

ALMUNAJEM FOODS COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2022
Together with the
INDEPENDENT AUDITOR'S REPORT



KPMG Professional Services

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Kingdom of Saudi Arabia
Commercial Registration No. 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Almunajem Foods Company

(A Saudi Joint Stock Company)

Opinion

We have audited the financial statements of **Almunajem Foods Company** (A Saudi Joint Stock Company) ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of 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 (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.



Independent Auditor's Report

To the Shareholders of Almunajem Foods Company (continued)

Key Audit Matters (continued)

To the Shareholders of Almunajem Foods Company (continued)

Revenue recognition

With reference to Note (4) of the accounting policy related to revenue from contracts with customers, as well as Note (14) related to disclosure of contracts with customers.

Key audit matter	How the matter was addressed in our audit
<p>The Company's revenue for the year ended 31 December 2022 is SR 2,978 million (2021: SR 2,577 million).</p> <p>Revenue is recognized in accordance with International Financial Reporting Standard 15 – Revenue from Contracts with Customers ("IFRS 15") which requires taking into account rebates and discounts given to customers on the Company's sales.</p> <p>The recognition of promotions and customer rebates depends on the performance criteria under each commercial contract. This area is key to our audit as the estimates of recognized allowances and discounts involve judgment and have an impact on reported revenue and accordingly, revenue recognition has been considered a key audit matter.</p>	<p>Our audit procedures performed included, among other audit procedures, the following:</p> <ul style="list-style-type: none">- Assessed the Company's revenue recognition accounting policies for compliance with the requirements of IFRS 15.- Evaluated key contractual, returns, and rebates arrangements by considering relevant documentation and agreements with the customers.- Recalculated discounts and rebates for a sample of customers according to their agreements.- Evaluated the design and implementation and tested the operating effectiveness of relevant controls (including relevant IT general and application controls) over the revenue cycle.- Selected a sample of sales transactions taking place during the year and inspected the supporting documents to ensure they were recognized at the correct amounts.- Inspected a sample of sales transactions recorded before and after the year-end to assess whether revenue was recorded in the correct accounting period.- Performed variance analysis by comparing the current year's revenue with the historical trend, and discussed material variances, if any.- Assessed the adequacy of the relevant disclosures in accordance with the requirements of IFRS 15 included in the financial statements.



Independent Auditor's Report

To the Shareholders of Almunajem Foods Company (continued)

Key Audit Matters (continued)

Provision for expected credit losses in respect of trade receivables

With reference to Note (4) of the accounting policy related to the recognition of expected credit loss, as well as Note (11) related to the disclosure of the expected credit loss.

Key audit matter	How the matter was addressed in our audit
<p>As of 31 December 2022, the Company's gross trade receivables amounted to SR 260.16 million against which a provision for expected credit losses of SR 13.8 million is maintained.</p> <p>The Company applies a simplified approach in calculating the expected credit losses (ECL) as required by International Financial Reporting Standard 9 – Financial Instruments ("IFRS 9") to calculate the provision for expected credit losses in respect of trade receivables.</p> <p>We considered this as a key audit matter as it involves complex calculations and the use of assumptions by management in addition to the materiality of the amounts involved.</p> <p>Refer to notes 4 and 5 for the accounting policy and estimates related to the provision for expected credit losses and notes 11 and 26.3 for the related disclosures.</p>	<p>Our audit procedures performed included, among other audit procedures, the following:</p> <ul style="list-style-type: none">- Assessed the design, implementation, and operating effectiveness of the key controls over the following:- Recording of trade receivables- Trade receivables aging report- Assessed significant assumptions, including loss rates and those relating to future economic events that are used to calculate the expected credit loss.- Tested the mathematical accuracy of the ECL model.- Assessed the adequacy of the relevant disclosures included in the financial statements.- Engaged our specialists to review the approach used in the expected credit loss model, to assess its suitability for the Company's activity.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 24 Sha'ban 1443H (corresponding to 27 March 2022).

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 when it becomes available 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, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



Independent Auditor's Report

To the Shareholders of Almunajem Foods Company (continued)

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 IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, 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, 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 skepticism throughout the audit. We also:

- 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, then 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 disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditor's Report

To the Shareholders of Almunajem Foods Company (continued)

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

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

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

KPMG Professional Services

Fahad Mubark Aldossari
License No. 469

Riyadh on 1 Ramadan 1444H
Corresponding to: 23 March 2023




ALMUNAJEM FOODS COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2022


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ALMUNAJEM FOODS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 SAR	2021 SAR
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	8	272,307,365	286,736,574
Intangible assets	9	1,521,585	2,910,115
Right-of-use assets	7	46,629,990	48,433,604
TOTAL NON-CURRENT ASSETS		320,458,940	338,080,293
CURRENT ASSETS			
Inventories	15	661,654,675	486,497,539
Trade receivables	11	246,382,666	219,833,980
Due from related parties	13 -a	6,968,013	10,071,137
Prepayments and other assets	12	137,855,287	157,962,097
Cash and cash equivalent	10	111,029,404	85,525,433
TOTAL CURRENT ASSETS		1,163,890,045	959,890,186
TOTAL ASSETS		1,484,348,985	1,297,970,479
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	16- a	600,000,000	600,000,000
Statutory reserve	16- b	68,597,256	39,577,074
Actuarial valuation reserve	17	(4,972,434)	(5,545,632)
Retained earnings		236,886,901	170,705,262
TOTAL SHAREHOLDERS' EQUITY		900,511,723	804,736,704
NON-CURRENT LIABILITIES			
Lease liabilities	7	40,749,176	43,127,109
Employees' defined benefit liabilities	17	48,263,214	45,159,785
TOTAL NON-CURRENT LIABILITIES		89,012,390	88,286,894
CURRENT LIABILITIES			
Lease liabilities	7	8,205,016	6,975,731
Zakat payable	20	18,840,788	14,802,310
VAT payable		24,279,790	25,712,519
Trade payables, accruals, and others	18	443,487,711	357,259,611
Due to related parties	13-b	11,567	196,710
TOTAL CURRENT LIABILITIES		494,824,872	404,946,881
TOTAL LIABILITIES		583,837,262	493,233,775
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,484,348,985	1,297,970,479


Mohamed Salman Mahmoud
CFO


Thamer Abdulaziz Abanumay
CEO



Saleh Abdullah Almunajem
Chairman

The attached notes 1 to 34 form part of these financial statements.


ALMUNAJEM FOODS COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	2022 SAR	2021 SAR
Revenue	14	2,978,522,624	2,577,023,654
Cost of revenue	15	(2,390,458,132)	(2,135,649,691)
GROSS PROFIT		588,064,492	441,373,963
Selling and distribution expenses	21	(257,941,539)	(235,052,178)
General and administrative expenses	22	(25,421,159)	(23,038,080)
Provision for expected credit losses	11	(2,658,491)	(4,402,885)
Other income	23	9,109,914	5,636,748
OPERATING PROFIT		311,153,217	184,517,568
Finance costs, net	24	(1,920,096)	(3,759,006)
PROFIT BEFORE ZAKAT FOR THE YEAR		309,233,121	180,758,562
Zakat	20	(19,031,300)	(14,666,582)
PROFIT FOR THE YEAR		290,201,821	166,091,980
Other comprehensive income (loss)			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of employees' defined benefit liabilities	17	573,198	(1,806,219)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		290,775,019	164,285,761
Earnings per share			
Earnings per share attributable to ordinary equity holders of the Company (basic and diluted)	26	4.84	3.10


Mohamed Salman Mahmoud
CFO


Thamer Abdulaziz Abanumay
CEO



Saleh Abdullah Almunajem
Chairman

The attached notes 1 to 34 form part of these financial statements.

ALMUNAJEM FOODS COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital SAR	Proposed increase in capital SAR	Statutory reserve SAR	Actuarial valuation reserve (note 17) SAR	Retained earnings SAR	Total SAR
As at 1 January 2021	150,000,000	450,000,000	22,967,876	(3,739,413)	21,222,480	640,450,943
Profit for the year	-	-	-	-	166,091,980	166,091,980
Other comprehensive loss	-	-	-	(1,806,219)	-	(1,806,219)
Total comprehensive income	-	-	-	(1,806,219)	166,091,980	164,285,761
Proposed increase in capital (note 31)	450,000,000	(450,000,000)	-	-	-	-
Transfer to statutory reserve	-	-	16,609,198	-	(16,609,198)	-
As at 31 December 2021	600,000,000	-	39,577,074	(5,545,632)	170,705,262	804,736,704
Profit for the year	-	-	-	-	290,201,821	290,201,821
Other comprehensive gain	-	-	-	573,198	-	573,198
Total comprehensive income	-	-	-	573,198	290,201,821	290,775,019
Dividends (note 27)	-	-	-	-	(195,000,000)	(195,000,000)
Transfer to statutory reserve	-	-	29,020,182	-	(29,020,182)	-
As at 31 December 2022	600,000,000	-	68,597,256	(4,972,434)	236,886,901	900,511,723


Mohamed Salman Mahmoud
CFO


Thamer Abdulaziz Abanumay
CEO


Saleh Abdullah Almunajem
Chairman

The attached notes 1 to 34 form part of these financial statements.

ALMUNAJEM FOODS COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 SAR	2021 SAR
OPERATING ACTIVITIES			
Profit before zakat		309,233,121	180,758,562
<i>Non-cash adjustments to reconcile profit before zakat to net cash flows from operating activities</i>			
Depreciation of right-of-use assets	7	9,030,954	8,107,547
Depreciation of property, plant and equipment	8	28,518,970	26,460,299
Amortization of intangible assets	9	1,388,530	1,555,959
Interest on lease liabilities	24	1,301,176	1,242,512
Interest on employees' defined benefit	24	1,366,587	932,203
Interest charged on short term loans	24	259,833	1,584,291
Allowance for expected credit losses on trade receivables	11	2,658,491	4,402,885
Provision for slow moving & obsolete items	15	500,000	500,000
Write off of intangible assets		-	47
Gain on disposal of property, plant and equipment	23	(2,161,016)	(3,463,093)
Employees' s defined benefit expense	17	4,462,705	4,328,521
Cash generated from operating activities		356,559,351	226,409,733
<i>Working capital adjustments:</i>			
Trade receivables		(29,207,177)	(23,472,741)
Prepayments and other assets		20,106,810	(71,504,835)
Inventories		(175,657,136)	(67,004,960)
Trade payables, accruals, and others		86,129,340	175,060,881
VAT payable		(1,432,729)	516,225
Due to related parties		(185,143)	9,396
Due from related parties		3,103,124	412,319
		259,416,440	240,426,018
Finance costs paid		(1,243,826)	(2,816,630)
Employees' defined benefit liabilities paid	17	(2,152,665)	(1,575,363)
Zakat paid	20	(14,992,822)	(5,150,181)
Net cash from operating activities		241,027,127	230,883,844
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment	8	(14,298,657)	(32,451,354)
Proceeds from disposal of property, plant and equipment	8	2,369,912	3,751,232
Payments for purchase of intangible assets	9	-	(200,549)
Net cash used in investing activities		(11,928,745)	(28,900,671)
FINANCING ACTIVITIES			
Repayment lease liabilities	7	(8,594,411)	(8,363,969)
Proceeds from short term loans	19	330,000,000	3,080,000,000
Repayment of short-term loans	19	(330,000,000)	(3,208,000,000)
Dividends paid	27	(195,000,000)	-
Net cash used in financing activities		(203,594,411)	(136,363,969)
Increase cash and cash equivalent		25,503,971	65,619,204
Cash and cash equivalent at the beginning of the year	10	85,525,433	19,906,229
Cash and cash equivalent at the end of the year	10	111,029,404	85,525,433
Non-Cash transactions:			
Transfer of proposed increase in share capital to share capital		-	450,000,000
Right of use assets		7,227,340	9,595,226
Lease liability		7,227,340	9,595,226

Mohamed Sahnan Mahmoud
CFO

Thamer Abdulaziz Abanumay
CEO

Saleh Abdullah Almunajem
Chairman

The attached notes 1 to 34 form part of these financial statements.

ALMUNAJEM FOODS COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS
31 December 2022

1. ORGANISATION AND ACTIVITIES

Almunajem Foods Company (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia (KSA) under commercial registration numbered 1010231822, dated 7 Rabie Al Thani 1428H (corresponding to 24 April 2007). The registered address of the Company is located at Riyadh, P O Box 1544, Riyadh 11441, KSA.

The Company is a subsidiary of Abdullah Al Ali Almunajem Sons Company (the "Ultimate Parent") which is a Closed Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010000565 dated 11 Dhu Al-Qidah 1376H (corresponding to 10 June 1957). The registered address of the Parent is located at Riyadh, P O Box 2395, Riyadh 11451, KSA.

On 11 October 2020, the shareholders decided to go for an IPO. Also, the shareholders decided in their meeting dated 2 November 2020 to convert the Company from Limited Liability Company to a Closed Joint Stock Company. In addition, the Company's name was changed from "Almunajem Cold Stores Company" to "Almunajem Foods Company" (A Saudi Closed Joint Stock Company). Legal formalities were completed on 17 February 2021.

As of 20 December 2021, 30% of the company's shares are listed at Saudi Stock Exchange (Tadawul). Moreover, 69.3% of the Company is owned by a main shareholder (Abdullah Al Ali Almunajem Sons Company) and 0.7% by another shareholder (AlKafaa Real Estate Company).

The Company is engaged in wholesale and retail trading in fruits, vegetables, cold and frozen poultry and meat, bottled, food stuff, through its following branches:

Commercial registration

1131026002
2050059043
4030176226
5855030212
4650046753
3550027505
3350031238
2250045420
4031067309
4032032800
5900017953
1010401313
1010465454
4030291805
1010653210
3400119907

Branch location

Burieda
Dammam
Jeddah
Khamis Mushait
Madina
Tabouk
Hail
Ahsa
Makkah
Taif
Jizan
Riyadh
Riyadh
Jeddah
Riyadh
Sakaka

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board ("IASB") as endorsed in KSA and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

2.2 Judgments and estimates

The preparation of financial statements in conformity with the IFRS as endorsed in KSA requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Refer to (Note 5).

2. BASIS OF PREPARATION (continued)

2.3 Basis of measurement

These financial statements have been prepared under the historical cost basis except for the employees' defined benefit liabilities, which has been measured in accordance with the projected unit credit method.

2.4 Going concern

The financial statements have been prepared on the going concern basis.

3. PRESENTATION AND FUNCTIONAL CURRENCY

The financial statements are presented in Saudi Riyals (SAR) which is also the functional currency of the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are significant accounting policies applied in the preparation of these financial statements:

4.1 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:

- (a) it expects to realise the asset, or intends to sell or consume it, in the entity's normal operating cycle.
- (b) it holds the asset primarily for the purpose of trading.
- (c) it expects to realise the asset within twelve months after the reporting date; or
- (d) the asset is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current. A liability is current when:

- (a) it expects to settle the liability in the entity's normal operating cycle.
- (b) it holds the liability primarily for the purpose of trading.
- (c) the liability is due to be settled within twelve months after the reporting date; or
- (d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date.

The Company classifies all other liabilities as non-current.

4.2 Operating Profit

Operating profit is the result generated from the continuing principal revenue- activities of the Company as well as other income and expenses to operating activities. operating profit excludes net finance costs, and zakat.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Revenue from contracts with customers

The Company is in the business of wholesale and retail trading of fruits, vegetables, cold and frozen poultry and meat, bottled, food stuff.

Non-retail sales are related to sales to wholesale suppliers who typically buy in bulk and on the contrary, retail sales are related to sales to non-bulk customers.

The Company recognizes revenue according to IFRS 15, using the following five-steps model:

Step 1: Identify the contract with the 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 the performance obligations	A performance obligation is 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	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: Revenue recognition	The Company recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

Revenue from contracts with customers is recognised when control of the goods or services 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 or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue is income arising from the sale of goods in the ordinary course of the Company's activities, net of value added taxes. Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

(i) Variable consideration

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Revenue from contracts with customers (continued)

Sale of goods (continued)

Rights of return

The Company uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of revenue) is also recognised for the right to recover the goods from the customer.

Volume rebates

The Company applies the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The expected value method is used for those with more than one volume threshold. The Company then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the expected future rebates (i.e., the amount not included in the transaction price). All volume rebates are treated as discounts and the customers pay the net amount after discount.

The disclosures of estimates and assumptions relating to the estimation of variable consideration for returns and volume rebates are provided in (note 5).

(ii) Trade receivables

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section financial instruments.

(iii) Assets and liabilities arising from rights of return

Right of return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods and any potential decreases in value. The Company updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer. The Company's refund liabilities arise from customers' right of return. The liability 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.

4.4 Segmental reporting

An operating segment is a component: i) engaged in business activities from which it may earn revenue and incur expenses including revenue and expenses that relate to transactions with any of the Company's other components; ii) the results of its operations are continuously analyzed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and iii) for which financial information is discretely available. Segment results that are reported to the chief operating decision maker and include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Property, plant, and equipment

Property, plant, and equipment "PPE", except for freehold lands and capital work-in-progress, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Freehold lands are stated at cost, net of accumulated impairment losses, if any. Such costs include the cost of replacing part of the equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant, and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of profit or loss and other comprehensive income as an expense as incurred.

Freehold lands and capital work-in-progress are stated at cost net of accumulated impairment, if any and represents all costs relating directly or indirectly to the acquisition or construction of assets where acquisition or construction is in progress and will be transferred to relevant category of property, plant, and equipment once completed.

The cost less estimated residual value of remaining property, plant, and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, effective from the date when it was available for use, as follows:

<u>Category of property, plant, and equipment</u>	<u>Useful lives</u>
Buildings	33.3 years
Plant and equipment	6.67 to 10 years
Furniture and fixtures	10 years
Computers	5 years
Motor vehicles	5 to 8 years

An item of property, plant, and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 profit or loss and other comprehensive income, in other income, when the asset is derecognised.

The residual values, useful lives, and methods of depreciation of property, plant, and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Leases

Company as a lessee

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

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

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

<i>Category of lease</i>	<i>Lease term</i>
Land	20 years
Buildings and leasehold improvements	3 to 10 years
Motor vehicles	3 to 5 years

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) that depend on a rate.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Most of storage contracts are short term and renewed automatically.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating lease is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss.

4.7 Borrowing costs

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Intangible assets

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

The Company applies an annual rate of amortization of 5 years to its computers' software and accounted for on a straight-line basis.

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

4.9 Financial instruments

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

i) Financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

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

The effective interest method is a method of calculating the amortised cost of a financial asset (or a group of financial assets) and of allocating the interest income or interest expense over the relevant period.

Bank balances and cash

Bank balances and cash comprise cash at banks and on hand and are subject to an insignificant risk of changes in value.

Trade receivable and other current financial assets

Trade receivables and other current financial assets are measured at amortized cost and comprise of trade receivables and other current financial assets.

Due from related parties

Amounts due from related parties are measured at amortized cost and paid within 30 to 45 days.

Financial assets at fair value through OCI (debt instruments)

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

The Company does not have debt instruments at fair value through OCI.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes financial assets which the Company had not irrevocably elected to classify at fair value through OCI.

Derecognition

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment

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

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

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

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at amortized cost and initial recognized at fair value.

All financial liabilities are recognised initially at fair value and, net of directly attributable transaction costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Trade payables, and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the suppliers or not.

Short term loans and lease liabilities

Short term loans and lease liabilities are measured at amortized cost.

Derecognition

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

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.10 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, including other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Goods in transit

Goods-in-transit are goods for resale or finished goods or raw materials that have been shipped by a supplier but have not yet been received by the buyer. The Company recognizes goods-in-transit in accordance with incoterms with suppliers. Goods-in-transit are recorded at landed cost included freight and insurance, if any.

4.11 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the assets or CGU's recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

4.12 Provisions

Provisions are recognised 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed to the statement of profit or loss and other comprehensive income.

4.13 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable are recorded in the financial statement under accounts payable and accruals. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

4.14 Zakat

Zakat is provided for in accordance with Saudi Arabian fiscal regulations. The provision is recognised in the statement of profit or loss and other comprehensive income. Zakat liability is estimated in the financial statements which is finally calculated at year end. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which assessment is finalized.

4.15 Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4.17 Dividends distribution

The Company establishes the obligations related to paying the cash dividends to the Company's shareholders when approving the distribution. According to the Companies Law, dividends are approved upon approval by the shareholders. The corresponding amount is directly recognized in equity.

4.18 Employees' defined benefit obligations

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, and child education allowances that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. The liabilities are presented in accounts payable, accruals and other current liabilities in the statement of financial position.

Post-employment obligation

Defined benefit plans:

The Company primarily has end of service benefits which qualify as defined benefit plans.

Defined benefit obligation ("DBO") is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss and other comprehensive income.

DBO costs for periods are calculated on a year-to-date basis using the actuarially determined plan cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the period, consideration is given to re-measure such liabilities.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of profit or loss and other comprehensive income while unwinding of the liability at discount rates used are recorded as a finance cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

In the Kingdom of Saudi Arabia, for the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Arabian Labor law.

4.19 Statutory reserve

As required by Saudi Arabian Regulations for Companies, the Company must set aside 10% of its net profit in each year until it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution.

4.20 Foreign currency transactions

Transactions in foreign currencies are recorded in Saudi Riyals at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. Differences arising on settlement or translation of monetary items are recognised in cost of sales. 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.

5. ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, 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 the future periods. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material difference in the carrying amounts of assets and liabilities within the next financial period, are presented below. The Company used these assumptions and estimates on the basis available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Judgements

In the process of applying the Company's accounting policies, management has not made any judgements apart from those involving estimation, which has the most significant effect on the amounts recognised in the financial statements.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults 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 analysed.

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

Impairment of non-financial assets

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

Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for termination benefits and exit costs, if any, also involve management's judgment in estimating the expected cash outflows for severance payments and site closures or other exit costs. Provisions for uncertain liabilities involve management's best estimate of whether cash outflows are probable.

Economic useful lives of property and equipment and intangible assets

The useful lives of property, plant and equipment and intangible assets are estimated based on its economic and intangible assets and on the collective assessment of industry practice and experience with similar assets. The estimated useful lives of the property, plant and equipment and intangible assets are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in any of the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

5. ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

Determining the lease term of contracts with renewal and termination options – 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.

The Company has a lease contract that includes 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 customisation to the leased asset).

The Company included the renewal period as part of the lease term for leases of two buildings. The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of land and buildings with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Company typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Revenue recognition - Estimating variable consideration for returns and volume rebates

The Company estimates variable considerations to be included in the transaction price for the sale of the products with rights of return and volume rebates.

The Company has developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will be likely entitled to rebate will depend on the customer's historical rebates entitlement and accumulated purchases to date.

The Company applied the statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebates entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Company.

The Company updates its assessment of expected returns and volume rebates quarterly and the refund liabilities are adjusted accordingly. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Company's past experience regarding returns may not be representative of customers' actual returns in the future.

Defined benefit plans

The cost of the defined benefit plan and the present value of the obligation is determined using actuarial valuations. 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 and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

5. ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (continued)

Defined benefit plans (continued)

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

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

Fair value measurement of financial instruments

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

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE AND OTHER AMENDMENTS

- 1- There are no new standards issued. However, there are a number of amendments to standards that are effective from 1 January 2022. These do not have a significant impact on the financial statements.

Effective from	New Standards and Amendments
1 January 2022	Onerous contract – Cost of Fulfilling a Contract (Amendments to IAS 37)
	Annual Amendments to IFRS
	Property, Plant and Equipment: Proceeds Before Intended Use (amendments to IAS 16).
	Reference to the Conceptual Framework (Amendments to IFRS 3)

- 2- New standards, amendments to standards and interpretations

There are standards issued but not yet effective as following:

The Company has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

Effective for annual periods beginning on or after	New standards and amendments
1 January 2023	IFRS 17 <i>Insurance Contracts</i> *, including amendments <i>Initial Application of IFRS 17</i>
	Classification of Liabilities as Current or Non-current – Amendments to IAS 1 <i>Presentation of Financial Statements</i>
	Definition of Accounting Estimates – Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements</i>
	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 <i>Income Taxes</i>
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i>

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7. LEASES

The Company has lease contracts for buildings, land and motor vehicles used in its operations. Generally, the Company is restricted from assigning and subleasing the leased assets.

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

	<i>Buildings SAR</i>	<i>* Land SAR</i>	<i>Motor vehicles SAR</i>	<i>Total SAR</i>
As at 1 January 2021:	7,808,666	29,397,076	9,740,183	46,945,925
Additions	2,032,568	270,458	7,292,200	9,595,226
Depreciation expense	(1,592,135)	(1,562,505)	(4,952,907)	(8,107,547)
At 31 December 2021	8,249,099	28,105,029	12,079,476	48,433,604
Additions	1,445,815	-	5,781,525	7,227,340
Depreciation expense	(1,893,042)	(1,564,794)	(5,573,118)	(9,030,954)
Balance at 31 Dec 2022	7,801,872	26,540,235	12,287,883	46,629,990

* This includes a lease contract with a shareholder. Refer to (note 13) for further details on related parties' transactions and balances.

Set out below are the carrying amounts of lease liabilities recognized and the movements during the year:

	<i>2022 SAR</i>	<i>2021 SAR</i>
As at 1 January	50,102,840	48,861,410
Additions	7,227,340	9,595,226
Accretion of interest (note 24)	1,301,176	1,242,512
Payments	(9,677,164)	(9,596,308)
As at 31 December	48,954,192	50,102,840
Current	8,205,016	6,975,731
Non-Current	40,749,176	43,127,109

The classification of lease repayment is divided into capital repayment of lease liability of SAR 8,594,411 (2021: SAR 8,363,969) as a cash flow from financing activities and finance cost paid of SAR 1,301,176 (2021: SAR 1,242,512) as a cash flow from operating activities.

The following are the amounts recognized in profit or loss:

	<i>2022 SAR</i>	<i>2021 SAR</i>
Depreciation of right-of-use assets allocated to selling and distribution expenses	8,225,321	7,321,573
Depreciation of right-of-use assets allocated to general & administrative expenses	772,470	751,063
Depreciation of right-of-use assets allocated to cost of revenue	33,163	34,911
Interest expense on lease liabilities (note 24)	1,301,176	1,242,512
Expense relating to short-term leases (note 21)	1,423,032	1,427,680
The total amount recognized in profit or loss	11,755,162	10,777,739
Total cash out flow for lease	(11,100,196)	(11,023,988)
Repayment of lease liability	(9,677,164)	(9,596,308)
Repayment for short term lease	(1,423,032)	(1,427,680)

The Company has two lease contracts that include extension options. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether this extension option is reasonably certain to be exercised.

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8. PROPERTY, PLANT, AND EQUIPMENT

<i>Cost:</i>	<i>Freehold Land SAR</i>	<i>Buildings SAR</i>	<i>Plant and equipment SAR</i>	<i>Furniture and fixtures SAR</i>	<i>Computers SAR</i>	<i>Motor vehicles SAR</i>	<i>* Construction work in progress SAR</i>	<i>Total SAR</i>
At 1 January 2021	72,462,268	180,511,753	120,699,825	20,201,033	13,925,886	105,159,559	1,572,201	514,532,525
Additions	-	5,776,404	14,449,117	2,246,538	715,369	9,263,926	-	32,451,354
Disposals	-	-	(467,000)	(90,492)	(754,367)	(8,381,821)	-	(9,693,680)
Disposal to a related party (note 13)	-	-	-	-	-	(668,944)	-	(668,944)
Transfer	-	-	-	-	-	1,572,201	(1,572,201)	-
At 31 December 2021	72,462,268	186,288,157	134,681,942	22,357,079	13,886,888	106,944,921	-	536,621,255
Additions	-	373,569	3,377,856	2,261,468	1,107,886	5,790,884	1,386,994	14,298,657
Disposals	-	-	(969,232)	(106,844)	(216,239)	(8,935,050)	-	(10,227,365)
At 31 December 2022	72,462,268	186,661,726	137,090,566	24,511,703	14,778,535	103,800,755	1,386,994	540,692,547
Depreciation:								
At 1 January 2021	-	46,200,882	87,370,629	12,671,246	11,382,512	75,873,598	-	233,498,867
The charge for the year	-	5,525,778	8,647,390	1,535,500	807,522	9,944,109	-	26,460,299
Disposals	-	-	(466,999)	(81,945)	(751,631)	(8,111,741)	-	(9,412,316)
Disposal to a related party (note 13)	-	-	-	-	-	(662,169)	-	(662,169)
At 31 December 2021	-	51,726,660	95,551,020	14,124,801	11,438,403	77,043,797	-	249,884,681
The charge for the year	-	5,599,501	10,109,208	1,732,064	908,491	10,169,706	-	28,518,970
Disposals	-	-	(969,223)	(84,634)	(213,782)	(8,750,830)	-	(10,018,469)
At 31 December 2022	-	57,326,161	104,691,005	15,772,231	12,133,112	78,462,673	-	268,385,182
Net book value:								
At 31 December 2022	72,462,268	129,335,565	32,399,561	8,739,472	2,645,423	25,338,082	1,386,994	272,307,365
At 31 December 2021	72,462,268	134,561,497	39,130,922	8,232,278	2,448,485	29,901,124	-	286,736,574

*The Property, plant, and equipment balance as of 31 December 2022 includes construction work in progress related to a expansion of meat factory located in Jeddah city and with an amount of SAR 1,386,994 (31 December 2021: Nil).

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8. PROPERTY, PLANT, AND EQUIPMENT (continued)

- a) Buildings with net book value amounting to SAR 24.6 million (31 December 2021: SAR 25.7 million) are constructed on land leased from a related party under long-term lease for a period of 20 years from 1 January 2020.
- b) Building with a net book value amounting to SAR 12.9 million (31 December 2021: SAR 13.4 million) is constructed on land leased from Saudi Industrial Property Authority (Modon) for a period of 20 years from 26 March 2018 (corresponding to 9 Rajab 1439 H). The Company has the option of renewing the lease agreement on the expiry of the initial lease term based on the new terms and conditions to be agreed on that time.

Depreciation charge for the year is allocated as follows:

	2022 SAR	2021 SAR
Cost of revenue	3,911,406	2,636,809
Selling and distribution expenses (note 21)	24,173,845	23,381,744
General and administrative expenses (note 22)	433,719	441,746
	28,518,970	26,460,299

9. INTANGIBLE ASSETS

	<i>Computer software SAR</i>
At 1 January 2021	
Additions	24,113,840
Write off	200,549 (1,406)
At 31 December 2021	24,312,983
Additions	-
At 31 December 2022	24,312,983
<i>Amortization:</i>	
At 1 January 2021	
Charge for the year	19,848,268 1,555,959
Write off	(1,359)
At 31 December 2021	21,402,868
Charge for the year	1,388,530
At 31 December 2022	22,791,398
<i>Net book value:</i>	
At 31 December 2022	1,521,585
At 31 December 2021	2,910,115

Amortization charge for the year is allocated as follows:

	2022 SAR	2021 SAR
General and administrative expenses (note 22)	1,156,672	1,347,462
Selling and distribution expenses (note 21)	231,858	208,497
	1,388,530	1,555,959

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10. CASH AND CASH EQUIVALENT

	2022 SAR	2021 SAR
Cash at banks	65,798,554	82,651,450
Short term deposit *	40,000,000	-
Cash on hand	5,230,850	2,873,983
	111,029,404	85,525,433

At 31 December 2022, the Company had available SAR 290,000,000 (31 December 2021: SAR 520,000,000) of undrawn committed borrowing facilities.

* Cash and cash equivalents include Islamic short term deposit with maturity of less than three months.

11. TRADE RECEIVABLES

	2022 SAR	2021 SAR
Trade receivables	260,164,096	230,965,617
Less: Provision for expected credit losses	(13,781,430)	(11,131,637)
	246,382,666	219,833,980

Terms and conditions of the above financial assets:

Trade receivables are non-interest bearing and are generally on terms from 15 to 60 days. It is not the practice of the Company to obtain collateral over receivable.

The movement in the provision for expected credit losses during the years ended 31 December was as follows:

	2022 SAR	2021 SAR
At the beginning of the year	11,131,637	6,806,409
Provision for expected credit losses	2,658,491	4,402,885
Write-off	(8,698)	(77,657)
As of the end of the year	13,781,430	11,131,637

Please refer to (note 25.2) for information about the credit risk exposure on the Company's trade receivables using a provision matrix.

12. PREPAYMENTS AND OTHER ASSETS

	2022 SAR	2021 SAR
Advance to a related party *	115,599,815	116,284,184
Advances to suppliers and contractors	6,882,726	29,058,080
Prepayments	12,486,367	9,987,544
Employee receivables	873,359	458,405
Right of return assets	1,155,481	1,029,967
Others	857,539	1,143,917
	137,855,287	157,962,097

*These amount represents an advanced payments to France Poultry for future deliveries of retail products (Subsidiary to parent company, note 13).

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13. RELATED PARTIES DISCLOSURES

Related parties represent major shareholders, director, 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.

Transactions with related parties included in the statement of profit or loss and other comprehensive income are as follows:

2022			<u>Sales</u>	<u>Purchases</u>	<u>Expenses</u>	<u>PPE</u> <u>purchase/</u>
	<u>Relationship</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>Selling</u>	<u>SAR</u>
France Poultry	Subsidiary to the parent company	-	571,576,751	-	-	-
Shawaya House Company	Subsidiary to the parent company	26,181,815	-	121,592	-	-
Gulf Catering Company	Subsidiary to the parent company	12,847,705	-	663,317	-	-
Nutrition and Diet Center Company	Subsidiary to the parent company	5,882,477	3,866,113	1,323,651	-	-
Az-Zad Saudi Company	Subsidiary to the parent company	533,522	-	15,718	-	-
Thati Limited Company	Subsidiary to the parent company	265,563	-	39,714	-	-
Bureida Trading and Refrigeration Company	Subsidiary to the parent company	-	-	243,956	2,340,700	-
Al-Kafa'a Real State Company	Subsidiary to the parent company	-	-	728,509	-	-
Abdullah Al Ali Almunajem Sons Company	The parent company	-	-	1,167,951	-	-
Four Steps International	Company owned by a member of the board of directors	-	-	98,500	-	-
Abdulaziz Abdullah Almunajem	Shareholder in the parent company	-	-	46,600	-	-

2021			<u>Sales</u>	<u>Purchases</u>	<u>Expenses</u>	<u>PPE</u> <u>purchase/</u>
	<u>Relationship</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>Selling</u>	<u>SAR</u>
France Poultry	Subsidiary to the parent company	-	475,702,504	-	-	-
Shawaya House Company	Subsidiary to the parent company	38,953,372	-	198,220	-	-
Gulf Catering Company (Note 8)	Subsidiary to the parent company	12,057,223	-	1,130,548	200,000	-
Nutrition and Diet Center Company	Subsidiary to the parent company	5,487,180	1,693,864	3,327,516	3,702,669	-
Az-Zad Saudi Company	Subsidiary to the parent company	1,034,282	-	68,776	-	-
Thati Limited Company	Subsidiary to the parent company	524,128	-	2,661	-	-
Bureida Trading and Refrigeration Company	Subsidiary to the parent company	-	-	273,019	4,056,680	-
Al-Kafa'a Real State Company	Subsidiary to the parent company	-	-	755,600	-	-
Abdullah Al Ali Almunajem Sons Company	The parent company	-	-	2,240,611	-	-
Four Steps International	Company owned by a member of the board of directors	-	-	95,306	-	-
Ali Abdullah Almunajem	Shareholder in the parent company	-	-	46,600	-	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

13. RELATED PARTIES DISCLOSURES (continued)

Due from/due to related parties balances relate to intercompany trading account in relation to sales and purchases transactions with the related parties.

Balances with related parties included in the statement of financial position are as follows:

a) Amounts due from related parties

The breakdown of amounts due from related parties is as follows:

	<i>Relationship</i>	2022 SAR	2021 SAR
Shawaya House Company	Subsidiary to the parent company	2,314,984	7,381,216
Gulf Catering Company	Subsidiary to the parent company	4,309,310	1,763,183
Nutrition and Diet Center Company	Subsidiary to the parent company	229,986	714,713
Thati Limited Company	Subsidiary to the parent company	10,565	118,287
Az-Zad Saudi Company	Subsidiary to the parent company	32,591	93,738
Bureida Trading and Refrigeration Company	Subsidiary to the parent company	70,577	-
		6,968,013	10,071,137

The above balances are unsecured, interest-free, and settlement term within 30-45 days. The management estimates the allowance on due from the related party balance at the reporting date at an amount equal to lifetime ECL. No receivable balances from related parties at the reporting date are past due, taking into account the historical default experience and the future prospects of the industries in which the related parties operate. Management considers that related party balances are not impaired. There has been no change in estimation techniques or significant assumptions made during the current reporting period in assessing the allowances for balances due from related parties.

b) Amounts due to related parties

The breakdown of amounts due to related parties is as follows:

	<i>Relationship</i>	2022 SAR	2021 SAR
Abdullah Al Ali Almunajem Sons Company	The parent company and a board member	11,567	-
Bureida Trading and Refrigeration Company	Subsidiary to the parent company	-	196,710
		11,567	196,710

Outstanding balances at the year-end are unsecured and interest free and settlement within 30-45. There have been no guarantees provided or received for any related party receivables or payables. Outstanding balances at year-end arise in the normal course of business.

Leases for land contain a lease with a shareholder. Right of use assets amounting to SAR 26,054,517 and lease liability amounting to SAR 28,187,817 pertain to this lease (note 7).

c) Key management compensation

Key management personnel of the Company comprises key members of the management having authority and responsibility for planning, directing, and controlling the activities of the Company. The compensation to key management is shown below:

	2022 SAR	2021 SAR
Short-term employee benefits *	7,180,493	7,029,566
Post-employment benefits	384,353	374,112
	7,564,846	7,403,678

* Key management remuneration includes SAR 1.95 million (2021: SAR 1.4 million) pertaining to the Board of Directors' remuneration.

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14. REVENUE

	2022 SAR	2021 SAR
Revenue recognized at a point in time		
Non-retail - goods transferred	1,748,943,600	1,589,882,160
Retail - goods transferred	1,217,538,063	978,827,527
Revenue recognized over-time		
Storage rent revenue	12,040,961	8,313,967
	<u>2,978,522,624</u>	<u>2,577,023,654</u>

Revenue is generated inside the Kingdom of Saudi Arabia.

15. INVENTORIES

	2022 SAR	2021 SAR
Goods for resale	416,542,016	277,623,492
Goods in transit	217,495,175	190,861,008
Spares and consumables	28,617,484	18,513,039
Less: Allowance for slow-moving and obsolete items	(1,000,000)	(500,000)
	<u>661,654,675</u>	<u>486,497,539</u>

The movement of slow-moving and obsolete items is as follows:

	2022 SAR	2021 SAR
Balance as of 1 January	500,000	-
Charge for the year*	500,000	500,000
Balance as of 31 December	<u>1,000,000</u>	<u>500,000</u>

During 2022, SAR 2,398,937,463 (2021: SAR 2,125,694,194) of the Inventory was recognized as an expense in the cost of revenue. Other items included in cost of sale includes suppliers' volume rebates with an amount of SAR 8,021,182 (2021: SAR 11,485,054)

*This pertains to specifically identified spares that are no longer useable.

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16. SHARE CAPITAL AND STATUTORY RESERVE

a) Share Capital

During the year 2020, the shareholders of the Company in their meeting held on 16 Rabi' al-Awwal 1442H (corresponding to 2 November 2020) resolved to increase the share capital of the Company from SAR 150,000,000 to SAR 600,000,000 (divided into 60,000,000 shares of SAR 10 each) by transferring an amount of SAR 450,000,000 from proposed increase in capital and to change the legal structure of the Company from a limited liability company to a closed joint stock company. The legal formalities for the increase in share capital and change of legal structure, including approval by the Ministry of Commerce and issuance of ministerial resolution, were completed on 5 Rajab 1442H (corresponding to 17 February 2021).

Authorized, issued and paid-up capital is divided into 60,000,000 shares of SAR 10 each (31 December 2021: 60,000,000 shares of SAR 10 each).

b) Statutory Reserve

In accordance with Saudi Arabian Regulations for Companies and the Company's by-laws, the Company must transfer 10% of its net income by the end of each year, until this reserve reaches 30% of the share capital. This reserve is not available for distribution

17. EMPLOYEES' DEFINED BENEFITS

	2022 SAR	2021 SAR
At the beginning of the year	45,159,785	39,668,205
Current service cost	4,462,705	4,328,521
Interest cost (note 24)	1,366,587	932,203
Payments	(2,152,665)	(1,575,363)
Actuarial gain / loss	(573,198)	1,806,219
At the end of the year	<u>48,263,214</u>	<u>45,159,785</u>

The most recent actuarial valuation was performed by an independent, qualified actuary "United Co. for Actuarial Services (CAIS)" using the Projected Unit Credit Method. United Co. for Actuarial Services (CAIS) are licensed from the "Licensed by the Saudi Central Bank and other regulators"

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2022 SAR	2021 SAR
Discount rate	5.10%	3.10%
Average duration of the liability (in years)	8	8
Rate of salary increases	4.00%	2.00%

All movements in the employees' defined benefit liabilities are recognized in statement of profit or loss except for the actuarial (gain) /loss, which is recognized as other comprehensive income.

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17. EMPLOYEES' DEFINED BENEFITS (continued)

Movements in actuarial (gain) /loss reserve recognized in OCI are as follows:

	2022 SAR	2021 SAR
At the beginning of the year	5,545,632	3,739,413
Actuarial (gain) / loss on the obligation	(573,198)	1,806,219
At the end of the year	4,972,434	5,545,632

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	2022 SAR	2021 SAR
Increase in the discount rate of 1%	(4,013,974)	(3,402,693)
Decrease in the discount rate of 1%	3,519,089	3,905,015
Decrease in rate of a salary increase of 1%	4,268,332	4,129,852
Increase in rate of a salary increase of 1%	(3,801,076)	(3,658,714)

The following are the expected payments or contributions to the employees in future years:

	2022 SAR	2021 SAR
Within the next 12 months (next annual reporting period)	4,249,879	4,246,909
Between 2 and 5 years	16,691,885	14,539,379
Beyond 5 years	55,316,856	40,579,955
	76,258,620	59,366,243

18. TRADE PAYABLES, ACCRUALS, AND OTHERS

	2022 SAR	2021 SAR
Trade payables	403,763,951	322,249,533
Accrued expenses	35,038,720	30,487,440
Advances from customers	1,530,766	1,382,325
Refund liabilities	1,325,171	1,235,758
Other payables	1,829,103	1,904,555
	443,487,711	357,259,611

Terms and conditions of the liabilities:

* Trade and other payables are non-interest bearing and have a term of 30 to 90 days.

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19. SHORT-TERM LOANS

The Company has obtained Murabaha and Tawaruq loans from local banks to finance the Company's working capital requirements and carry interest at commercial rates at SIBOR + 1% and have a maturity of less than a month.

As of 31 December 2022, the Company has obtained total loan facilities amounting to SAR 290,000,000 (2021: SAR 520,000,000).

The movement in short-term loans is as follows:

	2022 SAR	2021 SAR
At 1 January	-	128,000,000
Proceeds from short-term loans	330,000,000	3,080,000,000
Payments of short-term loans	(330,000,000)	(3,208,000,000)
At 31 December	-	-

20. ZAKAT PAYABLE

Abdullah Al Ali Almunajem Sons Company (the "Parent Company") and the Company initially filed their zakat declaration on a standalone basis until the year ended on 31 December 2016. On 23 Muharram 1439 H (corresponding to 13 October 2017), the Parent Company obtained approval from the Zakat, Tax and Customs Authority (ZATCA) to submit its zakat returns on a combined basis, including the Company and therefore, from 2008 and onwards, the Parent Company started filing the combined zakat declarations for all wholly owned subsidiaries, including the Company. Declarations the years ended 31 December 2008 through 2016 have been already resubmitted with ZATCA. The Parent Company also submitted the combined zakat declarations for all wholly owned subsidiaries, including the Company, for the years from 2017 to 2020. The Parent Company has obtained the zakat certificate until 31 December 2021. Zakat expense used to be calculated by the Parent Company at the group level and allocated to the Company.

In view of the approval of IPO process (note 1) and change in the legal status of the Company during year 2020, the Parent Company has pledged that any additional liability that may arise upon the finalization of zakat assessments that may arise in the future related to the years from 2008 until 2020 will be settled by the Parent Company.

Zakat expense

The zakat charge for the year comprises of the following:

	2022 SAR	2021 SAR
Current year provision	18,840,788	14,802,310
Adjustment for last year	190,512	(135,728)
Total provided during the year	19,031,300	14,666,582

The principal elements of the zakat base attributable to Saudi partners are as follows:

	2022 SAR	2021 SAR
Equity	639,577,074	644,190,356
Opening allowances and other adjustments	107,070,786	95,060,162
Book value of long-term assets	(324,573,215)	(338,080,293)
Profit subject to Zakat for the year	422,074,645	401,170,225
	317,916,140	190,922,171
Zakat base	739,990,785	592,092,396
Zakat charge for the year 2.5%	18,840,788	14,802,310

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20. ZAKAT PAYABLE (CONTINUED)

Movement in the Zakat provision:

	2022	2021
	SAR	SAR
At the beginning of the year	14,802,310	5,285,909
Current year provision	19,031,300	14,666,582
Payment during the year	(14,992,822)	(5,150,181)
At the end of the year	18,840,788	14,802,310

Status of assessments

Combined Zakat returns have been filed by the Parent Company, including the Company, with the Zakat, Tax and Customs Authority (ZATCA) for the years from 2008 to 2020.

The Company filed the Zakat declaration for the year 2021, the Zakat payable has been paid based on this declaration. A Zakat certificate was issued for the year 2021. In addition, Zakat assessment for 2021 has been completed at 5th October 2022 and the Company paid Zakat differences for 2021 by SAR 36,894.

21. SELLING AND DISTRIBUTION EXPENSES

	2022	2021
	SAR	SAR
Employee costs	115,620,975	108,267,359
Marketing expenses	38,513,614	31,048,168
Depreciation (note 8)	24,173,845	23,381,744
Utilities	14,033,929	13,634,921
Sales commission	13,851,568	11,935,184
Transportation and uploading expenses	13,240,721	12,831,014
Car running expenses	10,579,107	9,397,738
Lease depreciation amortization	8,225,321	7,321,573
Insurance	3,728,269	3,227,780
Port detention/electric charges	2,810,359	2,146,849
Cold stores maintenance	2,744,654	2,424,056
Business travel expenses	1,621,606	1,653,384
Rental expenses (short term lease) (note 7)	1,423,032	1,427,680
Stationaries and printings	799,903	799,786
Allowance for slow moving & obsolete Items	500,000	500,000
Amortization (note 9)	231,858	208,497
Other expenses	5,842,778	4,846,445
	257,941,539	235,052,178

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NOTES TO THE FINANCIAL STATEMENTS (continued)
31 December 2022

22. GENERAL AND ADMINISTRATIVE EXPENSES

	2022 SAR	2021 SAR
Employee costs	16,836,714	15,392,767
BOD remunerations (note 13)	1,599,000	1,379,000
Amortization (note 9)	1,156,672	1,347,462
Professional fees	1,033,443	856,018
Bank charges	828,407	1,013,991
Lease depreciation & amortization	772,470	751,063
Utilities	697,784	703,711
Depreciation (note 8)	433,719	441,746
Repair and maintenance	394,235	273,796
Transportation and travelling	54,124	33,708
Other expenses	1,614,591	844,818
	<u>25,421,159</u>	<u>23,038,080</u>

23. OTHER INCOME

	2022 SAR	2021 SAR
Gain on disposal of property, plant, and equipment	2,161,016	3,463,093
Foreign currencies difference	3,248,479	1,442,220
Other income *	3,700,419	731,435
	<u>9,109,914</u>	<u>5,636,748</u>

* During 2022, the Company filed and received an amount of SAR 2.5 million which is related to the refund payment of excise tax in 2020.

24. FINANCE COSTS, NET

	2022 SAR	2021 SAR
Interest on employees' defined benefit (note 17)	1,366,587	932,203
Interest on lease liabilities (note 7)	1,301,176	1,242,512
Interest on short-term loans	259,833	1,584,291
Finance income -Short-term deposit	(1,007,500)	-
	<u>1,920,096</u>	<u>3,759,006</u>

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25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

a. FINANCIAL ASSETS

	2022	2021
	SAR	SAR
Financial assets at amortised cost:		
Trade receivables	246,382,666	219,833,980
Due from related parties	6,968,013	10,071,137
	253,350,679	229,905,117
Bank balances and cash	111,029,404	85,525,433
Total financial assets	364,380,083	315,430,550

b. FINANCIAL LIABILITIES

	2022	2021
	SAR	SAR
Financial liabilities at amortised cost		
Trade payables, accruals, and others	440,631,774	354,641,528
Lease liabilities	48,954,192	50,102,840
Due to related parties	11,567	196,710
	489,597,533	404,941,078

The Company's financial liabilities include trade payables, certain other payables, short term loans, lease liabilities, and due to related parties. At 31 December 2022, all the Company's financial liabilities are classified at amortised cost.

25.1 FAIR VALUES

Financial instruments comprise financial assets and financial liabilities.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Company's financial assets consist of bank balances and cash, trade receivables, other current financial assets and due from related parties. The Company's financial liabilities consist of trade payables, certain other payables, short term loans, lease liabilities and due to related parties.

The fair values of above financial assets and liabilities approximate their carrying amounts.

25.2 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities mainly comprise of trade payables, certain other payables, short term loans, lease liabilities and due to related parties. The Company's financial assets include of cash and cash equivalent, trade receivables, other current financial assets and due from related parties which are integral to and are directly derived out of its regular business.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Senior Management reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to two types of risk: interest rate risk, and foreign currency risk. Financial instruments affected by market risk include short term loans and payables denominated in foreign currency. There were no changes in these circumstances from the previous year.

25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

**25.2 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES
(continued)**

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's short-term loans have a short tenure and carry a floating rate of interest and is carried at amortized cost. Accordingly, management believes that the Company is not subject to any significant interest rate risk because it is a practice of the Company to settle all short-term debt obligations at the time of maturity which is generally one months. At 31 December 2022, the Company does not have any outstanding balance in this regard.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's purchases from outside suppliers mainly denominated in Euros. The foreign currency SAR equivalent of Euro exposure in 2022 is SAR 43,560,119 (2021: SAR 37,984,225), represents trade payable balances.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in SAR and Euro exchange rates, with all other variables held constant.

The impact on the Company's profit before zakat is due to changes in the fair value of monetary assets and liabilities.

	5% increase in exchange rate	5% decrease in exchange rate
	SAR	SAR
2022	(2,178,006)	2,178,006
2021	(1,899,211)	1,899,211

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables, other current financial assets and related parties' balances) and from its financing activities, including balances with banks.

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25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

25.2 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade receivables

The average credit period granted terms from 15 to 60 days. No interest is charged on outstanding trade receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	Trade receivable – days past due					
	Not past due	<90	90-180	181-365	>365	Total
	SAR	SAR	SAR	SAR	SAR	SAR
31 December 2022						
Expected credit loss rate %	0.19%	0.65%	16.47%	36.30%	81.60%	
Total gross carrying amount at default	182,681,215	62,593,633	1,145,940	1,327,423	12,415,885	260,164,096
Expected credit losses	(354,024)	(406,459)	(188,717)	(481,873)	(12,350,357)	(13,781,430)
	182,327,191	62,187,174	957,223	845,550	65,528	246,382,666

	Trade receivable – days past due					
	Not past due	<90	90-180	181-365	>365	Total
	SAR	SAR	SAR	SAR	SAR	SAR
31 December 2021						
Expected credit loss rate %	0.11%	0.35%	9.42%	24.84%	90.26%	
Total gross carrying amount at default	160,835,350	54,866,807	1,546,741	2,699,314	11,017,405	230,965,617
Expected credit losses	(177,582)	(193,608)	(145,662)	(670,467)	(9,944,318)	(11,131,637)
	160,657,768	54,673,199	1,401,079	2,028,847	1,073,087	219,833,980

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

	Within 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
	SAR	SAR	SAR	SAR	SAR
31 December 2022					
Trade payables, accruals, and others	440,631,774	-	-	-	440,631,774
Lease liabilities	4,744,389	4,620,302	20,223,976	26,074,248	55,662,915
Due to related parties	11,567	-	-	-	11,567
	445,387,730	4,620,302	20,223,976	26,074,248	496,306,256
31 December 2021					
Trade payables, accruals, and others	354,641,528	-	-	-	354,641,528
Lease liabilities	4,705,443	3,725,454	20,405,209	28,910,884	57,746,990
Due to related parties	196,710	-	-	-	196,710
	359,543,681	3,725,454	20,405,209	28,910,884	412,585,228

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26. EARNING PER SHARE (EPS)

Basic and diluted earnings per share ("EPS") is calculated by dividing the net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are the same as the basic earnings per share as the Company does not have any convertible securities or diluted instruments to exercise.

The following table reflects the profit for the year attributable to ordinary equity holders and the weighted average number of ordinary shares outstanding during the period used in the basic and diluted EPS computations:

Basic and diluted earnings per share from net profit.

	2022	2021
	SAR	SAR
Net profit for the year	290,201,821	166,091,980
Weighted average number of ordinary shares	60,000,000	53,604,247
Basic and diluted earnings per share	4.84	3.10

On February 7, 2021, the number of shares increased from 150,000 shares, with a value of 1,000 Saudi riyals per share to 60,000,000 shares, at a value of 10 Saudi riyals per share.

27. DIVIDENDS

The Extraordinary General Assembly meeting held on 1 June 2022 (corresponding to 2 Dhu'l Qi'dah 1443) based on the recommendation of the Company's Board of Directors held on 27 March 2022, (corresponding to 24 Sha'ban 1443H) approved to pay cash dividends of SAR 120 million for the year ended 31 December 2021 amounting to SAR 2 per share, which represents 20% of the Company's capital.

The Board of Directors meeting held on 17 July 2022 (corresponding to 28 Dhu'l Hijjah 1443H), based on authority granted by shareholders during their Extraordinary General Assembly meeting dated 1 June 2022 (corresponding to 2 Dhu'l Qi'dah 1443) to authorize Board of Directors to approve payment of dividends during interim periods of 2022 and have approved to distribute cash dividends of SAR 75 million to the shareholders for the first half of 2022 amounting to SAR 1.25 per share

28. CAPITAL MANAGEMENT

For the purpose of the Company's management, capital includes issued share capital, and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholders' value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, short term loans, lease liability, employees' defined benefit liabilities, zakat payable, less cash and bank balances.

	2022	2021
	SAR	SAR
Lease liability	48,954,192	50,102,840
Employees' defined benefits liabilities	48,263,214	45,159,785
Zakat payable	18,840,788	14,802,310
Less: cash and bank balances	(111,029,404)	(85,525,433)
Net debt	5,028,790	24,539,502
Equity	900,511,723	804,736,704
Capital and net debt	905,540,513	829,276,206
Gearing ratio	0.6%	3%

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29. SEGMENT INFORMATION

The Senior Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. The Company operates in three regions in the Kingdom of Saudi Arabia, which are its reportable segments. These regions are identified as a separate reportable segment because the company managed them separately. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements.

For management purposes, the Company is into business units based on its geographical regions, as follows:

2022	<u>Central region</u>	<u>Eastern region</u>	<u>Western region</u>	<u>Total</u>
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
Revenue	1,300,421,360	614,413,378	1,063,687,886	2,978,522,624
Cost of revenue	1,045,889,864	491,223,314	853,344,954	2,390,458,132
Depreciation and amortization	10,498,221	5,783,712	13,625,567	29,907,500
Depreciation of right-of-use assets	4,757,043	1,462,023	2,811,888	9,030,954
Segment profit before Zakat	135,389,312	72,224,872	101,618,937	309,233,121
 Total assets	 771,596,217	 297,699,747	 415,053,021	 1,484,348,985
Total liabilities	542,028,757	13,946,442	27,862,063	583,837,262
 2021	 <u>Central region</u>	 <u>Eastern region</u>	 <u>Western region</u>	 <u>Total</u>
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
Revenue	1,160,217,525	519,586,359	897,219,770	2,577,023,654
Cost of revenue	971,367,905	429,077,943	735,203,843	2,135,649,691
Depreciation and amortization	10,147,058	5,709,379	12,159,821	28,016,258
Depreciation of right-of-use assets	4,365,585	1,282,032	2,459,930	8,107,547
Segment profit before Zakat	73,743,975	44,664,227	62,350,360	180,758,562
 Total assets	 737,569,748	 219,639,343	 340,761,388	 1,297,970,479
Total liabilities	457,590,733	13,238,150	22,404,892	493,233,775

All the operating segments revenue and non-current assets are generated and based in the Kingdom of Saudi Arabia. There is no customer contributing 10% or more of the total revenue in both 2022 and 2021.

30. CONTINGENCIES AND COMMITMENTS

No outstanding letters of guarantee as of 31st December 2022, (31 December 2021: SAR 600,000), in respect of contract performance, and letters of credit amounting to SAR 12,594,954 (31 December 2021: SAR 25,662,592). There are capital commitments amounting to SAR 5,854,557 as at 31 December 2022 (31 December 2021: SAR 1,629,211) related to property, plant, and equipment.

31. PROPOSED INCREASE IN CAPITAL

In November 2020, the Board of Directors decided to increase the capital from an amount of SAR 150,000,000 to SAR 600,000,000 by transferring an amount of SAR 107,586,101 from due to shareholders, transferring an amount of SAR 75,000,000 from statutory reserve account and transferring an amount of SAR 267,413,899 from retained earnings to proposed increase in capital. Legal formalities were completed on 17 February 2021.

In 2021, the number of shares has increased from 150,000 shares with a value of SAR 1,000 per share to 60,000,000 shares with a value of SAR 10 per share (note 26).

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32. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform to the presentation in the current year.

The comparative figures for the fiscal year ending on 31 December 2021 have been reclassified as follows:

- Increasing the balance of Prepayments and other assets in the Statement of financial position with an amount of SAR 117,314,151 and decreasing the Due from related parties with an amount of SAR (116,284,184) and decreasing the Right of Return Assets with an amount of SAR (1,029,967) in the Statement of financial position.
- Increasing the balance of Trade payables, accruals, and others in the Statement of financial position with an amount of SAR 1,235,758 and decreasing the Refund liabilities with the same amount in the Statement of financial position.
- Increasing the of Provision for expected credit losses in the Statement of profit or loss and other comprehensive income with an amount of SAR 4,402,884 and decrease of the Selling and distribution expenses with the same amount.
- Decreasing of the Depreciation of right-of-use assets in the Statement of profit or loss and other comprehensive income with an amount of SAR (8,072,636) and increase of the Selling and distribution expenses with an amount of SAR 7,321,572 and increase of General and administrative expenses with an amount of SAR 751,064.

33. SUBSEQUENT EVENTS DISCLOSURES

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the new Companies Law and will amend its Articles of Association for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended bylaws to the shareholders in their Annual General Assembly meeting for their ratification.

No other matter has occurred up to and including the date of the approval of these financial statements by the management which could materially affect these financial statements and the related disclosures for the year ended 31 December 2022.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2022 were approved for issuance by the Board of Directors on 23 March 2023G according to 1 Ramadan 1444H.