sale of services and digital content to third parties is recorded net of discounts or rebates. Revenue, in respect of the special projects is recognized on the basis of the service rendered. Strategic recommendation and creative concepts are recognized at a point in time when the projects are completed and launched since the performance obligation is satisfied at that time. Revenue from project management is recognized over a period of time based on the project milestones. Likewise, revenue from influencers booking service, consultancy and advisory services and talent management services are recognized at the delivery of the services.

The foreign subsidiaries also generate revenue from content production and the revenue is booked over a period of time in three phases: (i) during the preparation of the content; (ii) after the preparation of content and (iii) at the delivery of the content to the customer.

The Group also recognizes revenue from monthly subscriptions related to Company licenses on a monthly basis when the performance obligation for each month is satisfied. Revenue in relation to social media management is spread over the duration of the contract. Any amount received for projects that have not been completed is recognized as deferred income and included in 'Unearned income' in the consolidated statement of financial position.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying the model to the contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Other operating income

The Group leases out various shops situated within its supermarkets and hypermarkets under operating lease agreements. Rental income is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

3.3 Loyalty programme

The Group allocates a portion of the consideration received to loyalty points. This allocation is based on the relative sales amount of the goods. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when loyalty points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. The deferred revenue is included in contract liabilities.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Foreign currencies

Transactions in foreign currencies are initially recorded by the Group in its functional currency spot rates at the date on which the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. 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 translation of non-monetary items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item and recorded in cost of revenue.

3.5 Expenses

Cost of sales

Cost of sales includes the direct costs incurred to bring the goods in the saleable condition and the direct costs pertaining to the provision of services. Rebates, compensation, other incentives and earned benefits from supplier (collectively referred to as "suppliers' support incentive") are recognized when earned by the Group; which occurs when all obligations to earn suppliers' support have been discharged and can be measured reliably. The suppliers' support are recognized as a credit within cost of sales. The disclosures of significant accounting judgements, estimates and assumptions are provided in note 2.4.

The suppliers' support incentive relating to inventories which are held by the Group at the reporting date is recognized in cost of sales upon sale of those inventories.

Amounts due relating to suppliers' support are recognized within trade and other receivables, except in cases where the Group currently has a legally enforceable right of set-off and intends to offset amounts due from suppliers against amounts owed to those suppliers, in which case only the net amount receivable or payable is recognized.

Cost of services pertaining to the delivery of projects are recognized based on the percentage of completion method.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses. For the purpose of presentation, all promotional income which comprises of income earned from promotion of various products within the Group's retail stores is netted off with selling and distribution expenses.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Expenses (continued)

General and administrative expenses

These pertain to operational expenses which are not directly related to the sale of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses. Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administration expenses, where required, is made on a consistent basis.

3.6 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and the net amount is recognised in 'Other Income' in the consolidated statement of profit or loss and other comprehensive income.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each item of property and equipment, as follows:

- | | |
|---|----------------|
| • Equipment | 3 - 10 years |
| • Motor vehicles | 7.5 - 10 years |
| • Furniture and fixtures and leasehold improvements | 5 - 10 years |
| • Computer and other devices | 3 years |

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Property and equipment (continued)

Depreciation (continued)

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives

Capital work in progress

Capital work in progress represents assets under construction and improvements to the existing assets, recorded at cost less accumulated impairment losses, if any. Such costs include cost of equipment, material and other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is not depreciated. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Group's policies.

3.7 Intangible assets

Intangible assets represent the cost incurred on software used by the Group and the cost incurred on the development of software solutions. The intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets are amortised over the useful economic life of 3 to 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset 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 considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 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 recognises lease liabilities to make lease payments and recognises right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Leases are recognised as right-of-use assets along with their corresponding liabilities at the date on which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is recognized in the consolidated statement of profit or loss and other comprehensive income over the lease term. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Retail outlets - 5 to 25 years; and
- Employee accommodation - 1 to 8 years.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs, if applicable.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises 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 ability to exercise the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised 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 its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

Lease liabilities (continued)

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 remeasured 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.

Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the consolidated statement of financial position for the Group as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in the consolidated statement of profit or loss and other comprehensive income.

COVID-19 related rent concessions

The Group applied COVID-19-Related Rent Concessions – Amendment to IFRS 16 till 30 June 2022. The group applied the practical expedient allowing it to assess whether eligible rent concessions are a direct consequence of the COVID-19 pandemic, The Group applies the practical expedient consistently to those contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

Variable lease payments

Some leases contain variable payments that are linked to the usage/performance of the leased asset. Such expenses are recognised in consolidated statement of profit or loss and other comprehensive income.

3.9 Inventories

Inventories, representing goods held for resale, are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs to sell. The cost of inventories comprises all costs of purchase, and other costs incurred in bringing the inventories to their existing location and condition. Cost of inventories is determined using weighted average method.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term highly liquid deposits with original maturities of three month or less, which are available to the Group without any restrictions are subject to an insignificant risk of changes in value.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 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.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. 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 are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised 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. 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 amortised 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 recognised 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 following categories:

- Financial assets at amortised 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 profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial Instruments (continued)

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes cash and cash equivalents, trade receivables, employee advances 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 recognised in the consolidated statement of profit or loss and other comprehensive income in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial Instruments (continued)

Financial assets (continued)

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest (continued)

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 profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss and other comprehensive income 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. Currently, the Group does not have any equity instrument designated at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income. Currently, the Group does not have any financial assets designated at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial Instruments (continued)

Financial assets (continued)

Derecognition (continued)

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 recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, accruals and other liabilities and balances due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as, described below:

Financial liabilities at fair value through profit or loss

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.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss and other comprehensive income. 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. The Group has not designated any financial liability as at fair value through profit or loss.

Trade payables, accruals and other liabilities

This category is relevant to the Group. After initial recognition, trade payables and other liabilities are subsequently measured at amortised cost.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Financial Instruments (continued)

Financial liabilities (continued)

Derecognition

A financial liability is derecognised 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 recognised in the consolidated statement of profit or loss and other comprehensive income.

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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.12 Impairment of financial and non-financial assets

Financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost and contract assets. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full or when the financial asset is more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Impairment of financial and non-financial assets (continued)

Non-financial assets

The Group assesses, at each reporting date, 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's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows 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. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

3.13 Employees' benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Group's obligation under employees' end of service benefits is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Remeasurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the consolidated statement of profit or loss and other comprehensive income.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Provisions

Provisions are recognised 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 and other comprehensive income, 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 recognised as a finance cost.

3.15 Dividend

The Group recognises a liability to make cash distribution to equity holders of the Parent Company when the distribution is authorised and the distribution is no longer at the discretion of the Group. Distribution authorization is assessed in line with the Companies' By-laws, which is authorised when approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

3.16 Zakat and Tax

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is provided for in accordance with the Saudi Arabian fiscal regulations. Provision for Zakat for the Parent Company and Zakat related to the Parent Company's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to consolidated statement of profit or loss and other comprehensive income under Zakat and Tax expense.

3.16 Finance income and finance cost

Finance income includes profit earned on short-term deposits that are recognized in consolidated statement of profit or loss and other comprehensive income. Finance income is recognized as it accrues in profit or loss, using the actual profit rate on the short-term deposits. Finance costs comprise of financial charges on lease liabilities. Lease liabilities are amortized over the period of the lease term using the incremental borrowing rate.

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4. AMENDMENTS TO STANDARDS

There are no new standards issued, however, the adoption of the following amendments to the existing standards had no significant financial impact on the consolidated financial statements of the Group in the current period or prior periods and are expected to have no significant effect in future periods:

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Annual Improvements	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
IFRS 3	Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

5. STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted any of the forthcoming new or amended standards in preparing these consolidated financial statements.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning after the following date</u>
IFRS 17	Insurance contracts and amendments	1 January 2023
IAS 1	Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
IAS 8	Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
IAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely
IFRS 16	Lease liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
IAS 1	Non-current liabilities with covenants (Amendments to IAS 1)	1 January 2024

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5. STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

The standards, interpretations, and amendments with an effective date of 1 January 2022 will not have any material impact on the Group's consolidated financial statements, whereas, for other above-mentioned standards, interpretations, and amendments, the Company is currently assessing the implications on the consolidated financial statements on adoption.

6. SEGMENT INFORMATION

Whilst the Group is engaged in retail trading of foodstuff and household items, operating bakeries and restaurants, providing information technology and communication services, providing delivery, storage and transportation services, acquiring and managing investments and providing market influencing and digital marketing services, the management has concluded that except for retail trading of consumer goods all other lines of businesses are less than 10% of combined revenue, profit or loss and assets of the Group. The management has also concluded that at present more than 90% of the Group's operations are conducted within the Kingdom of Saudi Arabia.

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker (CODM). The CODM has been identified as the Board of Directors, as this makes the key operating decisions of the Group and is responsible for allocating resources and assessing performance.

Key internal reports received by the CODM, primarily the management accounts, focus on the performance of the Group as a whole. The operations of all elements of the business are driven by the retail sales environment and hence have fundamentally the same economic characteristics. All operational decisions made are focused on the performance and growth of the retail outlets and the ability of the business to meet the supply demands of the stores.

The Group has considered the overriding core principles of IFRS 8 'Operating segments' as well as its internal reporting framework, management and operating structure. The Directors' conclusion is that the Group has one operating segment, that of retailing.

Performance is measured by the CODM based on profit before Zakat as reported in the management accounts. Management believes that this measure is the most relevant in evaluating the results of the Group. As such, assets and segment liabilities are neither included in the internal management reports nor provided regularly to the management.

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7. PROPERTY AND EQUIPMENT

Cost:	<u>Equipment</u>	<u>Motor vehicles</u>	<u>Furniture, fixtures and leasehold improvements</u>	<u>Computers and other devices</u>	<u>Capital work in progress (CWIP)</u> <i>(note 7.1 below)</i>	<u>Total</u>
Balance at 1 January 2021	930,192,113	59,176,166	838,303,071	69,166,530	33,337,077	1,930,174,957
Additions	7,453,038	4,314,558	3,368,616	1,185,084	68,226,513	84,547,809
Disposals	(2,304,162)	(1,931,043)	--	--	--	(4,235,205)
Transfers from CWIP	22,030,452	--	18,750,171	1,038,683	(41,819,306)	--
Balance at 31 December 2021	957,371,441	61,559,681	860,421,858	71,390,297	59,744,284	2,010,487,561
Additions / Acquisitions	9,966,502	9,915,103	7,868,500	4,320,320	108,204,433	140,274,858
Disposals	(8,242,945)	(779,089)	--	(81,049)	--	(9,103,083)
Transfers from CWIP	34,794,252	233,404	35,107,976	780,301	(70,915,933)	--
Effect of movements in foreign exchange rates	--	--	116,208	--	--	116,208
Balance at 31 December 2022	993,889,250	70,929,099	903,514,542	76,409,869	97,032,784	2,141,775,544

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7. PROPERTY AND EQUIPMENT (continued)

	<u>Equipment</u>	<u>Motor vehicles</u>	<u>Furniture, fixtures and leasehold improvements</u>	<u>Computers and other devices</u>	<u>Capital work in progress (CWIP)</u> <i>(note 7.1 below)</i>	<u>Total</u>
Accumulated Depreciation:						
Balance at 1 January 2021	550,339,383	42,523,086	455,190,872	62,548,059	--	1,110,601,400
Charge for the year	84,758,274	2,957,096	70,703,213	3,706,698	--	162,125,281
Disposals	(1,930,290)	(675,446)	--	--	--	(2,605,736)
Balance at 31 December 2021	633,167,367	44,804,736	525,894,085	66,254,757	--	1,270,120,945
Acquisitions through business combinations	16,958	823,485	476,218	1,838,471	--	3,155,132
Charge for the year	84,308,269	3,445,083	69,841,470	3,956,466	--	161,551,288
Disposals	(6,637,571)	(693,118)	--	(81,049)	--	(7,411,738)
Effect of movements in foreign exchange rates	--	--	(72,667)	--	--	(72,667)
Balance at 31 December 2022	710,855,023	48,380,186	596,139,106	71,968,645	--	1,427,342,960
Carrying amounts:						
At 31 December 2021	324,204,074	16,754,945	334,527,773	5,135,540	59,744,284	740,366,616
At 31 December 2022	283,034,227	22,548,913	307,375,436	4,441,224	97,032,784	714,432,584

7.1 Capital work in progress mainly represents the cost of setting up new retail outlets and major improvements and upgrades of existing ones. During the year, certain retail outlets were completed and the related costs were transferred to relevant category of assets.

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7. PROPERTY AND EQUIPMENT (continued)

7.2 Depreciation charge has been allocated as follows:

	<u>2022</u>	<u>2021</u>
Cost of sales	1,237,251	1,108,823
Selling and distribution expenses (note 22)	153,697,178	155,722,022
General and administration expenses (note 23)	6,616,859	5,294,436
	<u>161,551,288</u>	<u>162,125,281</u>

8. INTANGIBLE ASSETS AND GOODWILL

During the year ended 31 December 2022, the Group has indirectly acquired 62% shareholding in International Applications Trading Company ("IATC") and 85.3% effective shareholding in Ykone S.A.S ("Ykone") which has been accounted for under acquisition method resulting in goodwill in the current period (note 30).

	<u>31 December 2022</u>	<u>31 December 2021</u>
Intangible assets (note 8.1)	11,162,679	766,663
Goodwill on acquisition of IATC (note 8.2)	104,462,218	--
Goodwill on acquisition of Ykone (note 8.2)	118,899,812	--
	<u>234,524,709</u>	<u>766,663</u>

8.1 The intangible assets mainly include web development and licenses cost.

	<u>31 December 2022</u>	<u>31 December 2021</u>
As at 1 January	766,663	166,650
Additions / Acquisitions	11,823,746	815,302
Amortization charge for the year	(1,497,756)	(215,289)
Effects of movement in exchange rates	70,026	--
As at 31 December	<u>11,162,679</u>	<u>766,663</u>

8.2 The goodwill amount mentioned above is based on provisional numbers Ykone S.A.S and International Applications Trading Company. (note 30).

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9. LEASES

The Group has lease contracts for various assets used in its operations. Leases of retail outlets and employee accommodation generally have lease terms between 5 to 25 years and 1 to 8 years, respectively. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group also has certain leases of accommodation buildings with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. There are several lease contracts that include extension and termination options and variable lease payment.

- 9.1 Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

<u>Right-of-use assets</u>	<u>2022</u>	<u>2021</u>
As at 1 January	2,082,507,784	2,306,480,633
Additions / Acquisitions	176,573,024	101,103,454
Depreciation charge for the year (note 9.5)	(276,211,946)	(258,505,686)
Derecognition of right-of-use assets (note 9.7)	(1,895,812)	(1,328,889)
Lease modification during the year (note 9.8)	4,526,573	(65,241,728)
Effect of movements in exchange rates	300,154	--
As at 31 December	<u>1,985,799,777</u>	<u>2,082,507,784</u>

- 9.2 Set out below are the carrying amounts of the lease liabilities recognised and the movements during the year:

<u>Lease liabilities</u>	<u>2022</u>	<u>2021</u>
As at 1 January	2,374,255,097	2,525,267,264
Acquisitions through business combinations	8,261,688	--
Additions during the year	168,723,161	101,103,454
COVID-19 related rent concessions (note 9.5)	(57,199,547)	(64,723,385)
Lease terminated during the year	(2,039,889)	(1,268,728)
Lease modification during the year	4,526,573	(65,639,724)
Finance cost on lease liabilities	85,012,579	88,113,119
Payment of lease liabilities	(283,437,944)	(208,596,903)
Effect of movements in exchange rates	352,860	--
As at 31 December	<u>2,298,454,578</u>	<u>2,374,255,097</u>

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9. LEASES (continued)

Lease liabilities have been presented in the consolidated statement of financial position as follows:

	<u>2022</u>	<u>2021</u>
Lease liabilities – non-current portion	1,979,014,685	2,076,716,538
Lease liabilities – current portion	319,439,893	297,538,559
As at 31 December	<u>2,298,454,578</u>	<u>2,374,255,097</u>

9.3 Set out below are the amounts that were recognised in the consolidated statement of profit or loss and other comprehensive income:

	<u>2022</u>	<u>2021</u>
Depreciation on right-of-use assets	268,623,521	251,975,371
Finance cost on lease liabilities	85,012,579	88,113,119
Covid-19 related rent concessions (note 9.5)	(57,199,547)	(64,723,385)
Expense relating to short-term leases	11,440,545	8,428,968
Variable lease expense	2,191,067	2,353,000
Net gain on termination	(144,077)	(337,835)
	<u>309,924,088</u>	<u>285,809,238</u>
Total amount recognised in consolidated statement of profit or loss and other comprehensive income	<u>309,924,088</u>	<u>285,809,238</u>

9.4 The depreciation expense of right-of-use assets for the year has been allocated as follows:

	<u>2022</u>	<u>2021</u>
Cost of sales	277,752	277,752
Selling and distribution expenses (note 22)	264,949,237	248,549,768
General and administration expenses (note 23)	3,396,532	3,147,851
Capitalization in property and equipment	7,588,425	6,530,315
	<u>276,211,946</u>	<u>258,505,686</u>

9.5 The Group has applied the Covid-19 related practical expedient to all rent concessions that meet the conditions prescribed in the amendment to IFRS 16 issued in May 2020 and further amended in March 2021. The Group has recognised an amount of SR 57.2 million in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 as changes in lease payments (2021: SR 64.7 million). This change of lease payment has been accounted for as a negative variable lease expense and recorded as 'Other Income' presented in the consolidated statement of profit or loss and other comprehensive income.

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9. LEASES (continued)

9.6 Extension option

Some property leases contain extension options exercisable by the Group to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

9.7 Leases as lessor

The Group leases out portion of its certain properties which are classified as operating leases from a lessor perspective.

10. INVENTORIES

	<u>2022</u>	<u>2021</u>
Finished goods	856,158,143	802,328,097
Packing materials	9,716,200	6,695,295
Raw materials	11,460,219	9,276,269
	<u>877,334,562</u>	<u>818,299,661</u>

10.1 During the year ended 31 December 2022, inventories amounting to SR 3,379.6 million (31 December 2021: 2,936.1 million) were recognised as an expense during the year and included in the 'cost of sales'.

10.2 During the year ended 31 December 2022, an amount of SR 4.9 million (31 December 2021: SR 8.8 million) was recognised as an expense for the write-down of inventories in cost of sales.

10.3 As at 31 December 2022, the Group maintains provision for stock losses amounting to SR 17.2 million (2021: SR 28.8 million).

11. TRADE AND OTHER RECEIVABLES

	<u>2022</u>	<u>2021</u>
Trade receivables, net (note 11.1)	280,325,927	252,677,736
Employee advances	12,214,607	8,887,574
Other receivables	79,353,903	115,734,027
	<u>371,894,437</u>	<u>377,299,337</u>

11.1 The Group recognises the loss allowances for expected credit losses for trade receivables. During the year ended 31 December 2022, the Group has recognized SR 1.9 million (2021: SR 13.4 million) as impairment loss on trade receivables.

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12. PREPAYMENTS AND ADVANCES

	<u>2022</u>	<u>2021</u>
Prepayments	52,806,794	46,896,964
Advances to suppliers	16,546,572	21,085,598
	<u>69,353,366</u>	<u>67,982,562</u>

13. CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
Cash in hand	10,653,083	8,885,000
Bank balances	298,598,645	245,209,320
Short-term deposits (note 13.1)	200,000,000	230,000,000
	<u>509,251,728</u>	<u>484,094,320</u>

13.1 The short-term deposits are held for original maturity period of three months or less and the Group intends to pay dividend through these deposits. The profit rate on these short-term deposits range from 4.25% to 4.85% per annum (2021: 0.9% to 1.25% per annum).

13.2 At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating institutions and there has been no history of default with any of the Group's bank balances. Therefore, the probability of default based on forward looking factors and any loss given defaults is considered to be negligible.

14. SHARE CAPITAL

As at 31 December 2022, the share capital of the Parent Company of SR 1.14 billion consists of 114.3 million shares of SR 10 each (31 December 2021: SR 1.14 billion consists of 114.3 million shares of SR 10 each).

The shareholding structure of the Company as at 31 December 2022 and 31 December 2021 was as follows:

<u>Shareholder</u>	<u>Nationality</u>	<u>Ownership percentage</u>	<u>Amount in SAR</u>	<u>No. of Shares</u>
Akasiya Star Trading Company Limited	Saudi	67.57%	772,347,960	77,234,796
Abdullah BinDawood Sons Company Limited	Saudi	6.83%	78,044,040	7,804,404
Commercial Growth Development Company	Saudi	5.60%	64,008,000	6,400,800
Public	Saudi / Non-Saudi	20.00%	228,600,000	22,860,000
		<u>100%</u>	<u>1,143,000,000</u>	<u>114,300,000</u>

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14. SHARE CAPITAL (continued)

14.1 Dividend

During the year ended 31 December 2022, the Board of Directors of the Company approved and paid an interim dividend of SR 177.17 million equivalent to SR 1.55 per share for a total number of 114,300,000 shares (31 December 2021: approved and paid an interim dividend of SR 142.88 million equivalent to SR 1.25 per share for a total number of 114,300,000 shares).

15. STATUTORY RESERVE

In accordance with the Parent Company's By-laws and the Saudi Arabian Companies Law, the Parent Company must set aside 10% of its net income in each year to a statutory reserve until the reserve equals 30% of the capital. The reserve is not available for distribution.

16. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise the shareholders, key management personnel, directors and businesses, which are controlled directly or indirectly or influenced by the shareholders, directors or key management personnel. Management defines affiliates as the entities that are related through common shareholding. The Group enters into various transactions with its related parties. Terms and conditions of these transactions are approved by the Board of Directors.

16.1 Key management personnel compensation

The remuneration of directors and other key management personnel are as follows:

<u>Nature of transaction</u>	<u>2022</u>	<u>2021</u>
Board of Director's remuneration	<u>1,553,166</u>	<u>1,516,085</u>
Salaries and other short-term benefits	<u>24,544,089</u>	<u>50,771,572</u>
Post-employment benefits	<u>1,737,312</u>	<u>1,950,327</u>

During the year ended 31 December 2022, the key management personnel of the Company have waived their right to the remuneration through waiver letter dated 29 December 2022. This remuneration had been paid to the key management personnel and therefore the key management personnel agreed to repay the remuneration and recorded a receivable amounting to SR 16.1 million which has been included in 'Other receivables' and a corresponding decrease in expense has been netted off in the 'employee cost' in the consolidated statement of profit or loss and other comprehensive income. Subsequent to the year ended 31 December 2022, the receivable balance was settled in cash by the key management personnel.

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16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

16.2 Other related parties' transactions and balances

The aggregate value of related parties' transactions and outstanding balances are as follows:

Due from related parties:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Transactions for the year ended 31 December</u>		<u>Closing balance</u>	
			<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
BinDawood Trading Company	Affiliate	Shared service fee	972,775	953,705	--	--
Abdul Khaliq BinDawood Establishment	Affiliate	Shared service fee	1,108,027	1,086,303	--	--
Amwaj Real Estate Company	Affiliate	Store leases	16,738,475	33,056,100	16,663,475	24,792,075
National Leader for Real Estate Company Limited	Affiliate	Store leases	23,546,250	46,999,000	23,546,254	35,249,250
					<u>40,209,729</u>	<u>60,041,325</u>

During the year ended 31 December 2022, the Group obtained rent concessions on various properties leased from its affiliates due to the impact of Covid-19. These rent concessions amounting to SR 40 million (2021: SR 60 million) pertain to lease expenses for the year ended 31 December 2022. The Group has applied the practical expedient and recorded these concessions under 'Other Income' for the year ended 31 December 2022.

As at 31 December 2022, the lease liabilities as disclosed in note 9 include an amount of SR 265.3 million (31 December 2021: SR 331.2 million) which relates to lease arrangements entered by the Group with its related parties.

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16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**16.2 Other related parties' transactions and balances (continued)**

The aggregate value of related parties' transactions and outstanding balances are as follows:

Due to related parties:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>Transactions for the year ended 31 December.</u>		<u>Closing balance</u>	
			<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Safa Company Limited for Household Ware	Affiliate	Purchases of goods	4,159,779	3,675,608	1,625,559	4,226,950
Jumairah Marketing Establishment (Delsey), a Branch of Abdul Khaliq BinDawood Establishment	Affiliate	Purchases of goods Lease rental income Purchases of fixed assets	36,375,523 454,167 --	17,130,184 550,000 3,940,210	3,121,566	2,214,268
International Application Company Limited*	Affiliate	Online sales commission & advertisement	--	6,499,598	--	600,048
AYM Marketing Management Company	Affiliate	Loyalty program services	2,274,458	--	810,688	--
Jumairah Marketing Establishment (Toys), a Branch of Abdul Khaliq BinDawood Establishment	Affiliate	Purchases of goods Lease rental Income	7,507,020 864,800	5,311,342 859,350	795,352	454,224
Happy Time for Kids Toys Establishment	Affiliate	Purchases of goods	4,328,598	2,810,864	606,001	265,705
Etre Trading Establishment, a Branch of Abdul Khalid BinDawood Establishment	Affiliate	Purchases of goods Transfer out of goods	617,121 62,590	4,251,993 655,236	708,443	197,008
					<u>7,667,609</u>	<u>7,958,203</u>

*International Applications Trading Company has been acquired by the BinDawood Holding Company in the year ended 31 December 2022 and accordingly the inter-company transactions and balance have been eliminated in the consolidated financial statements.

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17. EMPLOYEES' END OF SERVICE BENEFITS

General description of the plan

The Group operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labor law. The amount recognized in the consolidated statement of financial position is determined as follows:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	114,910,169	104,581,994
Acquisitions through business combinations	1,509,350	--
<i>Included in profit or loss</i>		
Current service cost	14,769,829	15,841,195
Interest cost	3,016,007	2,620,070
	17,785,836	18,461,265
<i>Included in other comprehensive income</i>		
Actuarial gain	(14,838,816)	(512,969)
<i>Others</i>		
Benefits paid	(10,361,567)	(7,620,121)
Balance at the end of the year	<u>109,004,972</u>	<u>114,910,169</u>

Allocation of end of service expense (current service cost and finance cost) between cost of revenue, selling and distribution expenses and general and administration expenses is as follows:

	<u>2022</u>	<u>2021</u>
Cost of revenue	513,905	374,514
Selling and distribution expenses	14,185,605	11,507,207
General and administrative expenses	3,086,326	6,579,544
	<u>17,785,836</u>	<u>18,461,265</u>

Actuarial assumptions

Significant assumptions used in determining the post-employment defined benefit obligation include the following:

	<u>2022</u>	<u>2021</u>
Discount rate	4.3%	2.7%
Future salary growth / expected rate of salary increase (%)	1.0%	1.0%
Retirement age	60 years	60 years

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17. EMPLOYEES' END OF SERVICE BENEFITS (continued)

The quantitative sensitivity impact analysis for principal assumptions is as follows:

	<u>2022</u>	<u>2021</u>
Discount rate:		
+0.50% increase	<u>(8,342,954)</u>	<u>(3,865,032)</u>
-0.50% decrease	<u>9,019,259</u>	<u>4,145,149</u>
Salary increase rate:		
+0.50% increase	<u>9,016,650</u>	<u>4,143,786</u>
-0.50% decrease	<u>(8,344,188)</u>	<u>(3,865,691)</u>

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 analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses 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 from one another.

The weighted average duration of the defined benefit obligation is 8 years (2021: 7 years).

The following is the breakup of the actuarial gain:

	<u>2022</u>	<u>2021</u>
Financial assumptions	<u>(15,205,699)</u>	<u>(10,749,849)</u>
Experience adjustments	<u>366,883</u>	<u>10,236,880</u>
	<u>(14,838,816)</u>	<u>(512,969)</u>

The following undiscounted payments are expected to be made from the defined benefit plan in future years:

	<u>2022</u>	<u>2021</u>
Within the next 12 months	<u>6,077,769</u>	<u>9,210,477</u>
Between 1 and 5 years	<u>39,517,636</u>	<u>63,676,523</u>
Between 5 and 10 years	<u>110,723,805</u>	<u>117,970,680</u>
Total expected payments	<u>156,319,210</u>	<u>190,857,680</u>

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18. TRADE PAYABLES, ACCRUALS AND OTHER LIABILITIES

	<u>2022</u>	<u>2021</u>
Trade payables	756,567,701	532,257,757
Accrued and other liabilities	178,750,862	125,227,348
	<u>935,318,563</u>	<u>657,485,105</u>

19. UNEARNED INCOME AND OTHER PAYABLE

	<u>2022</u>	<u>2021</u>
Unearned income	1,167,100	1,028,890
Other payable (note 19.1)	46,946,676	45,096,856
	<u>48,113,776</u>	<u>46,125,746</u>

19.1 Other payable represents the net amount of VAT payable by the Group.

20. ZAKAT AND TAX

	<u>2022</u>	<u>2021</u>
Zakat for the year (note 20.1)	23,350,785	17,539,457
Tax on profits of foreign subsidiaries	1,979,760	--
	<u>25,330,545</u>	<u>17,539,457</u>

The Parent Company has obtained an approval from ZATCA for the consolidated filing of Zakat return from the year ended 2016 onwards for BinDawood Holding Company ("BDH"), BinDawood Superstores Trading Company ("BDSS"), Danube Company for Foodstuffs and Commodities ("DCFC") and Danube Star for Bakeries and Marketing Company ("DSC"). Accordingly, Zakat is assessed on consolidated basis effective from 2016.

International Applications Trading Company ("IATC") and its subsidiaries file individual Zakat returns.

20.1 Charge for the year

The zakat charge consists of:

	<u>2022</u>	<u>2021</u>
Provision for the year	<u>23,350,785</u>	<u>17,539,457</u>

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20. ZAKAT AND TAX (continued)

20.1 Charge for the year (continued)

The provision is based on the following:

	<u>2022</u>	<u>2021</u>
Adjusted equity	1,233,976,557	1,170,064,842
Opening provision and other adjustments	114,910,169	104,581,994
Book value of non-current assets	<u>(948,957,293)</u>	<u>(740,366,616)</u>
	<u>399,929,433</u>	<u>534,280,220</u>
Zakatable income for the year	<u>150,063,169</u>	<u>268,431,378</u>
Zakat base	<u>549,992,602</u>	<u>802,711,598</u>

The movement in the Zakat provision for the year is as follows:

	<u>2022</u>	<u>2021</u>
Balance at the beginning of the year	19,482,391	17,373,033
Acquisitions through business combinations	20,936	–
Charge for the year	23,350,785	17,539,457
Payments during the year	<u>(20,469,981)</u>	<u>(15,430,099)</u>
At the end of the year	<u>22,384,131</u>	<u>19,482,391</u>

20.2 Status of assessments

BDSS, DCFC and DSC along with the Parent Company have filed its Zakat declaration on a standalone basis until the year ended 31 December 2015. From 2016 onwards, the Parent Company started filing the consolidated Zakat declarations for all wholly owned subsidiaries. Consolidated Zakat declaration together with the information declarations for wholly owned subsidiaries for the years ended 31 December 2016 through 2021 has already been submitted. The Parent Company has also obtained a Zakat certificate valid until 30 April 2023.

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20. ZAKAT AND TAX (continued)

20.2 Status of assessments (continued)

The assessments of the Parent Company have been finalized until 31 December 2018 with the Zakat, Tax and Custom Authority (ZATCA) through Fast-Track Assessment (FTA) initiative. However, the ZATCA has issued an assessment for the year ended 31 December 2016 with additional Zakat liabilities of SR 8.6 million. The Parent Company has filed an appeal against the ZATCA's assessment with the Tax Violations and Disputes Resolution Committee (TVDRRC) and attended a hearing session. The TVDRRC has partially agreed with the Parent Company's contentions, resulting in reduction of Zakat liabilities for the year 2016 to SR 5.8 million. Formal decision of the TVDRRC is yet to be issued. The Company intends to file an appeal against the TVDRRC's decision with the Tax Violations and Disputes Appellate Committee (TVDAC). The Company is expecting a favorable outcome since the years have been finalized under FTA initiative. The management has on a prudent basis, however, booked an appropriate provision in relation to the open assessments.

All assessments of the Parent Company as well as subsidiaries (BDSS, DCFC and DSC) are finalized with the ZATCA until 31 December 2015. There are no other open assessments for the newly acquired local subsidiaries during the year ended 31 December 2022.

21. REVENUE

	<u>2022</u>	<u>2021</u>
Sale of goods	4,764,751,735	4,382,169,554
Services rendered	132,275,464	--
	<u>4,897,027,199</u>	<u>4,382,169,554</u>

22. SELLING AND DISTRIBUTION EXPENSES

	<u>2022</u>	<u>2021</u>
Employee costs	421,275,111	380,309,345
Depreciation (note 7.2)	153,697,178	155,722,022
Depreciation on leased assets (note 9.4)	264,949,237	248,549,768
Amortization of intangible assets	1,497,756	215,289
Utilities	103,795,753	96,084,276
Packaging cost	30,907,306	26,280,930
Repairs and maintenance	27,308,758	21,278,161
Advertising cost	15,551,051	15,193,804
Rent	11,989,945	9,852,551
Others	68,126,383	55,476,361
	<u>1,099,098,478</u>	<u>1,008,962,507</u>

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23. GENERAL AND ADMINISTRATION EXPENSES

	<u>2022</u>	<u>2021</u>
Employee costs	133,724,881	123,468,846
Depreciation (note 7.2)	6,616,859	5,294,436
Depreciation on leased assets (note 9.4)	3,396,532	3,147,851
Repairs and maintenance	8,162,327	4,794,366
Insurance	3,449,865	2,954,733
Rent	1,641,667	929,417
Utilities	1,250,613	1,140,044
Directors' remuneration (note 16.1)	1,553,166	1,516,085
Fuel and vehicle maintenance	10,844,426	8,445,623
Others	24,942,650	13,300,478
	<u>195,582,986</u>	<u>164,991,879</u>

24. OTHER INCOME

	<u>31 December 2022</u>	<u>31 December 2021</u>
Rent concession (note 9.6)	57,199,547	64,723,385
Finance income on short-term deposits	7,886,797	949,570
Other miscellaneous income	18,993,198	5,871,708
	<u>84,079,542</u>	<u>71,544,663</u>

25. EARNINGS PER SHARE

The calculation of basic EPS has been based on the following profit attributable to the shareholders and weighted-average number of ordinary shares outstanding

	<u>31 December 2022</u>	<u>31 December 2021</u>
Profit, attributable to the shareholders of the Company	<u>118,654,833</u>	<u>240,563,746</u>
Number of ordinary shares	114,300,000	114,300,000
Weighted average number of ordinary shares for basic and diluted EPS	<u>114,300,000</u>	<u>114,300,000</u>
Earnings per share – basic and diluted	<u>1.04</u>	<u>2.10</u>

At 31 December 2022, there has been no item of dilution affecting the weighted average number of ordinary shares.

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26. COMMITMENTS AND CONTINGENT LIABILITIES

- a) The Group has outstanding letters of credit to import goods amounting to SR 33.4 million as at 31 December 2022 (31 December 2021: SR 24.1 million) and outstanding letters of guarantee amounting to SR 4.06 million at 31 December 2022 (31 December 2021: SR 7.18 million).
- b) At 31 December 2022, the Group has future capital commitments amounting to SR 18.54 million (31 December 2021: 27.4 million). Further the Group has annual lease commitments totalling SR 6.4 million (31 December 2021: SR 4.1 million) relating to branch rentals.
- c) The Parent Company and its subsidiaries namely BinDawood Superstores Trading Company Limited, Danube Company for Foodstuffs and Commodities and Danube Star for Bakeries and Marketing Company have provided corporate guarantees amounting to SR 253.1 million (31 December 2021: SR 253.1 million) to local banks in respect of banking facilities obtained within the Group.
- d) During the year 2021, a Plaintiff filed a legal case against one of subsidiaries of the Group claiming compensation pertaining to infringement of a Patent which was dismissed by the Court of First Instance in the first hearing. The Plaintiff filed an appeal with the Court of Appeal, which reversed the initial verdict of the Court of First Instance and requested for reopening the case. First session after the reversal of initial verdict took place before the Court of First Hearing on 9 November 2021. Subsequent to the year end on 24 January 2022, Jeddah Commercial Appeals Court ruled the case brought by Plaintiff pertaining to its claim of compensation as inadmissible. The Plaintiff then appealed to the Supreme Court to revoke the decision of the Third Appellate Circuit at the Commercial Court in Jeddah dated 29 January 2022 in favour of the subsidiary of BinDawood Holding Company. The first court session was held on 22 November 2022 before the Second Appellate Circuit at the Commercial Court in Jeddah. The Circuit referred that a decision by the Supreme Court was issued on 03 November 2022 which stated that the judgment issued by the Third Appellate Circuit of the Commercial Court in Jeddah shall be returned to the Court. Afterwards, four sessions were attended before the Second Appellate Circuit at the Commercial Court in Jeddah and the case is still under deliberations.
- e) Future Retail for Information and Technology ("Future Retail") entered into a Shareholders' Agreement with Amjad United Investment and Development Company dated 15 June 2022 whereby Future Retail agreed to provide a shareholders' loan to International Applications Trading Company ("IATC") upto an amount of SR 160 million in single or multiple tranches. As per the Shareholders' Agreement, Future Retail has an option to convert the loan into share capital of IATC. During the year ended 31 December 2022, Future Retail has given an amount of SR 11.7 million to IATC.

27. FAIR VALUE MEASUREMENT

Accounting classification and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

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27. FAIR VALUE MEASUREMENT (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

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

As at 31 December 2022 and 31 December 2021, the fair values of the Group's financial instruments approximate their carrying values.

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's principal financial liabilities comprise of due to related parties and trade payables, accruals and other liabilities. The Group has financial assets such as trade receivables, other receivables and cash and bank balances. The Group's financial assets and liabilities arise directly from its operations.

The Group has exposure to the following risks arising from financial instruments:

- (i) credit risk (note 28.1)
- (ii) liquidity risk (note 28.2)
- (iii) market risk (note 28.3)

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28. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors is responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

28.1 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other part to incur a financial loss. The Group's exposure to credit risk on its bank balances, trade and other receivables and due from related parties is as follows:

	31 December 2022	31 December 2021
Bank balances	298,598,645	245,209,320
Short-term deposits	200,000,000	230,000,000
Due from related parties	40,209,729	60,041,325
Trade and other receivables	371,894,437	377,299,337
	<u>910,702,811</u>	<u>912,549,982</u>

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry. At 31 December 2022, trade receivables are stated at their estimated realizable values. There are two major customers that accounts for 44.6% (31 December 2021: 62.3%) of the total receivable balance.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties. Before accepting any credit customers, the Group has its own credit policy to assess the potential customer's credit quality and defines the credit limits for the new customer. These policies are reviewed and updated regularly. Moreover, the Group seeks to manage the credit risk by monitoring outstanding receivables on an ongoing basis.

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28. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

Cash and cash equivalents

The Group held cash and cash equivalents amounting to SR 498.6 million at 31 December 2022 (2021: SR 475.2 million) with bank and financial institution counterparties. The Group considers that its cash and cash equivalents have zero credit risk based on the external credit ratings of the counterparties.

Due from related parties

The Group has receivable from the related parties for the rent concessions receivable for the properties on finance lease. The management believes that there is no credit risk for the rent concession receivable as the balance have been received subsequent to the year end.

Guarantees

The Group has provided financial corporate guarantees to its affiliates. At 31 December 2022 and 2021, the Company has issued a corporate guarantee to certain banks in respect of credit facilities granted to two affiliates (note 26).

28.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group aims to maintain the level of its cash and cash equivalents an amount in excess of expected cash outflows related to trade and other payables. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through funds of cash and cash equivalents and/or committed credit facilities to meet any future commitments.

Exposure to Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date.

31 December 2022	Carrying amount	Contractual cash flows			Total
		Less than one year	Within one to five years	More than five years	
Trade payables, accruals and other liabilities	935,318,563	935,318,563	--	--	935,318,563
Lease liabilities	2,298,454,578	353,011,963	981,527,673	1,465,770,576	2,800,310,212
Due to related parties	7,667,609	7,667,609	--	--	7,667,609
Other payable	46,946,676	46,946,676	--	--	46,946,676
	3,288,387,426	1,342,944,811	981,527,673	1,465,770,576	3,790,243,060

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28. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

28.2 Liquidity risk (continued)

Exposure to Liquidity risk (continued)

31 December 2021	Carrying amount	Contractual cash flows			Total
		Less than one year	Within one to five years	More than five years	
Trade payables, accruals and other liabilities	657,485,105	657,485,105	--	--	657,485,105
Lease liabilities	2,374,255,097	324,287,705	1,071,991,430	1,491,313,462	2,887,592,597
Due to related parties	7,958,203	7,958,203	--	--	7,958,203
Other payable	45,096,856	45,096,856	--	--	45,096,856
	<u>3,084,795,261</u>	<u>1,034,827,869</u>	<u>1,071,991,430</u>	<u>1,491,313,462</u>	<u>3,598,132,761</u>

28.3 Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity risk. The Group is not exposed to other price risks.

Commission rate risk

Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The Group manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments. There are no commission bearing financial assets and liabilities at the reporting date and therefore there is no commission rate sensitivity at the reporting date.

Currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of most of the Group subsidiaries is primarily the Saudi Riyal. The Group did not undertake significant transactions in currencies other than Saudi Riyals, Euros and US Dollars. Trade payables and accruals include an amount of SR 35.9 million (31 December 2021: SR 17.4 million) due in Euros. As the Saudi Riyal is pegged to the US Dollar, therefore currency denominated in US Dollar is not considered to represent significant foreign currency risk

A reasonably possible strengthening (weakening) of the euro against all other currencies at 31 December 2022 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

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28. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)**28.3 Market risk (continued)***Currency risk (continued)*

<i>Effect in SR</i>	<u>Profit or loss</u>		<u>Equity, net of zakat</u>	
	<u>Strengthening</u>	<u>Weakening</u>	<u>Strengthening</u>	<u>Weakening</u>
31 December 2022				
Euro (5% movement)	<u>(1,796,691)</u>	<u>1,796,691</u>	<u>(1,751,774)</u>	<u>1,751,774</u>
31 December 2021				
Euro (5% movement)	<u>(869,142)</u>	<u>869,142</u>	<u>(847,413)</u>	<u>847,413</u>

29. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, statutory reserve and retained earnings attributable to the equity holders of the Group. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Equity comprises share capital, reserves, non-controlling interest and retained earnings and is measured at SR 1,381.8 million (31 December 2021: SR 1,411.1 million).

30. ESTABLISHMENT AND ACQUISITION OF SUBSIDIARIES*Future Retail for Information and Technology*

As disclosed in note 2, the Group had acquired Future Retail for Information Technology Company, a Limited Liability Company (Future Retail), with a share capital of SR 5 million. Future Retail has its head office in Jeddah and specializes in providing solutions and services.

Future Tech Retail France

Future Retail for Information and Technology ("FRIT") has established a 100% effectively owned foreign subsidiary i.e. Future Tech Retail France ("FTR France") with a share capital amounting to EUR 5,000. The registered office of FTR France is located at 12 Dauphine, 75001 Paris. The main purpose of FTR France is the acquisition and management of companies. The legal formalities related to the establishment were completed on 21 July 2022.

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30. ESTABLISHMENT AND ACQUISITION OF SUBSIDIARIES (continued)*International Applications Trading Company*

Future Retail entered into a Sale and Purchase Agreement (“SPA”) with Amwaj Real Estate Company Limited and First Commercial Applications Company (related parties and collectively referred here as “the parties”) to purchase 62% shares in International Applications Trading Company (“IATC”), a Limited Liability Company registered in the Kingdom of Saudi Arabia, on 24 March 2022 corresponding to 21 Shaban 1443H. The initial purchase consideration for the acquisition amounts to SR 107.24 million adjusted by the amount of net debt at the closing date, as per the Share Purchase Agreement (SPA). In addition, there are further contingent variable considerations which might have to be paid as per the terms and conditions set out in the SPA.

IATC also acquired 100% of shares in Amjad United Investment and Development Company (“Amjad United”), a Limited Liability Company registered in the Kingdom of Saudi Arabia. The legal formalities related to the acquisition of IATC and its subsidiary were completed on 31 July 2022.

The fair values of assets and liabilities disclosed below have been determined provisionally using the carrying values appearing in the books of the acquiree. Management has appointed an independent firm to carry out fair valuation of identifiable assets and liabilities that is currently in the process of allocating the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. Accounting for the business combination, including valuation of goodwill, is therefore provisional.

The following table summarizes the consolidated carrying values of assets acquired, and liabilities of IATC and its subsidiary assumed at the date of acquisition:

<u>Net Assets</u>	<u>31 July 2022</u>
Property and equipment	1,300,057
Intangible assets	9,037,491
Right to use asset	734,734
Trade receivables	753,639
Due from a related party	4,733,281
Advances and prepayments	108,407
Cash and cash equivalents	1,029,806
Accrued expenses and other liabilities	(3,146,608)
Trade payables	(272,885)
Lease liabilities	(922,779)
Employee benefits liabilities	(1,509,350)
	<u>11,845,793</u>

Adjustments to the carrying values will be finalized within one year of the date of acquisition as allowed by IFRS 3 ‘Business Combinations’

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30. ESTABLISHMENT AND ACQUISITION OF SUBSIDIARIES (continued)

International Applications Trading Company (continued)

IATC has further acquired 100% shareholding in two subsidiaries which includes First Commercial Applications Company and Future Flower Trading Company, limited liability companies registered in the Kingdom of Saudi Arabia, against nil consideration as per the terms and conditions of Share Purchase Agreement. The management of IATC has completed all the legal formalities related to acquisitions in the current year.

The Company incurred acquisition-related costs amounting to SR 3.2 million on legal fees and due diligence costs and the management has included these costs under 'General and Administration expenses' in the period in which these costs were incurred.

Ykone S.A.S

FTR France entered into a Share Purchase Agreement with TF1 Marketing Services, a company registered in France and Mr. Olivier Billion, a French national, to acquire 80.46% shares in Ykone S.A.S ("Acquiree"), a French société par actions simplifiée having its registered office at 4 rue Marivaux, 75002 Paris, registered with the Trade and Companies Register of Paris, under number 508 497 294, for an agreed consideration of SR 129.75 million. The related legal formalities were completed on 27 July 2022. Later during this year, FTR France acquired 18.14% of the shareholding in Ykone S.A.S, resulting in a total acquisition of 98.6% as at 31 December 2022. All the legal formalities relating to the acquisition of further shareholding were completed during the year ended 31 December 2022.

The fair values of assets and liabilities disclosed below have been determined provisionally using the carrying values appearing in the books of the Acquiree. Management has appointed an independent firm to carry out fair valuation of identifiable assets and liabilities that is currently in the process of allocating the purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired. Accounting for the business combination, including valuation of goodwill.

The following table summarizes the carrying values of assets acquired, and liabilities assumed at the date of acquisition:

<u>Net Assets</u>	<u>27 July 2022</u>
Property and equipment	2,153,611
Intangible assets	1,486,305
Other fixed assets	10,512,063
Trade receivables	92,986,830
Prepayments and other receivables	17,673,805
Investments and other assets	360,949
Cash and cash equivalents	10,929,854
Accrued expenses and other liabilities	(57,225,392)
Trade payables	(40,676,297)
	<u>38,201,728</u>

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30. ESTABLISHMENT AND ACQUISITION OF SUBSIDIARIES (continued)

Ykone S.A.S (continued)

Adjustments to the carrying values will be finalized within one year of the date of acquisition as allowed by IFRS 3 'Business Combinations'.

The Company incurred acquisition-related costs amounting to SR 4.4 million on legal fees and due diligence costs and the management has included these costs under 'General and Administration expenses' in the period in which these costs were incurred.

On 22 December 2022, the Group's effective shareholding in Future Tech Retail – France changed from 100% to 86.53% whereby one of the shareholders in Ykone SAS surrendered its shareholding to FTR-France. As a result, there had been a change in the interest of non-controlling interest in both Ykone SAS and FTR-France with no change in control, therefore the management has taken the resultant impact of change in the effective shareholding in 'other reserves' in total equity.

31. IMPACT OF COVID -19

Since early 2020, the Novel Coronavirus Pandemic (COVID-19) has spread globally across various geographies including the Kingdom of Saudi Arabia, causing disruption to businesses and slowdown of economic activities in general as a result of travel restrictions and social distancing requirements. The extent to which COVID-19 impacts the Group's business, operations, and financial results depend on many factors and future developments, that the Group may not be able to estimate reliably during the current year.

During 2020 and 2021, the Group's management continued to carry out an impact assessment on the overall Group's operations, estimated its liquidity requirements and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, supplier incentives etc. Accordingly, the management has taken several steps to mitigate the effects of the pandemic, including costs reduction measures.

Globally, there has been significant drop in the number of registered cases. As a result, restrictions related to COVID-19 such as social distancing, travel bans, requirement for travelers to present a negative PCR or rapid antigen test on arrival test have been lifted.

Based on these factors, management believes that apart from the COVID-19 related rent concession, the COVID-19 pandemic has had no material effect on the Group's reported financial results for the year ended 31 December 2022 including the significant accounting judgements and estimates. The Group continues to monitor the COVID-19 situation closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations beyond 2022.

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32. SUBSEQUENT EVENT

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its By-Laws for any changes to align the Articles to the provisions of the Law.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 28 March 2023.