

**HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022**

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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Independent auditor's report to the shareholders of Herfy Food Services Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Herfy Food Services Company (the "Company") as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, 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).

What we have audited

The Company's financial statements comprise:

- a) the statement of financial position as at 31 December 2022;
- b) the statement of comprehensive income for the year then ended;
- c) the statement of changes in equity for the year then ended;
- d) the statement of cash flows for the year then ended; and
- e) the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key Audit Matters	Carrying amounts of non-financial assets
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.



Independent auditor's report to the shareholders of Herfy Food Services Company (continued)

Our audit approach (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Carrying amounts of non-financial assets</i></p> <p>As at 31 December 2022, the aggregate carrying amount of property, plant and equipment and right-of-use assets amounted to Saudi Riyals 864 million and Saudi Riyals 573 million, respectively.</p> <p>Non-financial assets are monitored by management at the level of Cash Generating Units (CGUs). Management carried out a formal assessment as at 31 December 2022 to consider whether there is any indication of impairment at each CGU level and therefore require a more detailed assessment of its recoverable amount in accordance with IAS 36. As a result of the exercise, management has recorded an impairment of Saudi Riyals 17.5 million against the carrying values of certain CGUs which management is planning to close during the year 2023.</p> <p>In assessing whether there is any indication that an asset may be impaired, management considers both external and internal sources of information (e.g. financial performance of the store, significant decline in assets value, adverse effect on the Company in the technology, market, economic or legal environment, increase in the market rates of return, decline in market capitalization, obsolescence or physical damage of an asset ect).</p> <p>We considered this to be a key audit matter given the significance of the balances and management judgement involved in identifying potential impairment triggers.</p> <p><i>Please refer to note 4.7 for the accounting policy and note 6 for the related disclosures in the Company's financial statements.</i></p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none">• Obtained an understanding of the design and implementation of key controls over the process of impairment indicator identification.• Obtained the assessment prepared by management for each Cash Generating Unit "CGU" and the key assumptions underpinning them.• Evaluated the reasonableness of management's assessment. This included:<ul style="list-style-type: none">○ Testing the input data used in the assessment to the relevant supporting documentation.○ Checking the mathematical accuracy of the data used in the assessment.• Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.



Independent auditor's report to the shareholders of Herfy Food Services Company (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report of the Company but does not include the financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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



Independent auditor's report to the shareholders of Herfy Food Services Company (continued)

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.





PricewaterhouseCoopers

Omar M. AlSagga
Licence Number 369
21 March 2023

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2022	31 December 2021	1 January 2021
ASSETS			(Restated - note 34)	(Restated - - note 34)
Non-current assets				
Property, plant and equipment	6	864,135,826	977,621,549	992,961,144
Right-of-use assets	7.1	572,525,445	606,249,213	661,532,721
Net investments in finance lease	8	5,912,484	7,158,870	8,252,527
Intangible assets	9	13,479,535	9,396,938	11,075,199
Investment properties	10	137,998,519	28,034,938	26,676,726
Other non-current assets		3,058,093	-	-
Total non-current assets		1,597,109,902	1,628,461,508	1,700,498,317
Current assets				
Inventories	11	177,615,025	134,806,387	104,944,226
Trade, other receivables and prepayments	12	177,010,993	204,520,891	173,840,979
Net investments in finance lease – current portion	8	1,117,803	1,073,831	2,685,880
Financial assets held at fair value through profit or loss (FVTPL)	13	21,349,104	811,681	2,791,364
Cash and cash equivalents	14	20,297,172	30,485,715	118,930,514
Total current assets		397,390,097	371,698,505	403,192,963
TOTAL ASSETS		1,994,499,999	2,000,160,013	2,103,691,280
EQUITY AND LIABILITIES				
EQUITY				
Share capital	15	646,800,000	646,800,000	646,800,000
Statutory reserve	16	101,760,104	101,405,494	86,226,347
Retained earnings		307,992,800	295,393,320	230,804,108
TOTAL EQUITY		1,056,552,904	1,043,598,814	963,830,455
LIABILITIES				
Non-current liabilities				
Borrowings	17	-	15,306,183	36,780,108
Lease liabilities	7.2	553,988,051	572,754,943	629,006,706
Employees' defined benefits liabilities	18	97,263,701	101,843,814	93,527,855
Total non-current liabilities		651,251,752	689,904,940	759,314,669
Current liabilities				
Borrowings	17	15,612,073	15,222,068	124,596,427
Lease liabilities – current portion	7.2	30,640,179	46,056,092	31,536,769
Trade and other payables	19	235,736,844	196,105,754	210,745,509
Zakat payable	20	4,706,247	9,272,345	13,667,451
Total current liabilities		286,695,343	266,656,259	380,546,156
TOTAL LIABILITIES		937,947,095	956,561,199	1,139,860,825
TOTAL EQUITY AND LIABILITIES		1,994,499,999	2,000,160,013	2,103,691,280

The accompanying notes on pages from 1 to 60 forms an integral part of these financial statements.

The authorized member of
the Board of Directors

Chief Executive Officer


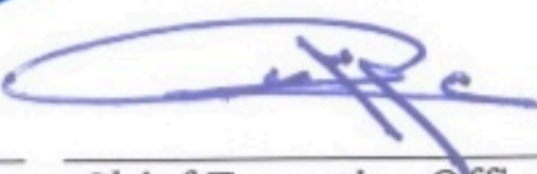
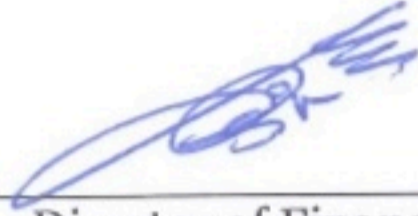

Director of Finance

Finance Manager

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Note	2022	2021 (Restated - note 34)
Revenues	22	1,243,838,271	1,319,092,436
Cost of revenues	23	(936,834,428)	(901,263,698)
Gross profit		307,003,843	417,828,738
Other income	24	12,979,744	10,707,665
(Provision)/reversal for impairment on financial assets	12,8	(4,539,562)	270,216
Impairment loss on non-financial assets	6	(17,545,590)	-
Gains on financial assets held at fair value through profit or loss	13	537,423	454,090
Selling and distribution expenses	25	(184,021,335)	(166,770,266)
General and administrative expenses	26	(73,384,855)	(68,708,270)
Operating profit		41,029,668	193,782,173
Finance cost	27	(37,303,801)	(41,323,620)
Net profit before zakat		3,725,867	152,458,553
Zakat		(179,763)	(667,079)
Net profit for the year		3,546,104	151,791,474
Other comprehensive (loss)/income for the year			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on employees' post employment benefits	18.4	9,407,986	(7,343,115)
Total comprehensive income for the year		12,954,090	144,448,359
Earnings per share (SR)			
Basic and diluted earnings per share attributable to the equity shareholders of the Company	28	0.05	2.35
Weighted average number of shares		64,680,000	64,680,000

The accompanying notes on pages from 1 to 60 forms an integral part of these financial statement.

			
The authorized member of the Board of Directors	Chief Executive Officer	Director of Finance	Finance Manager

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total equity
As at 1 January 2021 (As issued)	646,800,000	85,782,785	226,812,051	959,394,836
Correction of error (Note 34)	-	443,562	3,992,057	4,435,619
As at 1 January 2021 (Restated - note 34)	646,800,000	86,226,347	230,804,108	963,830,455
Net profit for the year (Restated - note 34)	-	-	151,791,474	151,791,474
Other comprehensive loss for the year	-	-	(7,343,115)	(7,343,115)
Total comprehensive income for the year (Restated - note 34)	-	-	144,448,359	144,448,359
Dividends distributed (Note 32)	-	-	(64,680,000)	(64,680,000)
Transfer to statutory reserve (Restated - note 34)	-	15,179,147	(15,179,147)	-
As at 31 December 2021 (Restated - note 34)	646,800,000	101,405,494	295,393,320	1,043,598,814
Net profit for the year	-	-	3,546,104	3,546,104
Other comprehensive income for the year	-	-	9,407,986	9,407,986
Total comprehensive income for the year	-	-	12,954,090	12,954,090
Transfer to statutory reserve	-	354,610	(354,610)	-
As at 31 December 2022	646,800,000	101,760,104	307,992,800	1,056,552,904

The accompanying notes on pages from 1 to 60 form an integral part of these financial statements.






The authorized member of
 the Board of Directors

Chief Executive Officer

Director of Finance

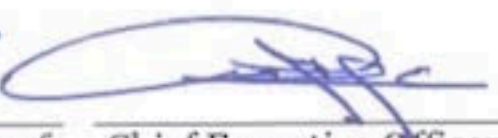
Finance Manager

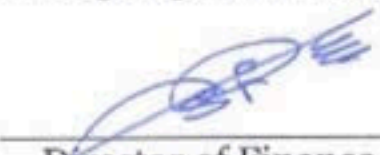
HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)


	2022	2021 (Restated - note 34)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before zakat	3,725,867	152,458,553
Adjustments to reconcile operating profit before zakat to net cash from operating activities:		
Depreciation on property, plant and equipment	84,736,170	89,722,007
Impairment loss on non-financial assets	17,545,590	-
Depreciation on right of use assets	78,193,093	71,568,793
Provision / (reversal) for impairment on financial assets	4,539,562	(270,216)
Termination of net investment in finance lease	-	1,780,279
Amortization on intangible assets	2,288,422	2,982,002
Reversal for impairment on intangible assets	-	(773,233)
Depreciation on investment property	3,874,013	2,842,495
Provision for slow-moving items	3,545,295	720,218
Gain on financial assets held at fair value through profit or loss	(537,423)	(454,090)
Provision for employees' post-employment benefits	13,742,603	11,821,351
Gain on disposals of property, plant and equipment	(733,178)	(206,420)
Interest income	(312,586)	(212,350)
Finance cost	37,303,801	41,323,620
Changes in operating assets and liabilities:		
Inventories	(46,353,933)	(30,582,379)
Trade, other receivables and prepayments	22,970,336	(66,310,404)
Trade and other payables	39,663,343	22,628,535
Cash generated from operating activities	264,190,975	299,038,761
Zakat paid	(4,745,861)	(5,062,185)
Employees' defined benefits liabilities paid	(8,654,730)	(9,247,283)
Net cash generated from operating activities	250,790,384	284,729,293
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(103,293,679)	(83,809,107)
Proceeds from the sale of property, plant and equipment	1,393,226	5,432,408
Ancillary finance lease income received	1,515,000	1,085,000
Purchase of intangible assets	(6,371,019)	(530,508)
Purchase of financial assets held at fair value through profit or loss	(20,000,000)	(90,000,000)
Proceeds from the sale of financial assets held at fair value through profit or loss	-	92,433,773
Change in other non-current assets	(3,058,093)	-
Net cash used in investing activities	(129,814,565)	(75,388,434)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(14,916,178)	(133,092,164)
Principal elements of lease payments	(78,652,130)	(60,933,754)
Paid finance cost	(37,596,054)	(39,079,740)
Dividend paid	-	(64,680,000)
Net cash used in financing activities	(131,164,362)	(297,785,658)
Net change in cash and cash equivalents	(10,188,543)	(88,444,799)
Cash and cash equivalents at beginning of the year	30,485,715	118,930,514
Cash and cash equivalents at end of the year	20,297,172	30,485,715

The accompanying notes on pages from 1 to 60 forms an integral part of these financial statement.


The authorized member of
the Board of Directors


Chief Executive Officer


Director of Finance


Finance Manager

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

1 LEGAL STATUS AND OPERATIONS

Herfy Food Services Company ("the Company") is a Saudi Joint-Stock Company formed under the laws of the Kingdom of Saudi Arabia and registered under the commercial register under No. 7000329776 (previously No. 1010037702) on 04 Jamad-ul-Awal 1401H (corresponding to 9 March 1981).

The Company is engaged in establishing and operating restaurants, providing companies and others with cooked meals, production and sale of bakery and pastry products, the sale and purchase of lands for the purpose of constructing building and own use, maintaining, and leases stores and food store fridges.

As at 31 December 2022, the total number of restaurants owned and leased by the Company were 40 and 351 respectively (31 December 2021: 40 owned and 346 leased), operating in the Kingdom of Saudi Arabia under the trademark of "HERFY". The Company also operates bakeries and bakery shops "Herfy Bakeries / Doka"

During 2005, the Company established a meat factory in Riyadh ("Meat Factory"), which operates under commercial registration number 1010200515 issued on 16 Jamad -ul-Thani 1425 (2 August 2004) and in accordance with industrial license number 249/S issued on 16 Safar 1422H (9 May 2001). The Meat Factory commenced production in October 2005.

During 2012, the Company established a cake factory in Riyadh ("Cake Factory"), which operates under commercial registration number 1010294755 issued on 20 Shawwal 1431 H (29 March 2010) and in accordance with industrial license number 11583/T issued on Shawwal 18, 1431 H (27 March 2010). The Cake Factory commenced production in June 2012.

The ultimate parent and the controlling party of the Company is Savola Group Company.

The accompanying financial statements include the accounts of the Company's head office and aforementioned restaurants, bakeries, shops and factories.

The Company's Head Office is located at Al Moroug District, P.O. Box 86958, Riyadh 11632, Kingdom of Saudi Arabia. The Company has the following branches:

S. No	Branch	C.R. No.	Date
1	Herfy Meat Processing Factory	1010200515	16/06/1425 H
2	Herfy Factory for Cake & Pasties	1010294755	20/10/1431 H

These financial statements were approved by the Board of Directors on 23 Sha'ban 1444 A.H. (15 March 2023).

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 BASIS OF MEASUREMENT

These financial statements are prepared under the historical cost method except for the following:

- Investments that are measured at fair value; and
- Employees' post-employment benefits recognized at the present value of future obligations using the Projected Unit Credit Method.

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

2 BASIS OF PREPARATION (continued)

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements have been presented in Saudi Riyals (SR) which is the Company's functional and presentation currency. All financial information presented in SR has been rounded to the nearest SR, unless otherwise mentioned.

2.4 NEW AND AMENDED STANDARDS, INTERPRETATIONS AND AMENDMENTS

New and amended standards adopted by the Company

The Company has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS 1, IFRS 9, IAS 41 and IFRS 16, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.5 GOING CONCERN

The Company's management has made an assessment of 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, the management are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgment

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

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

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

HERFY FOOD SERVICES COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
(All amounts in Saudi Riyals unless otherwise stated)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS
(continued)

Judgment (continued)

Determining the lease term of contracts with renewal and termination options – The Company as lessee (continued)

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

Estimates

Actuarial valuation of employees' post-employment benefits

The cost of the post-employment benefits ("employee benefits") under the defined benefit plan is determined using the projected unit credit method. 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 rate of employee turnover. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed on an annual basis or more frequently, if required. For the sensitivity analysis refer note 18.

Useful lives of property and equipment, investment properties and intangibles

As described in note 4.1, 4.2 and 4.3, the Company estimates the useful lives of property and equipment, investment properties and intangibles at the end of each annual reporting period. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

Provision for expected credit losses of trade receivables

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer note 31.1 for more details regarding the ECL.

Provision for zakat

Management has assessed the zakat position having regard to the local zakat legislation, decrees issued periodically and conventions. Interpretation of such legislation decrees and conventions are not always clear and entail completion of assessment by the Zakat, Tax and Customs Authority ("ZATCA"). Refer to note 19 for further details.

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3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS
(continued)

Estimates (continued)

Incremental borrowing rate used for leases

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

4 SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment in value, except for land and capital work in progress which are stated at cost and are not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and amount can be measured reliably.

Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Finance costs on borrowings to finance the construction of the qualifying assets, if any, are capitalized during the period of time that is required to substantially complete and prepare the qualifying asset for its intended use.

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

Depreciation is calculated from the date the item of property, plant and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets are ready for the intended use. Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Asset class	Years
Buildings on owned lands	20 to 50
Buildings on leased lands and leasehold improvements	5 to 35 or lease period whichever is less
Machinery and equipment	4 – 20
Furniture and office equipment	6 – 7
Motor vehicles	5 – 15

If there is an indication that there has been a significant change in useful life or residual value of an item, the depreciation is revised prospectively to reflect the new estimates.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Property, plant and equipment (continued)

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income.

Items such as spare parts, stand-by equipment and servicing equipment, if any, are recognized in accordance with this IFRS when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

Capital work in progress represent costs relating directly to the new projects in progress and are capitalized in its relevant asset class when the project is completed. However, depreciation on such assets under construction commences when the asset becomes completed and available for use.

Property, plant and equipment are written down to the recoverable amount if carrying value is higher than recoverable amount. Refer note 4.7 for more details.

4.2 Investment properties

Investment properties comprise property held for capital appreciation, long-term rental yields or both, and are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties also include property that is being constructed or developed for future use as investment properties. In addition, land, if any held for undetermined use is classified as investment properties and is not depreciated. When the development of investment properties commences, it is classified as "Capital work in progress" until development is complete, at which time it is transferred to the respective category and depreciated using straight-line method at rates calculated to reduce the cost of assets to their estimated residual value over their expected useful lives of 15 to 50 years. Buildings on Leased hold lands are depreciated over lower of lease period or useful lives.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of comprehensive income as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized and presented separately within the statement of comprehensive income. Investment properties are written down to the recoverable amount if carrying value is higher than recoverable amount. Refer note 4.7 for more details.

4.3 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their useful economic lives 6 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Intangible assets residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary. Intangible assets are written down to the recoverable amount if carrying value is higher than recoverable amount. Refer note 4.7 for more details.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest rate method.

The Company's trade receivables are subject to the expected credit loss model. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Refer to 4.16.1 for further details.

4.5 Inventories

Raw materials, packing materials, and finished goods are valued at the lower of cost and net realizable value, and the cost is determined on a weighted average basis. Cost comprises of purchase cost and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realizable value consists of the estimated selling price during the normal course of business, net of the additional production costs to complete and any other cost required to complete the sale. The Company reviews the carrying amount of the inventories on a regular basis. Where necessary the inventory is reduced to the net realizable value or a provision for obsolete is established in the event of any change in the pattern of use or physical form of the related inventory.

Management estimates the net realizable value of inventories, taking into account the most reliable evidence at the time the estimates are used and establishes a provision for obsolete inventory. These estimates take into account changes in demand for goods and technological changes, quality and price fluctuations. Accordingly, the Company considers these factors and takes them into account to calculate the provision for obsolete, slow moving and defective inventories.

Operational supplies and spare parts not held for sale and to be consumed within one year, are valued at cost. Cost is determined on the weighted average cost basis. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

4.6 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three-months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown in current liabilities in the statement of financial position.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and 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. Where 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

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

4.8 Equity reserves

Share capital

Share capital represents the nominal (par) value of shares that have been issued.

Retained earnings

Retained earnings include all current and prior period retained profits. All transactions with owners of the Company are recorded in retained earnings.

4.9 Statutory Reserve

In accordance with the Company's Article of Association, the Company is required to transfer 10% of its net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This Statutory Reserve is not available for distribution to the shareholders. However, it may be used to increase capital after obtaining shareholder's approval.

4.10 Provisions

Provisions are recognized when the Company 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted using the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Contingent liabilities

Contingent liabilities are possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity or from a present obligation that arises from past events but is not recognized because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

4.12 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

4.13 Employee Benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Refer to note 18.

Employees' post-employment benefits

Provision is made for the end of service benefits for employees in accordance with the Saudi Labor Law for their period of service with the Company. The provision relating to end of service benefits is disclosed as a non-current liability in the statement of financial position and is calculated by an independent actuary using the Projected Unit Credit Cost Method as per IAS 19 'Employee Benefits'. The defined benefit obligation plan is unfunded.

The present value of the defined benefit obligations calculated using assumptions on the average annual rate of increase in salaries, average period of employment and an appropriate discount rate. As KSA does not have a deep corporate bonds market, the present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows denominated in the currency in which the benefits will be paid. Defined benefit costs are categorized as follows:

Service cost

Service costs include current service cost and past service cost are recognized immediately in the statement of profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of comprehensive income as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefits expense in the statement of comprehensive income.

Re-measurement gains or losses

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

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Zakat

The Company is subject to zakat in accordance with the ZATCA in the Kingdom of Saudi Arabia. Zakat is provided on the accrual basis. The zakat charge is computed on the higher of the zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared. Zakat is charged to the statement of comprehensive income.

4.15 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date. The gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates are recognized in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in statement of comprehensive income are also recognized in statement of profit or loss, respectively).

4.16 Financial instruments

4.16.1 Financial assets

A) Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

B) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

C) Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

4.16.1 Financial assets (continued)

C) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in the statement of profit or loss. Impairment losses are presented as separate line item in the statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in the statement of comprehensive income. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

4.16.1 Financial assets (continued)

D) Impairment of financial assets

The Company assesses on a forward-looking basis the Expected Credit Losses (“ECL”) associated with its debt instruments as part of its financial assets, carried at amortized cost.

The Company’s trade receivables and net investment in finance lease are subject to the expected credit loss model. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Expected loss rates were derived from historical information of the Company and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Company applies the general model to measure the credit losses on financial assets other than trade receivables and net investment in finance lease, and categorizes them as follows:

- **Performing:** these represent the financial assets where customers have a low risk of default and a strong capacity to meet contractual cash flows. Less than 30 days past due balances do not result in significant increase in credit risk and are considered as performing. The Company measures the loss allowance for performing financial assets at an amount equal to 12-month expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. 12-month expected credit losses are the portion of expected credit losses that results from default events on the financial assets that are possible within 12 months after the reporting date.
- **Underperforming:** these represent the financial assets where there is a significant increase in credit risk and that is presumed if the customer is more than 60 days past due in making a contractual payment. The Company measures the loss allowance for underperforming financial assets at an amount equal to lifetime expected credit losses.
- **Non-performing:** these represent defaulted financial assets. A default on a financial asset is considered when the customer fails to make a contractual payment/installment within 90 days after they fall due.

The Company measures the loss allowance for non-performing financial assets at an amount equal to lifetime expected credit losses. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Impairment losses on financial asset are presented as a separate line “Impairment on financial assets” in the statement of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Refer to note 31.1 for more details on impairment of financial assets.

4.16.2 Financial liabilities

Initial recognition

Financial liabilities are recognized initially at fair value and in the case of borrowings, the fair value of the consideration received less directly attributable transaction costs.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Financial instruments (continued)

4.16.2 Financial liabilities (continued)

Subsequent measurements

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

4.16.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4.16.4 Fair value hierarchy of financial instruments

The fair values of financial instruments are disclosed in note 30. The Company classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

Level 1

The fair value of financial instruments quoted in active markets is based on their quoted closing price at the statement of financial position date. Examples include exchange-traded commodity derivatives and other financial assets such as investments in equity and debt securities.

Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.

Level 3

The fair value of financial instruments that are measured on the basis of entity-specific valuations using inputs that are not based on observable market data (unobservable inputs).

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

4.16.5 Effective interest method

The effective interest method is a method of calculating the amortized cost of financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Leases

A) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate which is being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Company did not make any such adjustments during the periods presented.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Leases (continued)

A) The Company as lessee (continued)

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Refer to 4.7 for the impairment on right-of-use assets.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in statement of comprehensive income.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company leases various stores and buildings for restaurants. Rental contracts are typically made for fixed periods of 2 to 25 years but may have extension options. Lease-term are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for financing purpose.

Extension options

Extension options are included in a number of building leases across the Company. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension options held are exercisable by the Company and not by the respective lessor.

B) The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties. Rental contracts are typically made for fixed periods of 2 to 25 years but may have extension options. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Leases (continued)

B) The Company as lessor (continued)

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

The Company applies the general model to measure the credit losses on financial assets other than trade receivables.

4.18 Finance costs

Finance costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and reported as 'financial charge'. Finance costs consist of interest and other costs incurred by the Company in connection with the borrowing of funds.

4.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty collected on behalf of third parties. The Company recognizes revenues from contracts with customers based on a five-step model as set out in IFRS (15) as follows:

- Step 1: Identify contract(s) 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 for every contract that must be met.
- Step 2: Identify 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 Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation.

Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods to a customer. This is based on the principle that revenue is recognized when control of a good transfers to a customer being when the products are being delivered to the customer has full discretion over the use or sale of goods, and there is no unfulfilled obligation that would affect the customer's acceptance of goods.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.19 Revenue recognition (continued)

• ***Revenue from restaurants and catering, meat factory, and bakery and pastry products***

Revenue from contracts with customers consists of revenue from sale of meals at restaurant, sale of frozen products, and sale of bakery and pastry products. The revenue is derived from local and export market. Revenue from contracts with customers is recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the products. For the sales of meals at restaurants, the period of time between the payments received from the customers and when control of the goods are transferred to the customer is usually insignificant. For the sale of meat, bakery and pastry, a receivable is recognized when the goods are delivered to the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The Company is considered to be a principal.

• **Sales discount**

The goods are often sold through various aggregators, mobile applications and stores. The sales discounts represent the various promotional discounts and offers provided to the end consumer on the sale of goods. Revenue from these sales is recognized based on the price specified in the invoice net of any discounts. The consideration received from the customer is net of the discount provided to the customer.

• **Sales return**

The Company sells certain products with a right of return by the customer on the expiry of these products. A refund liability is recorded for the expected goods to be returned and the right to return assets. The refund liability represents the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Management has estimated that the corresponding right of return asset against the refund liability is not material since most of the Company's returns relate to expired goods which are of no value.

d) Sales rebate

Revenue from sales through hypermarkets is recognized based on the price specified in the contract, net of the estimated rebates. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. Sales rebate are presented primarily as a deduction from gross sales based on entitlement that has been earned up to the statement of financial position date, for each relevant receivable arrangement. The related liability (included in trade and other payables) is recognized for expected volume rebates payable to customers in relation to sales made during the year.

e) Significant financing component

Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component as it expects, at contract inception, that the period between the transfer of the promised goods to the customer and when the customer pays for that good will be one year or less.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The Company recognizes a trade receivable if it has a present right to payment even though that amount may be subject to refund in the future.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Trade payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

4.21 Selling, distribution, general and administration expenses

Selling, Distribution, General and Administration Expenses include costs not specifically part of Cost of Sales. Allocations between Cost of Revenue and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Company recognize the marketing support from vendors in the selling and distribution expenses on an accrual basis.

4.22 Segmental reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments operating results are reviewed regularly by the Company's Chief Executive Officer (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's Chief Executive Officer (Chief Operating Decision Maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4.23 Earnings per share

The Company presents basic and diluted earnings per share (if any) for the ordinary share adjusted for any bonus issue and excluding any treasury shares. Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares. Diluted earnings per share are adjusted by the profit or loss attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding during the year with the effect of all of the ordinary shares that are likely to be issued.

4.24 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company. Dividends which are declared and not paid are recorded as liability in the period in which they are approved by the General Assembly.

4.25 Current versus non-current classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

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4 SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Current versus non-current classification (continued)

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 Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

5 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management and are at arm's length. Outstanding balances at the year ended 31 December 2022 and 2021 are unsecured, interest free and settled in cash. For the year ended 31 December 2022 and 2021, the Company has not recorded any impairment of receivables relating to amounts owed by related parties as the identified impairment loss was immaterial. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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5 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Significant transactions and balances with related parties other than those disclosed elsewhere in the financial statements, are as follows:

Transactions during the year

- Transactions with the subsidiaries of the ultimate parent company*

Names of related parties	Nature of transactions	2022	2021
	Sales to PRC	28,948,799	29,938,553
	Advertisement expense charge by PRC	-	(2,544,988)
	Lease payments during the year (including interest)	(415,000)	(1,900,410)
Panda Retail company (PRC)	Rent charged by PRC to the Company on short-term lease	(2,717,755)	(3,242,144)
Afia International Company	Purchases from Afia International Company	(20,592,709)	(5,629,436)
Al Ahsan Trading Company	Purchases from Al Ahsan Trading Company	(164,970)	-
United Sugar Factory	Purchases from United Sugar Factory	(3,272,913)	(2,913,115)
International Food Industries Company	Purchases from International Food Industries Company	(6,406,218)	(4,743,537)

- Transactions with the entities owned by a major shareholder and close family members*

Names of related parties	Nature of transactions	2022	2021
	Sales to Bazbazah Int Company	810,290	575,460
	Lease payments during the year (including interest)	(650,000)	-
	Rent charged by Bazbazah Int Company on short-term lease	(435,000)	(435,000)
Bazbazah Int Company	Rent charged to Bazbazah Int Company on short-term lease	247,167	247,167
Taza Restaurant Company Limited	Sales to Taza Restaurant Company Limited	991,366	1,429,009
Green Leave Company	Sales to Green Leave Company	-	162,745
El Mazaq El Amsal Company	Rent charged to El Mazaq El Amsal Company	350,000	350,000
	Rent charged to the Company on short-term leases	(2,200,000)	(2,200,000)
Qitaf Company	Lease payments during the year (including interest)	(2,850,000)	(2,836,736)
Mama Sauce Factory	Purchases from Mama Sauce Factory	(6,072,680)	(13,879,040)
Double Coffee Company	Sales to Double Coffee Company	-	42,099

- Transactions with the shareholders*

Names of related parties	Nature of transactions	2022	2021
	Rent charged by GOSI on short-term leases	681,150	681,150
	Lease payments during the year (including interest)	(491,400)	(860,700)
General Organization for Social Insurance (GOSI)	Employees subscription cost	19,602,104	19,581,056
	Management fees	-	(496,300)
	Salaries and benefit paid to the shareholder	-	(169,880)
	Lease payments during the year (including interest)	-	(234,000)
	Rent charged by the shareholder to the Company on short-term leases	(450,000)	(630,000)
Mr. Ahmed Al Saeed	Sales to shareholder	-	29,814

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5 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- *Transactions with the previous board member*

Names of related parties	Nature of transactions	2022	2021
	Rent charged by the board member to the Company on short-term leases	(200,000)	(200,000)
	Lease payments during the year (including interest)	(600,000)	-
Mr. Khalid Al Saeed	Board remuneration	-	21,829

- *Transactions with the associate of the ultimate parent company*

Names of related parties	Nature of transactions	2022	2021
Kinan Company	Rent charged by Kinan Company on short-term leases	(73,947)	(157,413)
Al Marai Company	Purchases from Al Marai Company	(1,519,953)	(2,260,545)

Balances for the year ended – Due from related parties

- *Balances with the subsidiaries of the ultimate parent company*

Names of related parties	Classification	2022	2021
Panda Retail Company	Trade, other receivables, and prepayments	7,527,176	7,690,484

- *Balances with the entities owned by a major shareholder and close family members*

Names of related parties	Classification	2022	2021
Taza Restaurant Company Limited	Trade, other receivables, and prepayments	198,491	216,578
Double Coffee Company	Trade, other receivables, and prepayments	33,042	33,042
Green Leave Company	Trade, other receivables, and prepayments	32,062	32,062
Meslan Investment Company	Trade, other receivables, and prepayments	31,671	31,671
Bazbazah International Trading Company	Net investment in finance lease	167,973	250,840

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5 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

• *Balances with the shareholders*

Names of related parties	Classification	2022	2021
Mr. Ahmed Al Saeed	Trade, other receivables, and prepayments	60,824	310,824

• *Balances with the previous board members*

Names of related parties	Classification	2022	2021
Mr. Khalid Al Saeed	Trade, other receivables, and prepayments	202,521	45,185

• *Balances with the key management personnel*

Names of related parties	Classification	2022	2021
Key management personnel	Other receivables	800,000	800,000

Balances for the year ended – Due to related parties

• *Balances with the subsidiaries of the ultimate parent company*

Names of related parties	Classification	2022	2021
Panda Retail company (PRC)	Lease liabilities – current	535,008	720,987
	Lease liabilities – non-current	5,363,841	5,898,849

• *Balances with the shareholders*

Names of related parties	Classification	2022	2021
Mr. Ahmed Al Saeed	Lease liabilities – current	-	(507,795)
	Lease liabilities – current	(252,725)	(587,228)
General Organization for Social Insurance (GOSI)	Lease liabilities – non-current	(1,179,707)	(1,432,431)

• *Balances with the previous board members*

Names of related parties	Classification	2022	2021
Mr. Khalid Al Saeed	Lease liabilities – current	(153,653)	(97,534)
	Lease liabilities – non-current	(1,382,131)	(1,535,784)

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5 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- Balances with the entities owned by a major shareholder and close family members*

Names of related parties	Classification	2022	2021
Mama Sauce Factory	Trade and other payables	587,016	376,020
United Sugar Factory	Trade and other payables	162,222	414,130
	Trade and other payables	133,828	527,319
	Lease liabilities – current	714,469	674,316
Bazbazah International trading Company	Lease liabilities – non-current	4,750,043	5,464,512
	Trade and other payables	-	1,019,492
	Lease liabilities – current	1,307,748	1,182,781
Qitaf Company	Lease liabilities – non-current	24,299,464	25,607,212

- Balances with the associate of the parent company*

Names of related parties	Classification	2022	2021
Al Marai Company	Trade and other payables	9,201	30,299
Kinan Company	Trade and other payables	46	222,130

- Balances with the subsidiaries of the parent company*

Names of related parties	Classification	2022	2021
Afia International Company	Trade and other payables	3,880,784	995,106
International Food Industrial Company	Trade and other payables	800,050	724,010
Al Ahsan Trading Company	Trade and other payables	15,597	-

Remunerations of the Company's key management personnel

Key management personnel are those persons, including the Board of Directors members, Managing Director and top executives having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The total remuneration of Company's key management personnel for the year ended December 31, 2022 amounted to SR 6.5 million (December 31, 2021: SR 8.76 million). Such remuneration includes basic salaries, bonuses and other benefits as per the Company's policies.

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6 PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i>	<i>Buildings and leasehold improvements</i>	<i>Machinery and equipment</i>	<i>Furniture and office equipment</i>	<i>Motor Vehicles</i>	<i>Capital work in process</i>	<i>Total</i>
<u>Cost</u>							
1 January 2021 (Restated - note 34)	177,260,913	746,667,386	499,802,409	131,797,755	85,929,108	105,640,395	1,747,097,966
Additions during the year	-	8,401,973	3,224,743	340,634	21,572	71,820,185	83,809,107
Disposals during the year	-	(386,706)	(4,658,847)	(283,872)	(2,345,411)	(4,211,997)	(11,886,833)
Transfer from capital work in process	-	718,581	16,323,197	7,358,071	7,102,751	(31,502,600)	-
Transfer to investment property	-	(4,582,156)	-	-	-	-	(4,582,156)
31 December 2021 (Restated - note 34)	177,260,913	750,819,078	514,691,502	139,212,588	90,708,020	141,745,983	1,814,438,084
Additions during the year	-	161,779	397,487	3,192	7,000	102,724,221	103,293,679
Disposals during the year	-	-	(127,468)	(12,230)	(2,561,000)	-	(2,700,698)
Transfer from capital work in process	-	123,964,071	16,704,696	8,027,150	7,315,755	(156,011,672)	-
Transfer to investment property	(35,068,501)	(78,769,093)	-	-	-	-	(113,837,594)
31 December 2022	142,192,412	796,175,835	531,666,217	147,230,700	95,469,775	88,458,532	1,801,193,471
<u>Accumulated depreciation</u>							
1 January 2021 (Restated - note 34)	-	313,686,410	294,744,744	82,008,495	60,670,667	3,026,506	754,136,822
Charge for the year	-	40,331,149	29,481,322	14,162,346	5,747,190	-	89,722,007
Disposal during the year	-	(362,265)	(3,965,822)	(155,570)	(2,177,188)	-	(6,660,845)
Transfer to investment property	-	(381,449)	-	-	-	-	(381,449)
December 31, 2021 (Restated - note 34)	-	353,273,845	320,260,244	96,015,271	64,240,669	3,026,506	836,816,535
Charge for the year	-	34,698,576	29,215,248	13,268,570	7,553,776	-	84,736,170
Impairment loss	-	10,809,430	3,469,179	3,266,981	-	-	17,545,590
Disposal during the year	-	-	(127,468)	(11,539)	(1,901,643)	-	(2,040,650)
December 31, 2022	-	398,781,851	352,817,203	112,539,283	69,892,802	3,026,506	937,057,645
<u>Net book value</u>							
December 31, 2022	142,192,412	397,393,984	178,849,014	34,691,417	25,576,973	85,432,026	864,135,826
December 31, 2021 (Restated - note 34)	177,260,913	397,545,233	194,431,258	43,197,317	26,467,351	138,719,477	977,621,549
January 1, 2021 (Restated - note 34)	177,260,913	432,980,976	205,057,665	49,789,260	25,258,441	102,613,889	992,961,144

Depreciation is distributed on the items of income as followings:

	Note	2022	2021 (Restated - note 34)
Cost of revenues	23	78,744,506	84,392,046
Selling and distribution expenses	25	3,403,389	3,213,769
General and administrative expenses	26	2,588,275	2,116,192
		84,736,170	89,722,007

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6 PROPERTY, PLANT AND EQUIPMENT (continued)

The Company performs an impairment assessment of property, plant and equipment annually, by reviewing the carrying amounts of its property and equipment to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In 2022, the Company recorded an impairment charge of SAR 17.5m against the entire carrying value of the leasehold improvements in the stores that are expected to be closed in 2023. The leasehold improvements are not expected to be sold nor can be transferred to another location. The management estimated the recoverable amount to be nil and has recorded an impairment against the entire carrying value of the leasehold improvements in these stores.

7 RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES

7.1 Right-of-use assets

	Land	Buildings	Total
<i>Cost</i>			
1 January 2021 (Restated - note 34)	335,606,074	463,456,009	799,062,083
Additions during the year	8,297,133	11,457,944	19,755,077
31 December 2021 (Restated - note 34)	343,903,207	474,913,953	818,817,160
Additions	18,677,117	25,792,209	44,469,325
Terminations during the year	(903,519)	(1,247,716)	(2,151,235)
December 31, 2022	361,676,805	499,458,446	861,135,250
<i>Accumulated depreciation</i>			
1 January 2021 (Restated - note 34)	57,762,332	79,767,029	137,529,361
Charge during the year	31,516,206	43,522,380	75,038,586
31 December 2021 (Restated - note 34)	89,278,538	123,289,409	212,567,947
Charge during the year	32,841,099	45,351,994	78,193,093
Terminations during the year	(903,519)	(1,247,716)	(2,151,235)
31 December 2022	121,216,118	167,393,687	288,609,805
<i>Net book value</i>			
December 31, 2022	240,460,687	332,064,759	572,525,445
At December 31, 2021 (Restated - note 34)	254,624,669	351,624,544	606,249,213
At January 1, 2021 (Restated - note 34)	277,843,742	383,688,979	661,532,721

Depreciation is distributed on the items of income as followings:

	Note	2022	2021
			(Restated - note 34)
Cost of revenues	23	77,319,996	74,766,164
Selling and distribution expenses	25	239,020	212,554
General and administrative expenses	26	634,077	59,868
		78,193,093	75,038,586

* These terminations relate to the contracts completed during the year.

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7 RIGHT-OF-USE-ASSETS AND LEASE LIABILITIES (continued)

7.2 Lease liabilities

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 34)	(Restated - note 34)
At the beginning of the year	618,811,035	660,543,475	723,726,708
Additions during the year	44,469,325	19,755,077	34,041,245
Finance cost for the year	36,380,822	39,079,740	41,057,307
Lease payments during the year	(115,032,952)	(100,567,257)	(138,281,785)
	584,628,230	618,811,035	660,543,475
Current portion	30,640,179	46,056,092	31,536,769
Non-current portion	553,988,051	572,754,943	629,006,706

Set out below, are the amounts recognized in profit or loss:

	Note	2022	2021
			(Restated - note 34)
Depreciation expense of right-of-use assets	7.1	78,193,093	75,038,586
Lease financial cost (included in finance cost)	27	36,380,822	39,079,740
Expense relating to short-term leases (included in statement of profit or loss)	23	13,792,373	15,366,297
Total amount expensed during the year		128,366,288	129,484,623

	31 December 2022	31 December 2021
		(Restated - note 34)
Year 1	56,195,959	70,563,627
Year 2	86,121,167	56,195,959
Year 3	78,236,375	86,121,167
Year 4	75,158,324	78,236,375
Year 5 onwards	527,049,498	602,207,822
Total undiscounted lease liabilities	822,761,323	893,324,950
Less: Finance cost	(238,133,093)	(274,513,915)
	584,628,230	618,811,035

7.3 The lease liabilities balance includes amounts due to related parties. Please refer note 5.

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8 NET INVESTMENT IN FINANCE LEASE

	Note	31 December 2022	31 December 2021
Net book value at the beginning of the year		9,402,185	12,055,114
Termination during the year*		-	(1,780,279)
Lease payments received		(1,515,000)	(1,085,000)
Finance income		312,586	212,350
Net book value at the end of the year		8,199,771	9,402,185
Less: Allowance for impairment	8.1	(1,169,484)	(1,169,484)
		7,030,287	8,232,701
Current portion			
Net investment in finance lease		1,117,803	1,073,831
Non-current portion			
Net investment in finance lease		5,912,484	7,158,870
		7,030,287	8,232,701

* These terminations relate to the investment properties contracts evacuated during the year.

Future lease payments contractual cash flows	Gross investment (Undiscounted)	Unearned finance income	Net investment (Discounted)
<u>As at 31 December 2022</u>			
Within one year	1,365,000	247,197	1,117,803
Within two years	1,035,000	187,435	847,565
Within three years	955,000	172,947	782,053
Within four years	665,000	120,429	544,571
Within five years	697,500	126,315	571,185
More than five years	3,867,500	700,390	3,167,110
	8,585,000	1,554,713	7,030,287
<u>As at 31 December 2021</u>			
Within one year	1,515,000	441,169	1,073,831
Within two years	1,575,000	316,023	1,258,977
Within three years	1,035,000	207,672	827,328
Within four years	955,000	191,620	763,380
Within five years	665,000	133,432	531,568
More than five years	4,565,000	787,383	3,777,617
	10,310,000	2,077,299	8,232,701

8.1 Movement in allowance for impairment of net investment in finance lease:

	31 December 2022	31 December 2021
Opening	1,169,484	1,116,707
Allowance made during the year	-	52,777
	1,169,484	1,169,484

8.2 Net investment in finance lease represents the sub-leases given from the finance leases of the Company. The Company's finance lease arrangement does not include variable payments.

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8 NET INVESTMENT IN FINANCE LEASE (continued)

8.3 There has been no change in the estimation techniques or significant assumption made during the current reporting period in assessing the loss allowance for finance lease receivables.

8.4 The net investment in finance lease balance include amounts due from a related party. Please refer note 5.

9 INTANGIBLE ASSETS

	Computer software	
	2022	2021
<u>Cost:</u>		
At the beginning of the year	28,396,736	27,866,228
Additions	6,371,019	530,508
At the end of the year	34,767,755	28,396,736
<u>Accumulated amortization:</u>		
At the beginning of the year	18,999,798	16,791,029
Charge for the year	2,288,422	2,982,002
Reversal of impairment provision during the year	-	(773,233)
At the end of the year	21,288,220	18,999,798
Net book value	13,479,535	9,396,938

Amortization is distributed as follows:

	Note	31 December 2022	31 December 2021
Cost of revenues	23	912,802	998,813
Selling and distribution expenses	25	373,423	282,627
General and administrative expenses	26	1,002,197	1,700,562
		2,288,422	2,982,002

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10 INVESTMENT PROPERTIES

	Land	Buildings	Machinery and equipment	Furniture and office equipment	Total
Cost					
1 January 2021	5,597,960	47,608,100	1,143,850	351,959	54,701,869
Transfers from Property plant and equipment	-	4,200,707	-	-	4,200,707
31 December 2021	5,597,960	51,808,807	1,143,850	351,959	58,902,576
Transfers from Property plant and equipment*	35,068,501	78,769,093	-	-	113,837,594
31 December 2022	40,666,461	130,577,900	1,143,850	351,959	172,740,170
Accumulated depreciation:					
1 January 2021	-	27,095,537	702,802	226,804	28,025,143
Charge for the year	-	2,715,799	89,190	37,506	2,842,495
31 December 2021	-	29,811,336	791,992	264,310	30,867,638
Charge for the year	-	3,770,537	82,534	20,942	3,874,013
31 December 2022	-	33,581,873	874,526	285,252	34,741,651
Net book value					
December 31, 2022	40,666,461	96,996,027	269,324	66,707	137,998,519
December 31, 2021	5,597,960	21,997,471	351,858	87,649	28,034,938

* An amount of SR 113.8 million was reclassified from property, plant and equipment related to Herfy Tower. Previously, management's intent was to use the tower as a head office for the Company. However, during January 2022, management's intent changed and they agreed to enter into a rent agreement for the Tower with a third party on 1 March 2022.

- 10.1** Machinery, equipment and furniture & office equipment are not a significant part of investment property and therefore are not presented separately in property, plant and equipment.
- 10.2** All investment properties have been kept for the purpose of earning rental income.
- 10.3** Depreciation is charged to the cost of revenues. Please refer note 23.
- 10.4** The fair value of investment property amounted SR 211 million as at 31 December 2022 (2021: SR. 43.3 million).

10.5 Measurement of fair value

The valuation of the investment property (the "properties") is determined by external independent property valuer by using the future discounted cash flows approach which is 3rd level of fair value. The valuer is licensed by the Saudi Authority for accredited Valuers ("TAQEEM") and have recent experience in the location and category of the property being valued.

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11 INVENTORIES

	31 December 2022	31 December 2021
Raw materials	92,222,348	50,793,951
Finished Goods	27,080,699	28,431,342
Packing materials	18,283,267	13,863,203
Spare parts, not held for sale and to be consumed within one year	27,384,159	26,853,315
Operational supplies	32,318,757	30,993,486
	197,289,230	150,935,297
Less: provision for slow-moving inventory (note 11.1)	(19,674,205)	(16,128,910)
	177,615,025	134,806,387

11.1 Movement in provision for slow moving inventory is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	16,128,910	15,408,692
Provided during the year	3,545,295	720,218
Balance at the end of the year	19,674,205	16,128,910

The total inventory balance expensed during the year was SR 485,025,534 (2021: SR 457,436,371).

12 TRADE, OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 34)	(Restated - note 34)
Trade receivables – external parties	85,611,245	71,698,919	46,220,011
Less: provision for expected credit losses on external parties (note 12.5)	(19,521,904)	(14,982,342)	(15,305,335)
Trade receivables from external parties, net	66,089,341	56,716,577	30,914,676
Trade receivables – related parties (note 5)	8,085,787	8,359,893	9,780,585
Trade receivables, net	74,175,128	65,076,470	40,695,261
Prepayments (note 12.2)	38,609,283	56,300,681	52,070,043
Advance for investment (note 12.3)	-	-	-
Advances to suppliers	56,203,239	70,904,172	71,984,952
Other receivable (note 12.4)	8,023,343	12,239,568	9,090,723
	177,010,993	204,520,891	173,840,979

12.1 Aging of trade receivables is as follows:

	31 December 2022	31 December 2021	1 January 2021
1-30 days	43,743,450	43,567,096	17,013,516
31-90 days	17,860,983	13,453,782	21,132,927
91-365 days	6,634,443	4,875,496	5,198,496
Over 1 year	17,372,369	9,802,545	2,875,072
	85,611,245	71,698,919	46,220,011

Credit risk for trade receivables is disclosed in note 31.1.

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12 TRADE, OTHER RECEIVABLES AND PREPAYMENTS (continued)

12.2 Prepayments

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 34)	(Restated - note 34)
Prepaid employee benefits	22,625,519	27,589,958	24,592,269
Prepaid insurance	3,270,327	2,003,333	1,757,391
Prepaid government relation expenses	3,203,220	10,672,474	5,965,912
Prepaid rent	1,840,485	6,356,694	14,565,321
Prepaid advertisement	175,000	3,543,081	-
Others	7,494,732	6,135,141	5,189,150
	38,609,283	56,300,681	52,070,043

12.3 Advance for investment

	31 December 2022	31 December 2021	1 January 2021
Advance for investment (note 12.3.1)	4,000,000	4,000,000	4,000,000
Less: Provision for impairment (note 12.3.2)	(4,000,000)	(4,000,000)	(4,000,000)
	-	-	-

12.3.1 This represents an amount paid to Khaled Al Saeed, a related party for the partnership agreement related to an investment in land units dated 16 January 2005, for the purpose of utilizing the units as a warehouse. Based on the Board of Director's decision on 14 July 2014, an initial provision of SR 2 million was booked representing the estimated decline in the value of the investment. With the increased probability of a failure in recovery, the amount was subsequently fully provided for.

12.3.2 On the recommendation of Audit Committee on 24 May 2015 to implement the Board's decision in its meeting on 14 July 2014 that given the potential decline in the value of investment with increased probability of failure in recovery, the amount has been fully provided for.

12.4 Other receivables

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 34)	(Restated - note 34)
Employee loans *	7,749,980	7,730,028	1,037,701
Other receivables	273,363	4,509,540	8,053,022
	8,023,343	12,239,568	9,090,723

*This includes advances to employees and amounts due from a related party. Please refer note 5.

12.5 Movement in allowance for impairment of trade receivables is as follows:

	31 December 2022	31 December 2021	1 January 2021
Balance at the beginning of the year	14,982,342	15,305,335	4,009,146
Provided during the year	4,539,562	-	11,296,189
Reversal during the year	-	(322,993)	-
Balance at the end of the year	19,521,904	14,982,342	15,305,335

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13 FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	Note	31 December 2022	31 December 2021
Al-Rajhi Commodities Fund	13.1	20,239,707	-
Equity Investment - Quoted	13.2	1,109,397	811,681
		21,349,104	811,681

13.1 The movement in investments in Al-Rajhi Commodities Fund is as follows:

	2022	2021
Balance at beginning of the year	-	2,243,203
Purchase during the year	20,000,000	90,000,000
Redemption during the year	-	(92,433,773)
Gain during the year	239,707	190,570
Balance at the end of the year	20,239,707	-

13.2 The movement of investments in quoted equity shares is as follows:

	2022	2021
Balance at beginning of the year	811,681	548,161
Gain during the year	297,716	263,520
Balance at the end of the year	1,109,397	811,681

13.3 Recorded in profit or loss:

	2022	2021
Gain on Al-Rajhi Commodities Fund	239,707	190,570
Gain on quoted equity	297,716	263,520
Total	537,423	454,090

14 CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Local currency	15,837,308	19,812,165
Foreign currency	240,245	1,744,569
Cash on hand	4,219,619	8,928,981
	20,297,172	30,485,715

For the purposes of preparing the statement of cash flows, the following was the supplement information on non-cash items:

	2022	2021
Transfer from property, plant and equipment to investment property	113,837,594	4,200,707
Additions to right of use assets	44,469,325	19,755,077
Additions to lease liabilities	44,469,325	19,755,077

Credit risk for cash and cash equivalent is disclosed note 31.1.

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15 SHARE CAPITAL

The Company's authorized and issued paid-up capital consists of 64.680 million shares (December 31, 2021: 64.680 million shares) of SR 10 each.

	31 December 2022	31 December 2021
Savola Group	49.000%	49.000%
Ahmed Alsaeed	19.165%	19.165%
Others	31.84%	31.84%

The ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

16 STATUTORY RESERVE

The Company is required to transfer at least 10% of its net profit each year to statutory reserve until such reserve equals to 30% of its share capital. This reserve is not available for distribution to the shareholders. The Company has transferred an amount of SR 354,610 during the year ended 31 December 2022 (31 December 2021 – restated note 34: SR 15,179,147 was transferred).

17 BORROWINGS

	31 December 2022	31 December 2021
Unsecured borrowings at amortized cost		
Murabaha (note 17.1)	15,612,073	30,528,251
	15,612,073	30,528,251
Current portion	15,612,073	15,222,068
Non-current portion	-	15,306,183

17.1 The Company has obtained facilities with Al Rajhi bank. These unsecured facilities are payable in semi-annual installments over the period of six years. The fair values of the borrowings are not different from their carrying amounts as the interest payable on those borrowings is at market prevailing rates.

17.2 The facility agreements include covenants which require the Company to maintain certain financial ratios. As of 31 December 2022, the Company was in compliance with all covenants of the financing agreements.

17.3 The long-term loans include finance cost payable amounting to SR 305,890 (31 December 2021: SR 598,143).

17.4 As at 31 December 2022 and 2021, the credit facility with Al Rajhi Bank was fully drawn.

17.5 The Company entered into an agreement with another commercial bank during 2022, for which the credit facility has not been utilized yet. The total amount undrawn amount from this facility as at 31 December 2022 is SR 37.9 Million.

Net debt reconciliation

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 33)	(Restated - note 33)
Cash and cash equivalents	20,297,172	30,485,715	118,930,514
Borrowings	(15,612,073)	(30,528,251)	(161,376,535)
Lease liabilities	(584,628,230)	(618,811,035)	(660,543,475)
Net debt	(579,943,131)	(618,853,571)	(702,989,496)

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17 LONG-TERM BORROWINGS (continued)

	Cash and cash equivalents	Liabilities from financing activities		
		Borrowings	Leases	Total
Net debt as at January 1, 2021 (Restated note 34)	118,930,514	(161,376,535)	(660,543,475)	(702,989,496)
New leases	-	-	(19,755,077)	(19,755,077)
Finance charges	-	(2,243,880)	(39,079,740)	(41,323,620)
Net cash flows	(88,444,799)	133,092,164	100,567,257	145,214,622
Net debt as at December 31, 2021 (Restated note 34)	30,485,715	(30,528,251)	(618,811,035)	(618,853,571)
New leases	-	-	(44,469,323)	(44,469,323)
Finance charges	-	(922,979)	(36,380,822)	(37,303,801)
Net cash flows	(10,188,543)	15,839,157	115,032,950	120,683,564
Net debt as at 31 December 2022	20,297,172	(15,612,073)	(584,628,230)	(579,943,131)

18 EMPLOYEES' POST-EMPLOYMENT BENEFITS

18.1 During the year the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using the following significant assumptions:

	31 December 2022	31 December 2021
The present value of the defined benefit obligation	97,263,701	101,843,814
	31 December 2022	31 December 2021
Number of employees	5,718	5,586
Rate of change in salary (% per annum)	2.40%	2.70%
Average age of employees (years)	32.56	32.79
Average number of years of previous experience	5.19	5.70
Discount rate	4.25%	2.70%
Employee turnover (withdrawal) rates	Moderate	Moderate

Mortality rates assumed are based on the adjusted SLIC 2001 – 2005 mortality table.

18.2 Change in present value of defined benefit obligation

	2022	2021
Opening balance	101,843,814	93,527,855
Service cost:		
Current Service Cost	11,109,659	10,043,267
Interest on defined benefit liability	2,632,944	1,778,084
Transfer of balance to other liabilities for the staff who left the Company	(260,000)	(1,601,224)
Benefits paid during the year	(8,654,730)	(9,247,283)
Remeasurement (gain)/ losses (note 18.4)	(9,407,986)	7,343,115
Closing balance	97,263,701	101,843,814

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18 EMPLOYEES' POST-EMPLOYMENT BENEFITS (continued)

18.3 Amount recognized in the statement of comprehensive for the year ended 31 December 2022

	<u>2022</u>	<u>2021</u>
Service cost	11,109,659	10,043,267
Net interest on net defined benefit liability	2,632,944	1,778,084
	<u>13,742,603</u>	<u>11,821,351</u>

18.4 Amount recognized in the statement of the other comprehensive income for the year ended 31 December 2022

	<u>2022</u>	<u>2021</u>
Actuarial gain /(losses) due to change in financial assumption	7,731,333	(8,514,024)
Actuarial gain due to change in experience assumptions	1,676,653	1,170,909
	<u>9,407,986</u>	<u>(7,343,115)</u>

18.5 Sensitivity Analysis of significant actuarial assumptions

As at 31 December 2022

	<u>Change in assumption</u>	<u>Present value of employees' post-employment benefit liability</u>
		<u>Amount</u>
Discount rate	+100 bps	90,408,959
Discount rate	-100 bps	105,227,483
Long-term salary	+100 bps	105,648,952
Long-term salary	-100 bps	89,912,939
Withdrawal rate	+100 bps	96,562,238
Withdrawal rate	-100 bps	98,033,612
Mortality rate	+100 bps	97,249,159
Mortality rate	-100 bps	97,278,341

As at 31 December 2021

Discount rate	+100 bps	94,104,324
Discount rate	-100 bps	110,929,725
Long-term salary	+100 bps	111,274,330
Long-term salary	-100 bps	93,649,491
Withdrawal rate	+100 bps	100,422,476
Withdrawal rate	-100 bps	103,423,544
Mortality rate	+100 bps	101,797,396
Mortality rate	-100 bps	101,890,625

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability of all schemes recognized within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

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18 EMPLOYEES' POST-EMPLOYMENT BENEFITS (continued)

18.6 Maturity profile:

	31 December 2022	31 December 2021
Year 1	17,053,854	16,870,161
Year 2	8,032,514	7,467,238
Year 3	7,860,909	8,190,833
Year 4	7,483,651	7,073,669
Year 5	7,291,048	6,743,625
Year 6 onwards	94,641,027	84,096,709
Total undiscounted defined benefit obligation	142,363,003	130,442,235
Less: Finance cost	(45,099,302)	(28,598,421)
	97,263,701	101,843,814

The weighted average duration of the defined benefit obligation is 7.62 years.

19 TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 34)	(Restated - note 34)
Trade payable – related parties (note 5)	5,588,744	4,308,506	6,547,084
Trade payable – third parties	148,597,498	111,920,623	120,720,761
Accrued expenses (note 19.1)	65,006,140	61,317,990	63,965,516
Advance rental	4,003,617	1,473,499	7,823,462
Other payables (note 19.2)	12,540,845	17,085,136	11,688,686
	235,736,844	196,105,754	210,745,509

Trade payables are unsecured and are usually settled within 90 days.

19.1 Accrued expenses

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 34)	(Restated - note 34)
Employee annual leave and ticket accrual	27,965,047	24,309,176	22,621,819
Accrued rent	7,461,482	10,455,863	2,380,482
Accrued sales commission	1,772,619	4,895,921	3,369,471
Bonus accrual	3,000,000	4,630,222	7,336,028
Accrued advertisement	10,502,536	3,382,311	7,410,407
Accrued BOD and committee remuneration	3,180,001	3,143,998	3,300,000
Accrued utilities	1,978,164	2,930,028	7,329,370
Accrued GOSI	1,638,266	1,990,908	2,382,825
Accrued professional and consultancy	193,250	400,250	3,181,495
Other accruals	7,314,775	5,179,313	4,653,619
	65,006,140	61,317,990	63,965,516

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19 TRADE AND OTHER PAYABLES

19.2 Other payables

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 34)	(Restated - note 34)
VAT payable	6,743,513	7,977,592	8,155,339
Payable to employees – final settlement	3,513,621	5,441,535	2,262,893
Payable to vendor	-	1,681,835	231,366
Advances from customers	-	793,368	709,260
Other payables	2,283,711	1,190,806	329,828
	12,540,845	17,085,136	11,688,686

20 PROVISION FOR ZAKAT

20.1 Zakat movement

The movement in the provision for zakat is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	9,272,345	13,667,451
Provided during the year	179,763	667,079
Payment during the year	(4,745,861)	(5,062,185)
Balance at the end of the year	4,706,247	9,272,345

20.2 Status of assessments

The Zakat return for the year ended December 31, 2021 has been filed and the invoice issued as per the system of Zakat, Tax and Customs Authority (“ZATCA”) was settled during the year ended 31 December 2022.

Zakat assessments have been raised by the ZATCA for the years 2014 to 2020 assessing an additional zakat liability of SR 21.15 million against which the Company has filed an appeal. The Company is confident that the assessments will be in their favor and hence, no provision has been made in these financial statements.

Currently, there are no assessments rendered by ZATCA for the years 2008 – 2013. The Company has obtained a certificate from ZATCA valid 10 Shawwal 1444H corresponding to 30 April 2023.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

The Company does not have any contingent liabilities as at 31 December 2022 and 2021.

21.2 Commitments

The capital expenditure committed by the Company but not incurred till 31 December 2022 SR 12.3 million (31 December 2021: SR 5.6 million).

21.3 Bank guarantees

The Company is liable for the bank guarantees issued on behalf of the Company amounting to SR 10.2 million (31 December 2021: SR 9.9 million) and letters of credit issued on behalf of the Company amounting SR 0.7 million (31 December 2021: SR 1.4 million) in the normal course of business.

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22 REVENUE

Revenue from contracts with customers	2022	2021
		(Restated - note 34)
Sales to customers	1,350,471,119	1,436,986,969
Sales discount	(76,845,570)	(80,245,216)
Sales rebate	(15,426,148)	(13,331,964)
Sales return	(36,174,975)	(29,553,468)
	(128,446,693)	(123,130,648)
Total revenue from contracts with customers	1,222,024,426	1,313,856,321
Rental income	21,813,845	5,236,115
Total revenue	1,243,838,271	1,319,092,436

The Company derives revenue from the sale of goods which is recognized at a point in time, and rental income from lease contracts is recognized on a straight-line basis over the lease term. Revenue includes amounts earned from related parties. Please refer note 5.

23 COST OF REVENUES

	Note	2022	2021
			(Restated - note 34)
Material consumed		377,688,468	356,867,733
Employee cost		256,659,804	254,063,329
Depreciation on property, plant and equipment	6	78,744,506	84,392,046
Depreciation on right-of-use assets	7.1	77,319,996	74,766,164
Electric & other utilities cost		56,485,700	53,526,786
Repair and maintenance		19,941,473	22,744,464
Rent expenses		13,792,373	15,366,297
Depreciation of investment properties		3,874,013	2,842,495
Provision for slow moving inventory	11.1	3,545,295	720,218
Amortization of intangible assets	9	912,802	998,813
Other overhead cost		47,869,998	34,975,353
		936,834,428	901,263,698

23.1 This include the rent paid to the related parties for details, please refer note 5.

24 OTHER INCOME

	Note	2022	2021
			(Restated - note 34)
Scrap sales		7,724,605	3,758,407
Franchise income	24.1	1,040,707	1,039,811
Gain on sale of property, plant and equipment		733,178	206,420
Rent concessions		526,285	3,734,699
Interest income on finance lease		312,586	212,350
Other		2,642,383	1,755,978
		12,979,744	10,707,665

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24 OTHER INCOME (continued)

24.1 Franchise income consists mainly of accrued revenue calculated on the basis of the percentage of sales in accordance with the terms and conditions agreed between the company and the franchise parties in the State of Kuwait, Nigeria and Bangladesh.

25 SELLING AND DISTRIBUTION EXPENSE

	Note	2022	2021 (Restated - note 34)
Sales commissions		53,132,925	59,892,886
Marketing expense	25.1	85,616,572	68,466,883
Employee cost		24,371,749	23,107,479
Repairs and maintenance		5,872,854	4,447,452
Depreciation on property, plant and equipment	6	3,403,389	3,213,769
Amortization of intangible assets	9	373,423	282,627
Depreciation on right-of-use assets	7.1	239,020	212,554
Other expenses		11,011,403	7,146,616
		184,021,335	166,770,266

25.1 This includes the marketing support from the vendors and also include transactions with related party. (see note 5)

26 GENERAL AND ADMINISTRATION EXPENSES

	Note	2022	2021 (Restated - note 34)
Employee cost	5	41,866,447	50,842,631
Board and Committee remuneration	5	10,218,458	3,766,664
Subscriptions expenses		5,099,187	2,704,820
Professional and consultancy		2,961,373	2,345,093
Depreciation on property, plant and equipment	6	2,588,275	2,116,192
Telephone and electricity		1,742,996	1,499,558
Amortization of intangible assets	9	1,002,197	1,700,562
Depreciation on right-of-use assets	7.1	634,077	59,868
Travel expenses		186,238	953,008
Repairs and maintenance		104,093	475,729
Management fee	5	-	496,300
Reversal for impairment on intangible assets		-	(773,233)
Other		6,981,514	2,521,078
		73,384,855	68,708,270

27 FINANCE COST

	Note	2022	2021 (Restated - note 34)
Finance cost – Lease liabilities	7.2	36,380,822	39,079,740
Finance cost – Murabaha	17	922,979	2,243,880
		37,303,801	41,323,620

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28 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2022	2021
		(Restated - note 34)
Net profit for the year	3,546,104	151,791,474
Weighted average number of ordinary shares for the purpose of basic/diluted earnings	64,680,000	64,680,000
<i>Earnings per share (SR)</i>		
- Basic	0.05	2.35
- Diluted	0.05	2.35

Earnings per share for the year was calculated by dividing the net profit for the year with the weighted average number of ordinary shares.

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29 SEGMENT INFORMATION

The Company operates principally in the following major business segments:

- 1- Restaurants – providing catering services, operating of restaurants and renting out investment properties;
- 2- Meat factory - manufacturing and selling of meat products from the Meat Factory; and
- 3- Bakeries - manufacturing and selling of pastries and bakery products from the bakeries.

These operating segments are identified based on internal reports that the entity’s Chief Executive Decision Maker regularly reviews in allocating resources to segments and assessing their performance ‘management approach’. The management approach is based on the way in which management organizes the segments within the entity for making operating decisions and in assessing performance. The management of the Company at the end of every reporting period, review the above segments for quantitative threshold as well as criteria for presenting the revenues and expenses for the segments.

29.1 Selected financial information for the year ended 31 December 2022 and 31 December 2021, summarized by the above business segments, was as follows:
(in thousand Saudi Riyal):

	Restaurants		Meat factory		Bakeries		Total	
	2022	2021 (Restated - note 34)	2022	2021 (Restated - note 34)	2022	2021 (Restated - note 34)	2022	2021 (Restated - note 34)
Total segment revenue	983,970	1,087,757	193,595	178,870	202,184	194,634	1,379,749	1,461,261
Inter-segment revenue	-	-	(115,690)	(120,412)	(20,221)	(21,757)	(135,911)	(142,169)
Net revenue (external)	983,970	1,087,757	77,905	58,458	181,963	172,877	1,243,838	1,319,092
Gross profit	177,354	267,246	65,517	76,399	64,133	74,396	307,004	418,041
Operating profit	(23,625)	96,145	47,016	61,806	17,639	35,831	41,030	193,782
Net segment profit	(63,565)	51,766	48,644	63,244	18,467	36,781	3,546	151,791

	Restaurants		Meat factory		Bakeries		Total	
	31 December 2022	31 December 2021 (Restated - note 34)	31 December 2022	31 December 2021 (Restated - note 34)	31 December 2022	31 December 2021 (Restated - note 34)	31 December 2022	31 December 2021 (Restated - note 34)
Total assets	1,561,343	1,630,763	158,672	118,235	274,485	251,162	1,994,500	2,000,160
Total liabilities	815,733	842,758	47,575	35,506	111,768	78,297	975,076	956,561

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30 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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.

When measuring the fair value, the Company uses market observable 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 asset or liability that are not based on observable market data (unobservable inputs).

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

All financial assets and liabilities are measured at amortized cost except investment held at FVTPL.

As at 31 December 2022 and 2021, the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are either measured at FVTPL or are short term in nature, carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values within twelve months from the date of the statement of financial position.

	Fair value			Total
	Level 1	Level 2	Level 3	
31 December 2022				
Financial assets held at fair value through profit or loss (FVTPL)				
Al-Rajhi Commodities Fund	-	-	20,239,707	20,239,707
Equity investment	1,109,397	-	-	1,109,397
31 December 2021				
Financial assets held at fair value through profit or loss (FVTPL)				
Al-Rajhi Commodities Fund	-	-	-	-
Equity investment	811,681	-	-	811,681

The above financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined:

Financial assets / financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Al-Rajhi Commodities Fund	Net Assets Value	N/A	N/A

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31 RISK MANAGEMENT OF FINANCIALS INSTRUMENTS

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

The Company's risk management policies are established to identify and analyses the risks faced by the Company, 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 Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

31.1 Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk for the Company arises from outstanding receivables from customers, due from related parties, other receivables, net investment in finance lease and cash and cash equivalents.

As at 31 December 2022 and 2021, the Company was exposed to credit risk on the following balances:

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 34)	(Restated - note 34)
Cash at bank	16,077,553	21,556,734	112,675,852
Trade and other receivables (excluding prepayments and advances to suppliers)	82,198,471	77,316,038	49,785,984
Net investment in finance lease	7,030,287	8,232,701	10,938,407
	105,306,311	107,105,473	173,400,243

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above. Further, the Company does not hold any collaterals against these financial assets.

Except for the trade receivables mentioned below, the Company does not face any significant concentration risks in relation to each class of financial assets mentioned above.

Cash at banks

The Company manages the credit risk arising on the cash and cash equivalents by placing the balance with reputable banks and financial institutions. Cash balances are held with banks with sound credit ratings ranging from BBB+ to A 1. The identified risk of default arising on these balances is considered not to be material.

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31 RISK MANAGEMENT OF FINANCIALS INSTRUMENTS (continued)

31.1 Credit risk (continued)

Trade and other receivables (excluding prepayments and advances to suppliers)

The Company manages the credit risk arising on the Trade by dealing with only with recognized, creditworthy third parties in addition to establishing credit limits for customers' balances. Receivable balances and credit limits are monitored on an ongoing basis with the result of disconnecting the service for customers exceeding certain limits for a certain period of time. The Company earns its revenues from many customers spread across different geographical segments. A significant increase in credit risk is presumed if a trade receivable balance is more than 365 days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, the trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance for trade receivables is based on assumptions about risk of default and expected loss rates.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 or 1 January 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at December 31, 2022 and December 31, 2021 was determined as follows for trade receivables:

	<90 days	90–180 days	181–270 days	271–365 days	>1 year	Total
<u>31 December 2022</u>						
Expected credit loss rate	1.55%	1.69%	9.75%	6.70%	12.90%	
Estimated total gross carrying amount at default	64,499,327	14,829,538	5,232,959	5,445,107	11,713,444	101,720,375
Expected credit loss	1,000,464	250,404	510,218	364,975	1,511,302	3,637,363
Specific provision*	944,817	965,550	1,492,486	5,394,798	7,086,890	15,884,541
Total provision	1,945,281	1,215,954	2,002,704	5,759,773	8,598,192	19,521,904
<u>31 December 2021</u>						
Expected credit loss rate	1.83%	3.80%	10.56%	25.55%	15.70%	
Estimated total gross carrying amount at default	74,433,806	7,724,775	1,913,612	423,643	7,802,544	92,298,380
Expected credit loss	1,364,169	293,300	202,158	108,249	1,225,007	3,192,883
Specific provision*	1,095,189	337,589	458,029	498,056	9,400,596	11,789,459
Total provision	2,459,358	630,889	660,187	606,305	10,625,603	14,982,342

As at 31 December 2022, the Company faced a concentration of credit risk with 42 customers (2021: 35 customers) accounting for 10% (2021: 10 %) of the trade receivables at that date.

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31 RISK MANAGEMENT OF FINANCIALS INSTRUMENTS (continued)

31.1 Credit risk (continued)

Due from related parties, other receivables and net investment in finance lease

The balances due from related parties and other receivables are subject to the impairment requirement of IFRS 9. As at 31 December 2022 and 2021, the Company has not recorded any impairment loss on these balances as the identified impairment loss was immaterial.

31.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments. Balances due within one year equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	1 year to 5 years	More than 5 years	Total	Carrying amount
<u>As at 31 December 2022</u>					
Long term borrowings	15,839,157	-	-	15,839,157	15,612,073
Lease liabilities	56,195,959	239,515,866	527,049,498	822,761,323	584,628,230
Trade and other payables (excluding advance rental)	234,003,345	-	-	234,003,345	234,003,345
	306,038,461	239,515,866	527,049,498	1,072,603,825	834,243,648
<u>As at 31 December 2021 (Restated note 34)</u>					
Long term borrowings	15,839,157	15,839,157	-	31,678,314	30,528,251
Lease liabilities	70,563,627	220,553,501	602,207,822	893,324,950	618,811,035
Trade and other payables (excluding advance rental)	193,838,887	-	-	193,838,887	193,838,887
	280,241,671	236,392,658	602,207,822	1,118,842,151	843,178,173

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Company's future commitments. The Company's terms of sales require amounts to be paid either on a cash on delivery or on a term basis.

31.3 Market risk

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as currency risk, interest rates, and price risk that will affect the Company'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 optimizing the return.

31.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyals is pegged against US Dollar, the Company does not have any significant exposure to currency risk. The Company also has some transactions in USD, EURO, GBP, and AED, which were not significant.

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31 RISK MANAGEMENT OF FINANCIALS INSTRUMENTS (continued)

31.4 Currency risk (continued)

	USD	EURO	GBP	AED
<i>At 31 December 2022</i>				
Cash at bank	129,339	75,306	-	-
Trade payables	(366,597)	(101,410)	(35,711)	(28,200)
	(237,258)	(26,104)	(35,711)	(28,200)
<i>At 31 December 2021</i>				
Cash at bank	318,696	135,819	-	-
Trade payables	(3,090,864)	(296,033)	(1,238)	(37,460)
	(2,772,168)	(160,214)	(1,238)	(37,460)

31.5 Interest rate risk

Interest rate risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The changes in interest rates effect either the fair value or future cash flows of financial instruments issued at either at variable or fixed rates. The Company mainly faces its interest rates risk arising on its interest-bearing liabilities such as borrowings and lease liabilities. As at 31 December 2022, the exposure arising from the cash flow interest rate risk is considered to be immaterial.

Borrowings and lease liabilities issued at fixed rates exposes the Company to fair value interest rate risk. Management monitors on periodic basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The Company does not hedge its exposure to interest rate risk.

31.6 Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all the instruments traded in the market. The Company's exposure to price risk arises from investments held by the Company and classified in the statement of financial position at fair value through profit or loss (FVTPL).

The Company's investment at FVTPL consists of quoted and unquoted investments, the quoted investments are publicly traded in Saudi Stock Exchange (Tadawul). No significant exposure arises on the quoted and unquoted investments.

31.7 Capital management

The Board of Directors' policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders. The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

The Company manages the capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders and issue new shares.

No changes were made on the objectives, policies or processes during the year ended 31 December 2022 and 31 December 2021, respectively. Capital comprises share capital, statutory reserve and retained earnings and is measured at Saudi Riyals 1,019,424,399 as at 31 December 2022 (2021 - restated: Saudi Riyals 1,006,470,309).

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31 RISK MANAGEMENT OF FINANCIALS INSTRUMENTS (continued)

31.7 Capital management (continued)

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted equity, the target rates for the management is to maintain a ratio of less than 30%. As at 31 December 2022 and 2021, the Company did not have a net debt position.

31.8 Categories of financial assets and financial liabilities

	31 December 2022	31 December 2021	1 January 2021
		(Restated - note 34)	(Restated - note 34)
Financial assets			
Total financial assets at fair value through profit & loss not designated			
Investment carried at FVTPL	21,349,104	811,681	2,791,364
	21,349,104	811,681	2,791,364
Total financial assets at amortized cost			
Cash at banks	16,077,553	21,556,734	112,675,852
Net investment in finance lease	7,030,287	8,232,701	10,938,407
Trade and other receivables (excluding advances and prepayments)	82,198,471	77,316,038	49,785,984
	105,306,311	107,105,473	173,400,243
Total financial assets	126,655,415	107,917,154	176,191,607
Financial liabilities			
Total financial liabilities at amortized cost			
Borrowings	15,612,073	30,528,251	161,376,535
Lease liabilities	584,628,230	618,811,035	660,543,475
Trade and other payables (excluding advances from customers and advanced rental, and VAT payable)	224,729,714	185,861,295	194,057,448
Total financial liabilities	824,970,017	835,200,581	1,015,977,458

32 DIVIDENDS

On 13 Ramadan 1442H, corresponding to 25 April 2021G, the shareholders in their Annual General Meeting approved dividends of SR 1 per share (2020: SR 1.1 per share during the 2nd Quarter) which was paid on 27 Ramadan 1442H corresponding to 9 May 2021G.

33 SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-ended that would require additional disclosure or adjustment in these financial statements.

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34 RESTATEMENT OF PRIOR YEARS' FIGURES

Management has re-evaluated the accounting treatment and classification for certain transactions and balances recorded in the financial statements in the prior years to determine if such transactions and balances had been accurately accounted for under International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia. Where necessary, adjustments have been made to comparative figures in accordance with International Accounting Standard 8 "Accounting policies, changes in accounting estimates and errors" ("IAS 8") as endorsed in the Kingdom of Saudi Arabia. As a result, management has restated and reclassified certain comparatives to correct the errors (items i-v), and give effect to presentational improvements (items vi-viii) as detailed below:

Restatement/reclassification:

- During the year, management ascertained that useful lives of certain leasehold improvements were not consistent with the lease term determined in accordance with IFRS 16. Consequently, certain aspects of the lease accounting, at the date of adoption of IFRS 16 as endorsed in the Kingdom of Saudi Arabia on 1 January 2019, have been revisited. This includes the reassessment of the useful lives of the leasehold improvements, mutual consent extension options on lease contracts with significant termination penalties and implied unwritten extension options in lease contracts. Furthermore, management revisited the incremental borrowing rate used in new leases causing new leases commencing after 1 January 2019 to be discounted at rates within the market prevailing rates. This reassessment has resulted in prior period adjustments to the right-of-use assets, property and equipment, trade and other receivables and prepayments, lease liabilities, trade and other payables, cost of revenue, and finance costs in the financial statements.
- In the prior year, the Company offset the balances of advances to suppliers against the balances of payments due to suppliers and presented the net amount in the statement of financial position within "Trade and other payables" in the absence of a legally enforceable right to offset. This restatement represents the grossing up of these amounts within the "trade and other receivables and prepayments" and "trade and other payables" financial statements line items as at 31 December 2021 and 1 January 2021.
- In the prior year, the Company presented certain rebates and promotional discounts received from suppliers as selling and distribution expenses instead of cost of revenues within the statement of comprehensive income. This reclassification represents the adjustments to report the rebates under cost of revenue.
- During the year, management has reassessed the classification of rental income along with the direct costs derived from the investment properties in the statement of comprehensive income and resolved to reclassify the rental income from other income to revenue and the directly related costs from general and administration expenses to cost of revenues.
- In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income to a statutory reserve until such reserve equals 30% of its share capital. As a result of the impact of the above restatements, management has reassessed the amount transferred to statutory reserve as at 31 December 2021 and 1 January 2021.
- In the prior years, the borrowings were presented as two separate financial statement line items "Short-term loans" and "Long term borrowings - current portion" within current liabilities in the statement of financial position. The balance has been aggregated to be presented as "Borrowings" within current liabilities in the statement of financial position. Further, the repayments for the borrowings were presented in the statement of cash flows in two separate financial statement line items "Repayment of long-term borrowings" and "Movement in short-term loans, net" within the financing activities. The balance has been aggregated in the prior year to be presented as "Repayment of borrowings" in the financing activities in the statement of cash flows.

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34 RESTATEMENT OF PRIOR YEARS' FIGURES

- In the prior year, gain on investments carried at FVTPL were presented as two separate financial statement line items “Realized gain on investments carried at FVTPL” and “Unrealised gain on investments carried at FVTPL” within the statement of comprehensive income. The balance has been aggregated in the current and the prior year to present as “Gains on financial assets held at FVTPL” within the statement of comprehensive income. Further, these amounts were presented in the statement of cash flows in two separate financial statement line items “Unrealised gain on investments measured at FVTPL, net” and “Realized gain on investments measured at FVTPL” within adjustment to profit in the operating activities. The balance has been aggregated in the current and prior year to be presented as “Gain on financial assets held at fair value through profit or loss” within adjustment to profit in the operating activities in the statement of cash flows.
- In the prior year, impairment on financial assets were presented as two separate financial statement line items “Provision for impairment on net investment in finance lease” and “Reversal / (provision) for impairment on trade and other receivables” within statement of comprehensive income. The balance has been aggregated in the current and the prior year to present as “(Provision)/reversal for impairment on financial assets” within statement of comprehensive income. Further, these amounts were presented in the statement of cash flows in two separate financial statement line items “Impairment loss on net investment in finance lease” and “Provision/(reversal) for impairment on trade and other receivables” within adjustment to profit in the operating activities. The balance has been aggregated in the current and prior year to be presented as “Provision/(reversal) for impairment on financial assets” within adjustment to profit in the operating activities in the statement of cash flows.

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34 RESTATEMENT OF PRIOR YEARS' FIGURES (continued)

Prior year adjustment to the impacted financial statements line items within the statement of financial position as at 31 December 2021

	<u>As issued</u>	<u>Adjustment (i)</u>	<u>Adjustment (ii)</u>	<u>Adjustment (iii)</u>	<u>Adjustment (iv)</u>	<u>Adjustment (v)</u>	<u>Adjustment (vi)</u>	<u>Adjustment (vii)</u>	<u>Adjustment (viii)</u>	<u>Restated</u>
Non - current assets										
Property and equipment, net	987,977,090	(10,355,541)	-	-	-	-	-	-	-	977,621,549
Right-of-use assets	496,815,140	109,434,073	-	-	-	-	-	-	-	606,249,213
Total non-current assets	1,529,382,976	99,078,532	-	-	-	-	-	-	-	1,628,461,508
Current assets										
Trade, other receivables and prepayments	148,836,482	(64,923)	55,749,332	-	-	-	-	-	-	204,520,891
Total current assets	316,014,096	(64,923)	55,749,332	-	-	-	-	-	-	371,698,505
Total assets	1,845,397,072	99,013,609	55,749,332	-	-	-	-	-	-	2,000,160,013
Equity										
Statutory reserve	101,866,503	-	-	-	-	(461,009)	-	-	-	101,405,494
Retained earnings	299,542,397	(4,610,086)	-	-	-	461,009	-	-	-	295,393,320
Total equity	1,048,208,900	(4,610,086)	-	-	-	-	-	-	-	1,043,598,814
Non-current liabilities										
Lease liabilities	457,620,877	115,134,066	-	-	-	-	-	-	-	572,754,943
Total non-current liabilities	574,770,874	115,134,066	-	-	-	-	-	-	-	689,904,940
Current liabilities										
Borrowings	-	-	-	-	-	-	15,222,068	-	-	15,222,068
Long-term borrowings - current portion	15,222,068	-	-	-	-	-	(15,222,068)	-	-	-
Lease liabilities – current portion	58,933,274	(12,877,182)	-	-	-	-	-	-	-	46,056,092
Trade and other payables	138,989,611	1,366,811	55,749,332	-	-	-	-	-	-	196,105,754
Total current liabilities	222,417,298	(11,510,371)	55,749,332	-	-	-	-	-	-	266,656,259
Total liabilities	797,188,172	103,623,695	55,749,332	-	-	-	-	-	-	956,561,199
Total equity and liabilities	1,845,397,072	99,013,609	55,749,332	-	-	-	-	-	-	2,000,160,013

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34 RESTATEMENT OF PRIOR YEARS' FIGURES (continued)

Prior year adjustment to the impacted financial statements line items within the statement of financial position as at January 1, 2021

	<u>As issued</u>	<u>Adjustment (i)</u>	<u>Adjustment (ii)</u>	<u>Adjustment (iii)</u>	<u>Adjustment (iv)</u>	<u>Adjustment (v)</u>	<u>Adjustment (vi)</u>	<u>Adjustment (vii)</u>	<u>Adjustment (viii)</u>	<u>Restated</u>
Non - current assets										
Property and equipment, net	999,147,629	(6,186,485)	-	-	-	-	-	-	-	992,961,144
Right-of-use assets	536,621,492	124,911,229	-	-	-	-	-	-	-	661,532,721
Total non-current assets	1,581,773,573	118,724,744	-	-	-	-	-	-	-	1,700,498,317
Current assets										
Trade, other receivables and prepayments	137,952,417	-	35,888,562	-	-	-	-	-	-	173,840,979
Total current assets	367,304,401	-	35,888,562	-	-	-	-	-	-	403,192,963
Total assets	1,949,077,974	118,724,744	35,888,562	-	-	-	-	-	-	2,103,691,280
Equity										
Statutory reserve	85,782,785	-	-	-	-	443,562	-	-	-	86,226,347
Retained earnings	226,812,051	4,435,619	-	-	-	(443,562)	-	-	-	230,804,108
Total equity	959,394,836	4,435,619	-	-	-	-	-	-	-	963,830,455
Non-current liabilities										
Lease liabilities	457,385,932	171,620,774	-	-	-	-	-	-	-	629,006,706
Total non-current liabilities	587,693,895	171,620,774	-	-	-	-	-	-	-	759,314,669
Current liabilities										
Borrowings	-	-	-	-	-	-	124,596,427	-	-	124,596,427
Long-term borrowings - current portion	24,317,472	-	-	-	-	-	(24,317,472)	-	-	-
Short-term loans	100,278,955	-	-	-	-	-	(100,278,955)	-	-	-
Lease liabilities – current portion	92,517,463	(60,980,694)	-	-	-	-	-	-	-	31,536,769
Trade and other payables	171,207,902	3,649,045	35,888,562	-	-	-	-	-	-	210,745,509
Total current liabilities	401,989,243	(57,331,649)	35,888,562	-	-	-	-	-	-	380,546,156
Total liabilities	989,683,138	114,289,125	35,888,562	-	-	-	-	-	-	1,139,860,825
Total equity and liabilities	1,949,077,974	118,724,744	35,888,562	-	-	-	-	-	-	2,103,691,280

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34 RESTATEMENT OF PRIOR YEARS' FIGURES (continued)

Prior year adjustment to the impacted financial statements line items within the statement of comprehensive income for the year ended December 31, 2021

	<u>As issued</u>	<u>Adjustment (i)</u>	<u>Adjustment (ii)</u>	<u>Adjustment (iii)</u>	<u>Adjustment (iv)</u>	<u>Adjustment (v)</u>	<u>Adjustment (vi)</u>	<u>Adjustment (vii)</u>	<u>Adjustment (viii)</u>	<u>Restated</u>
Revenue	1,313,856,321	-	-	-	5,236,115	-	-	-	-	1,319,092,436
Cost of revenue	(928,364,345)	3,725,600	-	30,425,428	(7,050,381)	-	-	-	-	(901,263,698)
Gross profit	385,491,976	3,725,600	-	30,425,428	(1,814,266)	-	-	-	-	417,828,738
Other income, net	15,943,780	-	-	-	(5,236,115)	-	-	-	-	10,707,665
Realized gain on investments carried at FVTPL	190,570	-	-	-	-	-	-	(190,570)	-	-
Unrealized gain on investments carried at FVTPL	263,520	-	-	-	-	-	-	(263,520)	-	-
Gains on financial assets held at fair value through profit or loss	-	-	-	-	-	-	-	454,090	-	454,090
Provision for impairment on net investment in finance lease	(52,777)	-	-	-	-	-	-	-	52,777	-
Reversal of Impairment on trade and other receivables	322,993	-	-	-	-	-	-	-	(322,993)	-
Reversal of provision for impairment on financial assets	-	-	-	-	-	-	-	-	270,216	270,216
Selling and distribution expenses	(136,344,838)	-	-	(30,425,428)	-	-	-	-	-	(166,770,266)
General and administrative expenses	(75,758,651)	-	-	-	7,050,381	-	-	-	-	(68,708,270)
Operating profit	190,056,573	3,725,600	-	-	-	-	-	-	-	193,782,173
Finance cost	(28,552,315)	(12,771,305)	-	-	-	-	-	-	-	(41,323,620)
Net operating profit before zakat	161,504,258	(9,045,705)	-	-	-	-	-	-	-	152,458,553
Net profit for the period	160,837,179	(9,045,705)	-	-	-	-	-	-	-	151,791,474
Total comprehensive income for the period	153,494,064	(9,045,705)	-	-	-	-	-	-	-	144,448,359
Earnings per share	2.49									2.35

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34 RESTATEMENT OF PRIOR YEARS' FIGURES (continued)

Prior year adjustment to the impacted financial statements line items within the statement of cash flow for the year ended December 31, 2021

	<u>As issued</u>	<u>Adjustment (i)</u>	<u>Adjustment (ii)</u>	<u>Adjustment (iii)</u>	<u>Adjustment (iv)</u>	<u>Adjustment (v)</u>	<u>Adjustment (vi)</u>	<u>Adjustment (vii)</u>	<u>Adjustment (viii)</u>	<u>Restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES										
Net operating profit before zakat	161,504,258	(9,045,705)	-	-	-	-	-	-	-	152,458,553
Depreciation on property, plant and equipment	85,552,951	4,169,056	-	-	-	-	-	-	-	89,722,007
Depreciation on right of use assets	69,516,760	2,052,033	-	-	-	-	-	-	-	71,568,793
Unrealised gain on investments measured at FVTPL, net	(263,520)	-	-	-	-	-	-	263,520	-	-
Realized gain on investments measured at FVTPL	(190,570)	-	-	-	-	-	-	190,570	-	-
Gain on financial assets held at fair value through profit or loss	-	-	-	-	-	-	-	(454,090)	-	(454,090)
Impairment loss on net investment in finance lease	52,777	-	-	-	-	-	-	-	(52,777)	-
Reversal of impairment on trade and other receivables	(322,993)	-	-	-	-	-	-	-	322,993	-
Reversal of impairment on financial assets	-	-	-	-	-	-	-	-	(270,216)	(270,216)
Finance cost	28,552,315	12,771,305	-	-	-	-	-	-	-	41,323,620
Trade, other receivables and prepayments	(10,561,072)	-	(55,749,332)	-	-	-	-	-	-	(66,310,404)
Trade and other payables	(33,819,515)	698,718	55,749,332	-	-	-	-	-	-	22,628,535
CASH FLOW FROM FINANCING ACTIVITIES										
Repayment of long-term borrowings	(32,813,209)	-	-	-	-	-	32,813,209	-	-	-
Movement in short-term loans, net	(100,278,955)	-	-	-	-	-	100,278,955	-	-	-
Repayment of borrowings	-	-	-	-	-	-	(133,092,164)	-	-	(133,092,164)
Lease liabilities paid	(89,368,087)	28,434,333	-	-	-	-	-	-	-	(60,933,754)
Paid finance cost on lease liabilities	-	(39,079,740)	-	-	-	-	-	-	-	(39,079,740)