

**GHIDA ALSULTAN FOR FAST FOOD CO.  
(FORMERLY SULTAN DELIGHT BURGER COMPANY  
LIMITED)  
(A CLOSED JOINT STOCK COMPANY)  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

GHIDA ALSULTAN FOR FAST FOOD CO.  
(FORMERLY SULTAN DELIGHT BURGER COMPANY LIMITED)  
(A CLOSED JOINT STOCK COMPANY)

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

---

INDEX	Pages
Independent auditor's report	2-4
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in shareholders' equity	7
Statement of cash flows	8
Notes to the financial statements	9 - 31

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Ghida AlSultan for Fast Food Co.  
(Formerly Sultan Delight Burger Company Limited)  
(A Closed Joint Stock Company)  
Jeddah, Kingdom of Saudi Arabia

### Opinion

We have audited the financial statements of Ghida AlSultan for Fast Food Co. (formerly Sultan Delight Burger Company Limited), (A Closed Joint Company) ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in shareholders equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 professional code of conduct and ethics that are 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 its 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 matter that in our professional judgement, were of the most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the key audit matter
<b>Revenue recognition</b>	
During the year ended 31 December 2022, the Company recognized net revenue of SR 146 million.	➤ Evaluated the appropriateness of the Company's accounting policy related to revenue and comparing with applicable accounting standards;
The Company's revenue comprises sale of fast food, and the revenue is recognized at a point in time. The large quantum of transactions, increases the risk of overstatement of revenue and fraudulent financial reporting	➤ Obtained daily sales reports and verified it on a sample basis to the sales revenue recorded in the system;
Refer to Note 5.16 of the financial statements for the accounting policy.	➤ Performed cut off testing on a sample of sales transactions made before and after the end of the year end to assess whether revenues were recognized in the correct accounting period;
	➤ Tested journal entries posted to revenue ledger to identify any unusual items; and;
	➤ Evaluated the adequacy and appropriateness of disclosures made in the financial statements.

**Independent Auditor's Report to the Shareholders of Ghida AlSultan for Fast Food Co. (formerly Sultan Delight Burger Company Limited), (A Closed Joint Stock Company), Jeddah, Kingdom of Saudi Arabia (Continued)**

**Responsibilities of the Company's Management and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, the Company's 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 the Company's management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Board members 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 ISAs endorsed in 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 ISAs 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 Company's management.
- Conclude on the appropriateness of Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**Independent Auditor's Report to the Shareholders of Ghida AlSultan for Fast Food Co. (formerly Sultan Delight Burger Company Limited), (A Closed Joint Stock Company), Jeddah, Kingdom of Saudi Arabia (Continued)**

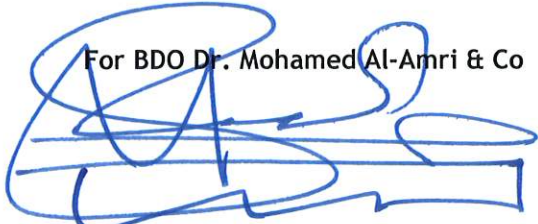
**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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.

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

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

For BDO Dr. Mohamed Al-Amri & Co



Maher Al-Khatieb  
Certified Public Accountant  
Registration No. 514



Jeddah, on: 14 Shawal 1444 (H)  
Corresponding to: 04 May 2023 (G)

GHIDA ALSULTAN FOR FAST FOOD CO.  
(FORMERLY SULTAN DELIGHT BURGER COMPANY LIMITED)  
(A CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	7,550,586	13,738,430
Accounts receivable	7	3,064,249	3,988,880
Inventories	8	18,229,578	6,576,867
Prepayments and other receivables	9	5,237,143	6,680,849
Due from related parties	10	1,366,713	-
<b>Total current assets</b>		<b>35,448,269</b>	<b>30,985,026</b>
<b>Non-current assets</b>			
Right-of-use assets	15	22,725,060	13,703,473
Property and equipment	11	38,373,548	30,748,394
Intangible assets	12	92,930	-
		<b>61,191,538</b>	<b>44,451,867</b>
<b>TOTAL ASSETS</b>		<b>96,639,807</b>	<b>75,436,893</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		11,692,450	4,681,584
Lease liabilities - current portion	15	8,704,947	4,428,018
Accruals and other payables	13	3,217,896	2,779,553
Due to related parties	10	4,900,000	875,000
Short term loan	22	-	2,223,986
Zakat provision	14	778,346	678,048
<b>Total current liabilities</b>		<b>29,293,639</b>	<b>15,666,189</b>
<b>Non-current liabilities</b>			
Lease liabilities	15	12,640,060	9,929,514
Employees' benefits	16	2,948,455	3,170,579
		<b>15,588,515</b>	<b>13,100,093</b>
<b>Total liabilities</b>		<b>44,882,154</b>	<b>28,766,282</b>
<b>Shareholders' equity</b>			
Share capital	17	32,000,000	32,000,000
Statutory reserve		3,503,692	1,556,844
Other reserve		647,463	647,463
Retained earnings		15,606,498	12,466,304
<b>Total shareholders' equity</b>		<b>51,757,653</b>	<b>46,670,611</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>96,639,807</b>	<b>75,436,893</b>

The accompanying notes from 1 to 27 form integral part of these financial statements.

GHIDA ALSULTAN FOR FAST FOOD CO.  
(FORMERLY SULTAN DELIGHT BURGER COMPANY LIMITED)  
(A CLOSED JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Sales	18	146,112,691	107,079,201
Cost of sales	19	(75,893,551)	(63,493,240)
<b>Gross profit</b>		<b>70,219,140</b>	<b>43,585,961</b>
Selling and distribution expense	20	(24,703,851)	(13,549,161)
General and administrative expenses	21	(24,524,169)	(13,988,451)
<b>Operating profit</b>		<b>20,991,120</b>	<b>16,048,349</b>
Finance charges		(957,554)	(696,442)
Other (loss) / income		(17,291)	510,625
<b>Profit before zakat</b>		<b>20,016,275</b>	<b>15,862,532</b>
Zakat	14	(547,800)	(594,092)
<b>Net profit for the year</b>		<b>19,468,475</b>	<b>15,268,440</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurement gain / (loss) on employees' benefits	16	1,004,578	(13,407)
<b>Total comprehensive income for the year</b>		<b>20,473,053</b>	<b>15,255,033</b>
<b>Earnings per share (EPS)</b>		<b>6.08</b>	<b>4.77</b>

The accompanying notes from 1 to 27 form integral part of these financial statements.

GHIDA ALSULTAN FOR FAST FOOD CO. CO.  
(FORMERLY SULTAN DELIGHT BURGER COMPANY LIMITED)  
(A CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

	Share capital	Statutory reserve	Other reserve	Retained earnings	Total
Balance as on 1 January 2021	100,000	30,000	647,463	30,638,115	31,415,578
Net profit for the year	-	-	-	15,268,440	15,268,440
Other comprehensive loss	-	-	-	(13,407)	(13,407)
Total comprehensive income for the year	-	-	-	15,255,033	15,255,033
Transfer to statutory reserve	-	1,526,844	-	(1,526,844)	-
Transfer to share capital	31,900,000	-	-	(31,900,000)	-
<b>Balance as at 31 December 2021</b>	<b>32,000,000</b>	<b>1,556,844</b>	<b>647,463</b>	<b>12,466,304</b>	<b>46,670,611</b>
Net profit for the year	-	-	-	19,468,475	19,468,475
Other comprehensive income	-	-	-	1,004,578	1,004,578
Total comprehensive income for the year	-	-	-	20,473,053	20,473,053
Transfer to statutory reserve	-	1,946,848	-	(1,946,848)	-
Dividend	-	-	-	(15,386,011)	(15,386,011)
<b>Balance as at 31 December 2022</b>	<b>32,000,000</b>	<b>3,503,692</b>	<b>647,463</b>	<b>15,606,498</b>	<b>51,757,653</b>

The accompanying notes from 1 to 27 form integral part of these financial statements.

GHIDA ALSULTAN FOR FAST FOOD CO.  
(FORMERLY SULTAN DELIGHT BURGER COMPANY LIMITED)  
(A CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before zakat		20,016,275	15,862,532
<b>Adjustment for non-cash items:</b>			
Depreciation on right-of-use assets	15	6,539,498	4,336,333
Depreciation of property and equipment	11,12	2,700,264	2,130,601
Loss from disposal of property and equipment		909,071	252,535
Provision for employees' benefits	16	1,019,782	916,280
Gain on termination of leases		(154,782)	(96,473)
Finance charges		957,554	696,442
		<b>31,987,662</b>	<b>24,098,250</b>
<b>Changes in operating assets and liabilities:</b>			
Accounts receivable		924,631	(3,598,278)
Inventories		(11,652,711)	(1,865,382)
Prepayments and other receivables		1,443,706	(619,371)
Due from related parties		(1,366,713)	-
Accounts payable		7,010,866	3,223,975
Accruals and other payable		429,046	(241,758)
Due to related parties		(875,000)	-
<b>Cash generated from operations</b>		<b>27,901,487</b>	<b>20,997,436</b>
Zakat paid	14	(447,502)	(343,325)
Employees' benefits paid	16	(237,328)	(485,899)
<b>Net cash generated from operating activities</b>		<b>27,216,657</b>	<b>20,168,212</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property and equipment	11,12	(1,953,721)	(1,596,554)
Additions to capital work in progress	11,12	(9,453,361)	(3,632,329)
<b>Net cash used in investing activities</b>		<b>(11,407,082)</b>	<b>(5,228,883)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of short-term loan		(2,223,986)	(2,505,926)
Addition of short-term loan		-	2,223,986
Lease liabilities paid		(9,287,422)	(4,819,018)
Dividend paid		(10,486,011)	-
<b>Net cash used in financing activities</b>		<b>(21,997,419)</b>	<b>(5,100,958)</b>
<b>Net changes in cash and cash equivalents</b>		<b>(6,187,844)</b>	<b>9,838,371</b>
Cash and cash equivalents at the start of the year		13,738,430	3,900,059
<b>Cash and cash equivalents at the end of the year</b>		<b>7,550,586</b>	<b>13,738,430</b>

The accompanying notes from 1 to 27 form integral part of these financial statements.

**GHIDA ALSULTAN FOR FAST FOOD CO.  
(FORMERLY SULTAN DELIGHT BURGER COMPANY LIMITED)  
(A CLOSED JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)**

**1 CORPORATE INFORMATION**

Ghida AlSultan for Fast Food Co. (Sultan Delight Burger Company Limited), (the “Company”) is a closed joint stock Company, and was initially registered in the Kingdom of Saudi Arabia as “Establishment” under Commercial Registration (CR) No. 4030205501 issued at Jeddah, dated Dhul Qa’dah 16, 1431(H) corresponding to October 24, 2010(G). The legal status of the Company was changed from “Limited Liability Company” to “Closed Joint Stock Company” with effect from 17 November 2022.

The company obtained Tadawul Saudi Arabia’s approval issued on 29/10/1443H (corresponding to 30/05/2022G) to list the company’s shares in the parallel market, and the approval of the Capital Market Authority on 05/11/1444H (corresponding to 05/12/2022G) to register and offer Company shares for subscription in the parallel market.

The Company is engaged in the business of selling fast food including pizza. The Company's registered office is located at Prince Sultan street, Al Basateen District, P.O Box 21320, Jeddah 11860, Kingdom of Saudi Arabia. The accompanying financial statements include the financial statements of the head office which is in Jeddah and its following branches:

Branch location	Place	CR No.	License Number
Al-Basateen	Jeddah	4030205501	39111341975
Tahlia	Jeddah	4030205501	39111424855
Hail	Jeddah	4030205501	39111451250
Obhur	Jeddah	4030205501	39111342328
Hira	Jeddah	4030205501	39111456686
Rabigh	Rabigh	4030205501	3909369030
Al-Hamdaniya	Jeddah	4030205501	39111454431
Al-Rehab	Jeddah	4030205501	39111414936
Al-Sanabel	Jeddah	4030205501	39111288988
Al Sari	Jeddah	4030205501	39111414685
Al-Marwah	Jeddah	4030205501	39111432058
Shawqiyyah	Makkah	4030205501	3909520107
Corniche, Al Shati neighborhood	Jazan	5900110380	390995398
Prince Fawaz Southern	Jeddah	4030205501	39111294382
Al-Faisaliah	Jeddah	4030205501	39111425843
Al Hada	Taif	4030205501	3909566635
Al-Zaidi - Sasco	Makkah	4030205501	390842984
Rawda	Jeddah	4030205501	40072074925
Ice Land	Jeddah	4030205501	40011665389
Al-Awali	Makkah	4030205501	39121529105
Sharia	Makkah	4030205501	40052021301
Al-Azizia - Defense District	Medina	4650210045	40072070094
Al Hadiqa neighborhood - Immigration	Medina	4650210045	40082146354
Batha Quraysh	Makkah	4030205501	41022592524
Khulais	Makkah	4030205501	41012559060
Khaled bin Al-Waleed	Riyadh	1010600527	41052642798
Al Thumama	Riyadh	1010600527	41032618533
Shahr	Taif	4030205501	41103580827
Prince Sultan	Jazan	5900110380	41052642066
Ahd Masarah	Jazan	5900110380	41052642943

GHIDA ALSULTAN FOR FAST FOOD CO.  
(FORMERLY SULTAN DELIGHT BURGER COMPANY LIMITED)  
(A CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION (Continued))

Branch location	Place	CR No.	License Number
Sebia	Jazan	5900110380	42024010829
Khamis Mushait	Khamis Mishat	5855346699	41063422104
Yanbu - 1	Yanbu	4650210045	42013811245
Dhahrat Laban	Riyadh	1010600527	42034229647
Al Yasmeen	Riyadh	1010600527	42044866585
Azizia	Riyadh	1010600527	42075268161
Al-Laith Road	Makkah	4030205501	42065217155
Al Raez	Medina	4650210045	42115923529
Umluj	Umluj	4701102385	43026182509
Al Rawabi	Riyadh	1010600527	43047943626
Qurtuba	Riyadh	1010600527	43048004764
Badia	Riyadh	1010600527	43058072094
Hawiyah	Taif	4030205501	43058109279
Al Nakheel	Riyadh	1010600527	43079308900
Al Nuzha	Riyadh	1010600527	43079370018
King Salman	Riyadh	1010600527	43079424389
Gulf	Riyadh	1010600527	43089437763
Abha	Abha	5855346699	43099639027
Al Raqi	Khamis Mushait	5855346699	43099649483
Mohammedia	Jeddah	4030205501	43109792246
Samir	Jeddah	4030205501	431110019655
Yanbu - Royal Commission	Yanbu	4650210045	8824
Al-Naseem	Jeddah	4030205501	440210501126
Al Sharqia	Khobar	4030205501	440711440711
Hassan Bin Sabit	Riyadh	1010600527	440711575409
Al Sharqia	Damam	4030205501	440811847996
Al Kharj	Al Kharj	1010600527	440911888528

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred as "IFRS as endorsed in KSA").

### **2.2 Basis of measurement**

These financial statements are prepared under the historical cost convention, using the accruals basis of accounting, except for employees' benefits which are measured at present value.

### **2.3 Functional and presentation currency**

These financial statements are presented in Saudi Riyals ("SR") which is also the functional currency of the Company.

## **3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS**

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

### **a) Useful lives and residual values of property and equipment and intangible assets**

An estimate of the useful lives and residual values of property and equipment and intangible assets is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected useful lives of relevant assets. Residual value is determined based on experience and observable data where available.

### **b) Impairment of non-financial assets**

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flow management makes assumptions about future operating results. These assumptions are related to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

### **c) Leases**

The determination of lease term for some lease contracts in which the Company is a lessee, including whether the Company is reasonably certain to exercise lessee options and the determination of incremental borrowing rate used to measure the lease liabilities.

### **3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (Continued)**

#### **d) Employees' end of service benefits**

The Company's net obligation in respect of defined benefit schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The present value of the obligation is determined based on actuarial valuation at the statement of financial position date by an independent actuary using the Projected Credit Unit Method, which recognizes each period of service as giving rise to an additional unit of employee benefit entitlement and measures. The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan is calculated using yield on US High Quality Corporate Bonds (as the Saudi Riyal is pegged to the US dollar) adjusted for an additional risk premium reflecting the possibility of the linkage being broken.

#### **e) Estimate of zakat**

The Company's zakat charge on ordinary activities involves a degree of estimation and judgment in respect of certain items whose treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process.

#### **f) Recognition and measurement of provisions**

By their nature, the measurement of provisions depends upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. The Company's estimates related to provisions for environmental matters are based on the nature and seriousness of the contamination, as well as on the technology required for remediation. Provisions for litigation are based on cost estimation, considering legal advice and other available information

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

**4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS**

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

**a. New amendments to standards issued and applied effective 1 January 2022**

<b><u>IFRS</u></b>	<b><u>Summary</u></b>	<b><u>Effective date</u></b>
IFRS 4	Insurance Contracts-Amendments regarding the expiry date of the deferral approach.	1 January 2023
IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2023
IFRS 17	IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes.	1 January 2023
Classification of Liabilities as Current or Non-current (Amendment to IAS 1)	The IASB, in its meetings held in June-July 2022, tentatively decided to amend IAS 1 with respect to classification of liabilities subject to conditions as disclosure of information about such conditions and to defer the effective date of the 2021 amendment by at least one year to 1 January 2024.  The amendments require to defer settlement of the liability for at least twelve months after the reporting period to exist at the end of the reporting period and / or that right to defer settlement for at least twelve months after the reporting period is also subject to entity's compliance with specified conditions. The Amendment has provided clarification on the meaning of 'settlement' for the purpose of classification of a liability.	1 January 2024
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)	The IASB issued amendments to IAS 1, which change the disclosure requirements with respect to accounting policies from 'SIGNIFICANT ACCOUNTING POLICIES' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2.	1 January 2023
Definition of Accounting Estimates (Amendment to IAS 8)	The IASB issued amendments to IAS 8, which added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates unless resulting from the correction of prior period errors.	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

4. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (continued)

b. New standards, amendments, and revised IFRS issued but not yet effective

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective:

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9 and IAS 39	The major amendments provide relief from specific hedge accounting requirements. Additionally, the standards were amended to require change from IBOR to alternative benchmark rate that is accounted for by updating the effective interest rate.	1 January 2022
Covid-19-Related Rent Concessions beyond 30 June 2022	In March 2022, IASB issued an amendment to IFRS 16 which extended the COVID-19 related rent concessions beyond 30 June 2022. This amendment is applicable from annual reporting period beginning on or after 1 April 2022. Earlier application permitted, including in financial statements not authorized for issue at 31 March 2022	1 April 2022
Reference to the Conceptual Framework Amendments to IFRS 3	In May 2020, the IASB issued amendments to IFRS 3.11, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments introduce an exception to the general recognition requirement for liabilities and contingent liabilities acquired in a business combination that is within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 12 Service Concession arrangements.	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	In May 2020, the IASB issued amendments to IAS 16, which prohibit a company from deducting amounts received from selling items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales proceeds and any related costs in profit or loss.	1 January 2022
Onerous Contracts—Cost of Fulfilling a Contract Amendments to IAS 37	In May 2020, the IASB issued amendments to IAS 37.68A, which specify the costs a company includes when assessing whether a contract will be loss-making and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts because they increase the scope of costs that are included in the onerous contract assessment.	1 January 2022
Annual Improvements to IFRS: 2018-2020 Cycle	In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.	1 January 2022

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may not result in material impact on the financial statements of the Company in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

---

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Cash and cash equivalents

Cash and cash equivalents include bank balances and short-term deposits with original maturities of three months or less from the date of purchases and that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, if any, are shown within borrowings in current liabilities on the statement of financial position.

### 5.2 Inventories

Inventories are valued at the lower of cost and the net realizable value. Cost is arrived at using weighted average method and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value comprises estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell and the impairment loss is recognized immediately in statement of comprehensive income.

### 5.3 Financial instruments

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. 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

The Company determines the classification of its financial assets at initial recognition. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

#### I. Classification

The financial assets are classified in the following measurement categories:

- (a) Those to be measured subsequently at fair value through profit or loss
- (b) Those to be measured subsequently at fair value through other comprehensive income (FVTOCI); and
- (b) Those to be measured at amortised cost.

#### II. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss and other comprehensive income as incurred.

#### III. Debt instrument

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies debt instruments (if any) at amortized cost based on the below:

- a) The asset is held within a business model with the objective of collecting the contractual cash flows; and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR).

#### III. De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 5.3 Financial instruments (continued)

#### (i) Financial assets (continued)

#### IV. Impairment of financial assets

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortised cost e.g., trade receivables and other receivables.

Expected credit losses is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Company expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Company expects to receive the payment in full but later than when contractually due. The expected credit loss method requires to assess credit risk, default and timing of collection since initial recognition. This requires recognizing allowance for expected credit losses in the statement of comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

The Company uses historical loss experience and derived loss rates based on the past twelve months and adjusts the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing.

#### (ii) Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition.

#### I. Classification

The financial liabilities are classified in the following measurement categories:

- (a) Those to be measured subsequently at fair value through profit or loss, and
- (b) Those to be measured at amortised cost.

#### II. Measurement

All financial liabilities are recognised initially at fair value and subsequently carried at amortised cost using the EIR method.

The EIR method calculates the amortised cost of a debt instrument by allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables etc.

The Company's financial liabilities include trade and other payables and are measured at amortised cost.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 5.3 Financial instruments (continued)

#### (iii) Offsetting financial instruments

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

#### (iv) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

The policies and procedures for both recurring fair value measurements are evaluated periodically. For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 5.4 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

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

Depreciation is calculated from the date the item of property and equipment are available for its intended use or in respect of self-constructed assets, from the date such assets are ready for the intended use.

Capital work in progress include all costs incurred to date, including the borrowing cost incurred for financing the asset, if any, in connection with major expansion projects and which have not been reclassified as one of the asset classes noted below.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Buildings and leasehold improvements	10-20 years
Vehicles	7-14 years
Tools and equipment	7-14 years
Furniture, fixtures and office equipment	7-14 years
Kitchen tools	7-14 years

Capital work in progress	Not depreciated
--------------------------	-----------------

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

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

### Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in statement of comprehensive income.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in statement of comprehensive income.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 5.4 Property and equipment (Continued)

#### Impairment of non-financial assets (continued)

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

### 5.5 Leases

The Company assesses whether a contract contains a lease, at the inception of the contract. For all such lease arrangements the Company recognize right of use assets and lease liabilities except for the short-term leases and leases of low-value assets as follows:

#### i. Right-of-use assets

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

#### ii. Lease liabilities

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.
- Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
  - lease payments made at or before commencement of the lease;
  - initial direct costs incurred; and
  - the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

## **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **5.6 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. For impairment of financial assets refer to Note 5.3 (i) (IV).

### **5.7 Accounts payables**

Accounts payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Accounts payables denominated in a foreign currency are translated into presentation currency using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

### **5.8 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

### **5.9 Contingent liabilities**

Contingent liabilities are disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

### **5.10 Foreign currency transactions**

Foreign currency transactions are translated into Saudi Riyals ("SR") at the rates of exchange prevailing at the time of the transactions. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of profit or loss and other comprehensive income.

### **5.11 Zakat**

Zakat is provided in accordance with the Regulations of the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia and on accrual basis and is based on the period share of the estimated zakat for the whole year. The zakat expense is charged to the statement of comprehensive income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalization.

## **5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **5.12 Employees' benefits**

#### Short-term obligations

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

#### Employees' end of service benefits

The liability or asset recognized in the statement of financial position in respect of the defined end of service benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the Projected Unit Credit method.

The net interest cost is calculated by applying the discount rate to the net balance of the defined end of service benefit obligation. This cost is included in employee benefit expense in the statement of comprehensive income. Re-measurement gains and losses are recognized in the period in which they occur, directly in other comprehensive income. Past-service costs are recognized immediately in the statement of comprehensive income.

### **5.13 Offsetting**

Financial assets and liabilities are offset and reported net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and when the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **5.14 Statutory reserve**

In accordance with the Company's by laws, 10% of the annual net income is required to be transferred to a statutory reserve until this reserve equals 30% of the capital.

### **5.15 Transactions and balances in foreign currency**

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the statement of comprehensive income.

### **5.16 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any taxes or duty. Amounts disclosed as revenue are net of returns.

Revenue is recognized when a customer obtains control of the goods. Determining the timing of transfer of control at a point in time or over the period of time requires judgement.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5.16 Revenue recognition**

The Company recognizes revenue from the provision of food and beverages at branches when food and beverages are sold. The customer usually pays the full amount at the time of delivery in case of online orders, in the case of walk-in customer before leaving the branch.

**5.17 Expenses**

All costs necessary to produce the food products are classified as cost of sale. General and administrative expenses include direct and indirect costs not specifically part of the cost of revenue. Allocations between the cost of revenue and general and administrative expenses, when required, are made on a consistent basis. Selling and marketing expenses are considered insignificant by the management and are included in the cost of sales and general and administrative expenses.

**5.18 Dividend distribution**

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors.

**6 CASH AND CASH EQUIVALENT**

	<b>31 December 2022</b>	31 December 2021
Cash at banks	7,350,586	13,287,014
Cash on hand	200,000	451,416
	<b>7,550,586</b>	<b>13,738,430</b>

**7 ACCOUNTS RECEIVABLE**

	<b>31 December 2022</b>	31 December 2021
Accounts receivable	4,002,779	4,810,738
Less: expected credit loss (Note 7.1)	(938,530)	(821,858)
	<b>3,064,249</b>	<b>3,988,880</b>

**7.1 Movement in expected credit loss**

	<b>31 December 2022</b>	31 December 2021
As at 01 January	821,858	821,858
Addition during the year	116,672	-
As at 31 December	<b>938,530</b>	<b>821,858</b>

**8 INVENTORIES**

	<b>31 December 2022</b>	31 December 2021
Food, beverages and other related items	17,184,417	4,780,978
Non-food inventory	1,045,161	1,603,889
Goods in transit	-	192,000
	<b>18,229,578</b>	<b>6,576,867</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

**9 PREPAYMENTS AND OTHER RECEIVABLES**

	31 December 2022	31 December 2021
Prepaid expenses	2,315,065	2,335,818
Advances to suppliers	1,410,565	3,124,213
Advances to staff	133,327	128,834
Other receivables (Note 9.1)	1,378,186	1,091,984
	<b>5,237,143</b>	<b>6,680,849</b>

9.1 Other receivables include a restricted balance SR nil (2021: SR 0.266 million) held with National Commercial Bank.

**10 RELATED PARTY TRANSACTIONS AND BALANCES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the shareholders and their affiliates, key management personnel and their close family members.

Terms and conditions of these transactions are approved by the Company's Board of Directors. Related party transactions mainly represent expenses and other transactions which are undertaken at mutually agreed terms. Significant related party balances arising from transactions are described as below:

as below.

Related party	Relationship	Nature of transaction	Amount of transaction during the year		Closing balance	
			31 December 2022	31 December 2021	31 December 2022	31 December 2021
i) Due from related parties						
Randa Hamed A Nujaimi	Partner	Expenses	956,699		956,699	-
Private Food Opportunities 2 Trading LLC	Partner	Expenses	410,014	891,208	410,014	-
					<u>1,366,713</u>	<u>-</u>
ii) Due to related parties						
Arif Al Musbahi	Partner	Settlement	-	-	-	153,105
Randa Hamed A Nujaimi	Partner	Settlement	-	-	-	721,895
Dividend *					<u>4,900,000</u>	-
					<u>4,900,000</u>	<u>875,000</u>

The company's shareholders decided to bear the expenses related to the IPO subscription.

\* During 2022, shareholders decided to distribute an amount of SAR 15,386,011.

**Compensation of key management personnel**

Key managerial personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, includes senior management and board of directors (executive or otherwise). The total remuneration of the key management personnel during the year ended 31 December 2022 (including salaries and benefits) is SR 644,116 (2021: SR 321,000).

GHIDA ALSULTAN FOR FAST FOOD CO.  
(SULTAN DELIGHT BURGER COMPANY LIMITED)  
(A CLOSED JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

11 PROPERTY AND EQUIPMENT

	Vehicle	Furniture and fixture	Tools and equipment	Building and leasehold improvement	Kitchen tools	Capital work in progress	Total
<b>Cost</b>							
At the beginning of the year	2,095,480	6,968,376	12,467,152	14,197,799	2,079,518	3,227,045	41,035,370
Additions	688,984	236,360	505,527	340,276	117,574	9,419,521	11,308,242
Transfer from capital work in progress	-	1,941,787	1,361,680	6,105,587	-	(9,409,054)	-
Disposal	(94,690)	(53,900)	(450,089)	(267,639)	(625,474)	-	(1,491,792)
At the end of the year	<u>2,689,774</u>	<u>9,092,623</u>	<u>13,884,270</u>	<u>20,376,023</u>	<u>1,571,618</u>	<u>3,237,512</u>	<u>50,851,820</u>
<b>Accumulated depreciation</b>							
At the beginning of the year	278,815	1,933,570	4,559,302	2,566,662	948,627	-	10,286,976
Charge for the year	152,086	494,540	854,999	1,097,350	95,379	-	2,694,354
Disposal	(20,255)	(35,964)	(238,666)	(67,235)	(140,938)	-	(503,058)
At the end of the year	<u>410,646</u>	<u>2,392,146</u>	<u>5,175,635</u>	<u>3,596,777</u>	<u>903,068</u>	<u>-</u>	<u>12,478,272</u>
<b>Net book amounts:</b>							
At 31 December 2022	<u>2,279,128</u>	<u>6,700,477</u>	<u>8,708,635</u>	<u>16,779,246</u>	<u>668,550</u>	<u>3,237,512</u>	<u>38,373,548</u>
At 31 December 2021	<u>1,816,665</u>	<u>5,034,806</u>	<u>7,907,850</u>	<u>11,631,137</u>	<u>1,130,891</u>	<u>3,227,045</u>	<u>30,748,394</u>

11.1 The capital work in progress (CWIP) includes the construction work in branches such as fixtures and fittings. During the year ended 31 December 2022, the company has transferred the 9.4 million of CWIP in to the fixed assets.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

12 INTANGIBLES ASSETS

	31 December 2022 SR
<b>Cost</b>	
As at 1 Jan 2022	-
Addition during the year	65,000
Transfer from the CWIP	33,840
As at 31 December 2022	<u>98,840</u>
<b>Accumulated amortization</b>	
As at 1 Jan 2022	-
Charge for the year	(5,910)
As at 31 December 2022	<u>(5,910)</u>
<b>Net book value as at 31 December 2022</b>	<u>92,930</u>

13 ACCRUALS AND OTHER PAYABLES

	31 December 2022	31 December 2021
Accrued salaries	2,046,636	1,217,743
Accrued expenses	266,341	1,029,896
VAT payable	875,872	490,580
Other payable	29,047	41,334
	<u>3,217,896</u>	<u>2,779,553</u>

14 ZAKAT PROVISION

A The movement in Company's zakat provision is as follows:

	31 December 2022	31 December 2021
At beginning of the year	678,048	427,281
Charge for the year:		
- Current year	547,800	594,092
- Prior year	-	-
Total charge for the year	547,800	594,092
Paid during the year	(447,502)	(343,325)
At the end of the year	<u>778,346</u>	<u>678,048</u>

B Status of zakat assessment

The Company has filed all of its Zakat returns with Zakat, Customs and Tax Authority (ZATCA) valid up to 31 December 2021 and obtained Zakat Certificate.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

**15 LEASES**

Right-of-use assets:

	31 December 2022	31 December 2021
<b>Cost</b>		
As at 1 Jan	18,039,806	14,654,429
Additions during the year	18,819,174	3,977,786
Termination during the year	(3,258,089)	(592,409)
As at 31 December	33,600,891	18,039,806
<b>Accumulated amortisation</b>		
As at 1 Jan	(4,336,333)	-
Amortisation for the year	(6,539,498)	(4,336,333)
At 31 December	(10,875,831)	(4,336,333)
<b>Net book value</b>	<b>22,725,060</b>	<b>13,703,473</b>

Lease liabilities:

	31 December 2022	31 December 2021
Total lease liabilities	14,357,532	15,191,204
Additions during the year	18,819,175	3,977,785
Finance cost	868,594	696,442
Termination during the year	(3,412,872)	(688,881)
Payments made during the year	(9,287,422)	(4,819,018)
	21,345,007	14,357,532
Less: current portion	(8,704,947)	(4,428,018)
	<b>12,640,060</b>	<b>9,929,514</b>

The following table details the Company's remaining contractual maturity for its lease liabilities. The table has been drawn up based on the undiscounted cash flows of the lease liabilities. The table includes both interest and principal cash flows.

	31 December 2022	31 December 2021
Within one year	8,748,582	4,931,528
Greater than one year to five years	13,234,911	10,128,348
Over five years	415,000	2,524,780
	<b>22,398,493</b>	<b>17,584,656</b>

**16 EMPLOYEES' BENEFITS**

	31 December 2022	31 December 2021
Defined benefits obligation	<b>2,948,455</b>	<b>3,170,579</b>

The following table summarizes the components of the net benefit expense recognized in the statement of comprehensive income and amounts recognized in the statement of financial position.

(i) Changes in the present value of defined benefit obligation are as follows:

	31 December 2022	31 December 2021
At the beginning of the year	3,170,579	2,726,791
Current service and interest cost	1,019,782	916,280
Payments during the year	(237,328)	(485,899)
Actuarial (gain) / loss of the year	(1,004,578)	13,407
At the end of the year	<b>2,948,455</b>	<b>3,170,579</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

**16. EMPLOYEES' BENEFITS (Continued)**

(ii) Net benefits expenses charged to statement of comprehensive income are as follow:

	31 December 2022	31 December 2021
Current service cost	943,741	859,057
Net interest cost	76,041	57,223
	1,019,782	916,280
<b>Other comprehensive income:</b>		
Actuarial (gain) / loss for the year	(1,004,578)	13,407
	<b>15,204</b>	<b>929,687</b>

(iii) The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method. The valuation was performed as at 31 December 2022. The significant actuarial assumptions are as follows:

	31 December 2022	31 December 2021
Discount rate used for calculation of interest cost	4.90%	2.40%
Salary increment rate per annum	7%	7%
Normal retirement age	60 year	60 year
Weighted average duration	9 year	9 year
	75% of WHO	75% of WHO
Employee mortality rates	SA19	SA16

**17 SHARE CAPITAL**

The Company's share capital is SR 32,000,000, divided into 3,200,000 shares of SR 10 value, and is distributed among the Shareholders as follow:

	<u>Shares</u>	<u>%</u>	<u>Amount</u>
Private Food Opportunities 2 Trading LLC (MEFIC)	960,000	30	9,600,000
Arif Al Musbahi	1,280,000	40	12,800,000
Randa Hamed A Nujaimi	960,000	30	9,600,000
	<u>3,200,000</u>	<u>100</u>	<u>32,000,000</u>

**18 SALES**

	31 December 2022	31 December 2021
Sales	146,112,691	107,079,201

All the sales are recognized at point in time.

**Segment Information**

The company is engaged in one operating segment engaged in selling fast food restaurant operates completely within the kingdom of Saudi Arabia. accordingly, the financial information was not divided into different geographic or business segments.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

**19 COST OF SALES**

	<b>31 December 2022</b>	31 December 2021
Employee related costs	13,950,724	12,173,151
Cost of consumption	47,113,148	38,237,861
Amortization on right of use asset	6,539,498	4,336,333
Depreciation (Note 11)	1,951,665	1,436,343
Rent	144,303	3,814,997
Repair and Maintenance	1,918,035	559,713
Utilities	3,633,799	2,934,842
Others	642,379	-
	<b>75,893,551</b>	<b>63,493,240</b>

**20 SELLING AND DISTRIBUTION EXPENSES**

	<b>31 December 2022</b>	31 December 2021
Commission	12,960,934	7,537,781
Promotions	11,742,917	6,011,380
	<b>24,703,851</b>	<b>13,549,161</b>

**21 GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>31 December 2022</b>	31 December 2021
Employee related costs	16,989,081	8,331,788
Training	46,120	561,340
Depreciation (Note 11- 12)	748,598	694,258
Legal and professional charges	647,078	191,367
Rent	934,139	737,758
Insurance	497,229	336,198
Cleaning	658,976	172,859
Telephone and communication charges	293,394	133,639
Subscriptions and government fees	524,230	1,201,862
Travelling	194,399	77,678
Bad debt expense	116,672	-
Bank charges	2,109,288	1,121,759
Others	764,965	427,945
	<b>24,524,169</b>	<b>13,988,451</b>

**22 CONTINGENCIES AND COMMITMENTS**

**22.1 Contingencies**

There were no contingent liabilities as at 31 December 2022 (31 December 2021: Nil).

**22.2 Capital Commitments**

The Company has capital commitments of SR nil as at 31 December 2022 (31 December 2022: 5.63 million).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

---

## 23 FINANCIAL RISK MANAGEMENT

Risk is inherent in the Company's activities and is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability. The Company's activities are exposed to a variety of financial risks which mainly include market risk, credit risk and liquidity risk.

### 23.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk, currency risk and other risk.

#### (a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals ("SR"), United States Dollars. As the United States Dollar is fixed to the Saudi Riyal ("SR") the exposure is with regard to Euros. The management believes that the currency risk for inventory purchases is adequately managed as the Company monitors fluctuations in currencies rates and therefore believes that currency risk is immaterial.

#### (b) Commission rate risk

Commission rate risk arises from the possibility that changes in commission rates will affect profitability or the fair values of the financial instruments. The Company does not have any financial instruments that are subject to commission rate risk.

#### (c) Credit risk

Credit risk is the risk that 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 for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions, due from related parties and other financial instruments.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	31 December 2022	31 December 2021
Cash and cash equivalent (Note 6)	7,350,586	13,287,014
Trade receivables (Note 7)	3,064,249	3,988,880

The carrying amount of financial assets represents the maximum credit exposure. Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings.
- Trade receivables are shown net of impairment loss under ECL model.

The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(Expressed in Saudi Riyals)

**23 FINANCIAL RISK MANAGEMENT (Continued)**

As at 31 December 2022 and 31 December 2021, the ageing of trade receivables was as follows:

	<b>31 December 2022</b>	31 December 2021
Past due 1-30 days	3,939,153	3,333,515
Past due 31-90 days	63,626	-
Past due 91-180 days	-	264,763
Past due by more than 180 days	-	1,212,460
Impairment loss on trade receivables	(938,530)	(821,858)
	<b><u>3,064,249</u></b>	<b><u>3,988,880</u></b>

**(d) Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The Company has sufficient funds to meet its obligations when they become due.

Liquidity requirements are monitored on a regular basis and management ensures that funds are available to meet the Company's future commitments.

**24 FAIR VALUES OF FINANCIAL INSTRUMENTS**

The Company's financial assets consist of cash and cash equivalents and receivables (including trade receivables and related party receivables) and its financial liabilities consist of payables (including accrued expenses and amounts payable to related parties).

All financial assets and liabilities have been accounted at amortised cost. The management believes that financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

As on 31 December 2022, the Company does not carry any financial asset or financial liability at fair value.

**25 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES**

	<b>1 January 2022</b>	<b>Cash flows</b>	<b>Others</b>	31 December 2022
Short-term loan	2,223,986	(2,223,986)	-	-
Lease liabilities	14,357,532	(9,287,422)	16,274,897	21,345,007
Dividend payable	-	(10,486,011)	10,486,011	-
	<b><u>16,581,518</u></b>	<b><u>(21,997,419)</u></b>	<b><u>26,760,908</u></b>	<b><u>21,345,007</u></b>
	<b>1 January 2021</b>	<b>Cash flows</b>	<b>Others</b>	31 December 2021
Short-term loan	2,505,926	(281,940)	-	2,223,986
Lease liabilities	15,191,204	(4,819,018)	3,985,346	14,357,532
	<b><u>17,697,130</u></b>	<b><u>(5,100,958)</u></b>	<b><u>3,985,346</u></b>	<b><u>16,581,518</u></b>

## **26 SUBSEQUENT EVENTS**

On 12 March 2023, 20% of the company shares (640 thousand shares) were published with a price of SR 84 for each, and at the date of 13 April 2023 the company were listed for trading in the parallel market.

## **27 APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue and approved by the Shareholders on 4 May 2023.