SAVOLA GROUP COMPANY

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022
together with the Independent Auditor's Report

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2022

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأمير سلطان
ص.ب ٥٥٠٧٨
جده ٢١٥٣٤
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Savola Group Company

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 consolidated 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing of non-financial assets

Refer Note 3(b)(ii) for the accounting policy relating to goodwill, Note 3(f) for accounting policy relating to property, plant and equipment, Note 3(g) for the accounting policy relating to intangible assets, Note 3(k) for the accounting policy relating to impairment, Note 3(t) for accounting policy relating to right-of-use assets, Note 4 for the property, plant and equipment disclosure, Note 5 for the right-of-use assets disclosure, Note 6 for the intangible assets and goodwill disclosure and Note 37 for the impairment loss disclosure.

Key audit matter

As at December 31, 2022, the carrying value of intangible assets and goodwill amounted to SR 1,797 million (2021: SR 1,858 million), the carrying value of property, plant and equipment and right-of-use (RoU) assets amounted to SR 5,839 million (2021: SR 5,872 million) and SR 3,217 million (2021: 3,313 million) respectively. Impairment reversal / (loss) (net) recognised on the non-financial assets during the year ended December 31, 2022 amounted to SR 65 million (2021: (SR 422 million)).

Intangible assets with indefinite useful life and Goodwill are subject to a mandatory annual impairment test and the intangible assets with definite useful life, property, plant and equipment and RoU assets are subject to impairment testing where there are internal or external indicators of impairment. The Group reviews the carrying amounts of these non-financial assets to determine whether their carrying values exceed the recoverable amounts, which is the higher of value in use or the fair value less costs to sell. For the purpose of the Group's impairment assessment, management has used the value in use model, to determine the recoverable amount, under which the future cash flows relating to each Cash Generating Unit (CGU) were discounted and compared to their respective carrying amounts. A value in use model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates.

There is uncertainty in estimating the recoverable amount of non-financial assets which principally arises from the inputs used in both forecasting and discounting future cash flows. A combination of the significance of the asset balances and the inherent uncertainty in the assumptions supporting the valuations of non-financial assets, means that an assessment of their carrying value is one of the key judgmental areas.

We considered impairment of non-financial assets that includes intangible assets and goodwill, property, plant and equipment and right of use assets as a key audit matter due to the significant judgment and key assumptions involved in the impairment assessment process.

How the matter was addressed in our audit

We performed the following audit procedures in relation to non-financial assets impairment:

- Assessed the appropriateness of the Group's accounting policies for measurement of non-financial assets in line with the requirements of International Financial Reporting Standards (IFRS);
- Assessed the design and implementation, and tested the operating effectiveness of the Group's controls around impairment assessment;
- Checked the accuracy and completeness of the information produced by management, which was used as the basis of the impairment assessment;
- Checked mathematical accuracy of the models used by the management;
- Engaged our internal valuations specialist to assess the key assumptions used in the value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates;
- Compared forecasts to historical performance and applied our judgement of the future prospects of the business from internal and external sources;
- Performed a sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the respective CGUs; and
- Considered the adequacy of the Group's related disclosures in terms of applicable accounting standards.

Independent Auditor's Report

To the Shareholders of Savola Group Company (continued)

Valuation of equity-accounted investees

Refer Note 3(b)(iii) for the accounting policy relating to equity-accounted investees and Note 9 for the related disclosures:

Key audit matter

As at December 31, 2022, the carrying value of equity-accounted investees amounted to SR 8,943 million (2021: SR 8,986 million).

Equity accounted investments are accounted for using the equity method in accordance with IAS 28 – Investments in Associates and Joint Ventures. This has been identified as a key audit matter due to the significance of the amounts involved, the complexities attached to the determination of carrying values at reporting dates, trade and capital transactions with investees and judgment involved in the determination of possible impairment loss.

How the matter was addressed in our audit

We performed the following audit procedures in relation to valuation of equity-accounted investees:

- Assessed the appropriateness of the Group's accounting policies for measurement of equity accounted investments in line with the requirements of International Financial Reporting Standards (IFRS);
- Assessed the design and implementation, and tested the operating effectiveness of the Group's controls around recognition and subsequent measurement of Equity accounted investees including the impairment assessment process;
- Verified components of equity accounted investments from underlying details and supporting documentation;
- Evaluated the process by which the Group's cash flow forecasts for the equity-accounted investees (where there are indicators of impairment) were developed;
- Engaged our internal valuations specialist to assess the key assumptions used in the recoverable amount calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates and performed a sensitivity analysis on these key assumptions;
- Checked the mathematical accuracy of the impairment models;
- Tested the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; and
- Considered the adequacy of the Group's equity-accounted investees' disclosures in terms of applicable accounting standards.

Valuation of Inventories

Refer Note 3(j) for the accounting policy on inventories and Note 11 for the inventories disclosure.

Key audit matter

As at December 31, 2022, the Group's net inventories balance was SR 4,637 million (2021: SR 3,602 million) net of allowance for slow moving inventories of SR 196 million (2021: SR 174 million).

Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Group, where necessary, for obsolete and slow moving inventories. Management determines the level of obsolescence of inventories by considering their nature, ageing profile, expiry dates and sales expectations using historic trends and other qualitative factors.

The Group also deals in commodity hedging contracts for its raw sugar inventory. The management accounts for these contracts using the mark-to-market method and reviews the valuation and hedge effectiveness at each reporting period by obtaining broker statements and exchange-quoted price.

We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment. Further, the commodity hedging involves the use of complex hedging mechanisms, across multiple hedging strategies, parity differences and price volatility.

How the matter was addressed in our audit

We performed the following audit procedures in relation to valuation of inventories:

- Assessed the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant accounting standards;
- Assessed the design and implementation, and tested the operating effectiveness of the Group's control around recognition and subsequent measurement of inventories including the monitoring of the allowance for slow moving items;
- Evaluated the appropriateness of the Group's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual losses; and current and future expectations with respect to sales;
- Checked the accuracy of the inventories' ageing report used by the management in its determination of the allowance for slow moving inventories;
- Attended periodical physical count of inventories on selected locations to identify expired or lost items;
- Tested the net realisable value of finished goods inventories by considering actual sales post year-end and the assumptions used by the management to check whether inventories are valued at the lower of cost and net realisable value;
- Engaged our specialist to test management's control over the establishment of the hedging relationship, monitoring hedge effectiveness and appropriateness of methods for mark to market values of derivatives at the reporting date;
- Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

Revenue recognition

Refer Note 3(o) for the accounting policy relating to revenue recognition and Note 32 for the relevant disclosures.

Key audit matter	How the matter was addressed in our audit
During the year ended December 31, 2022, the Group recognized total revenue of SR 28,055 million (2021: SR 24,669 million). Most of the Group's sales arrangements are considered straightforward, being on a point-in-time basis of recognition and requiring little judgment to be exercised. However, in certain cases the Group provide right of returns to its customers; which increase the level of judgment in revenue recognition at the year-end. Revenue recognition is considered a key audit matter in view of the risk that management may override controls to intentionally misstate revenue transactions in order to achieve financials targets, either through adjusting estimates at the period end or recording fictitious transactions.	We performed the following procedures in relation to revenue recognition: - Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of IFRS; - Assessed the design and implementation, and tested the operating effectiveness of the Group's controls, including anti-fraud controls, over the recognition of revenue; - Evaluated key contractual and returns arrangements by considering relevant documentation and agreements with the customers; - Inspected a sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period; - Developed an expectation of the current year revenue based on trend analysis information, taking into account sales volume, average prices and our understanding of each market segment. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing; - Tested topside journal entries posted to the revenue accounts in the general ledger in order to identify unusual or irregular items; - Obtained an understanding of the nature of the revenue contracts entered into by the Group and tested a sample of representative sales contracts to confirm our understanding and assess whether the revenue recognised was in accordance with IFRS 15; and - Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

Independent Auditor's Report

To the Shareholders of Savola Group Company (continued)

Other Information

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

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

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

Independent Auditor's Report

To the Shareholders of Savola Group Company (continued)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, March 28, 2023
Corresponding to Ramadan 6, 1444H

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2022	2021
ASSETS			
Property, plant and equipment	4	**5,838,918**	5,872,464
Right-of-use assets	5	**3,216,969**	3,313,227
Intangible assets and goodwill	6	**1,797,439**	1,857,836
Investment property	8	**176,830**	68,140
Equity-accounted investees	9	**8,942,646**	8,986,236
Investments at fair value through other comprehensive income	10	**104,428**	475,425
Derivative	13	**--**	2,493
Deferred tax asset	24	**33,454**	28,803
Non-current assets		**20,110,684**	20,604,624
Inventories	11	**4,637,024**	3,601,683
Derivative	13	**25**	--
Trade receivables	12	**1,658,393**	1,606,635
Prepayments and other receivables	13	**1,492,612**	1,331,118
Investments at fair value through profit or loss	10	**43,448**	27,069
Cash and bank balances	14	**1,435,552**	1,374,790
Assets held for sale	21	**186,910**	--
Current assets		**9,453,964**	7,941,295
TOTAL ASSETS		**29,564,648**	28,545,919
EQUITY			
Share capital	15	**5,339,807**	5,339,807
Share premium		**342,974**	342,974
Shares held under employees' share based payment plan	18	**(51,862)**	(30,433)
Statutory reserve	16	**1,774,085**	1,774,085
General reserve		**4,000**	4,000
Other reserves	17	**(452,731)**	(104,866)
Effect of transactions with non-controlling interests without change in control		**(187,979)**	(187,979)
Foreign currency translation reserve		**(2,066,346)**	(1,899,084)
Retained earnings		**3,552,764**	2,840,089
Equity attributable to owners of the Company		**8,254,712**	8,078,593
Non-controlling interests		**1,061,981**	1,013,220
TOTAL EQUITY		**9,316,693**	9,091,813
LIABILITIES			
Loans and borrowings	20	**4,082,213**	5,136,640
Lease liabilities	22	**3,156,281**	3,288,518
Employee benefits	23	**844,487**	857,358
Long-term payables		**258,456**	256,895
Derivative	13	**--**	164,220
Provision against asset restoration		**150,903**	148,006
Deferred tax liability	24	**111,153**	144,349
Non-current liabilities		**8,603,493**	9,995,986
Loans and borrowings	20	**4,062,383**	3,324,513
Lease liabilities	22	**566,439**	568,480
Trade payables	25	**3,893,105**	2,907,854
Derivative	13	**186,274**	--
Accrued and other liabilities	26	**2,770,552**	2,657,273
Liabilities classified as held for sale	21	**165,709**	--
Current liabilities		**11,644,462**	9,458,120
TOTAL LIABILITIES		**20,247,955**	19,454,106
TOTAL EQUITY AND LIABILITIES		**29,564,648**	28,545,919

The notes from 1 to 42 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	**2022**	2021
Revenues	32	**28,054,703**	24,669,163
Cost of revenues	33	**(23,180,622)**	(20,190,449)
Gross profit		**4,874,081**	4,478,714
Share of results of equity-accounted investees, net of zakat and tax	9.1	**660,581**	557,066
Selling and distribution expenses	34	**(2,922,739)**	(2,726,360)
Administrative expenses	35	**(975,492)**	(871,259)
Impairment reversal / (loss), net	9 & 37	**65,155**	(421,866)
Results from operating activities		**1,701,586**	1,016,295
Finance income		**75,151**	93,981
Finance cost		**(785,247)**	(585,424)
Net finance cost	38	**(710,096)**	(491,443)
Gain on disposal of investments	10	**41,871**	--
Profit before zakat and income tax		**1,033,361**	524,852
Zakat and income tax expense	27	**(168,476)**	(128,738)
Profit for the year		**864,885**	396,114
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of defined benefit liability	23	**39,612**	(24,868)
Investments at fair value through other comprehensive income – net change in fair value	10	**(142,841)**	50,720
Items that may be reclassified subsequently to profit or loss			
Foreign operations – foreign currency translation differences		**(174,494)**	84,933
Equity accounted investees - share of other comprehensive income	9.1	**(175,507)**	(60,408)
Cash flow hedges – effective portion of changes in fair value		**(5,550)**	(7,481)
Other comprehensive (loss) / income for the year		**(458,780)**	42,896
Total comprehensive income for the year		**406,105**	439,010

The notes from 1 to 42 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2022	2021
Profit attributable to:			
Owners of the Company		**742,752**	221,879
Non-controlling interests		**122,133**	174,235
Profit for the year		**864,885**	396,114
Total comprehensive income attributable to:			
Owners of the Company		**293,974**	254,801
Non-controlling interests		**112,131**	184,209
Total comprehensive income for the year		**406,105**	439,010
Earnings per share attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	29	**1.39**	0.42

The notes from 1 to 42 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Owners of the Company											
	Share capital	Share premium	Shares held under employees' share based payment plan	Statutory reserve	General reserve	Other reserves	Effect of transactions with non-controlling interests without change in control	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2021	5,339,807	342,974	(16,509)	1,774,085	4,000	(94,585)	(187,979)	(1,966,648)	3,036,997	8,232,142	932,412	9,164,554
Total comprehensive income / (loss) for the year												
Profit for the year	--	--	--	--	--	--	--	--	221,879	221,879	174,235	396,114
Other comprehensive income / (loss)	--	--	--	--	--	(16,270)	--	67,564	(18,372)	32,922	9,974	42,896
	--	--	--	--	--	(16,270)	--	67,564	203,507	254,801	184,209	439,010
Charge for equity-settled employees' share based payment plan (Note 18)	--	--	--	--	--	5,989	--	--	--	5,989	58	6,047
Purchase of shares held under employees' share based payment plan (Note 18)	--	--	(13,924)	--	--	--	--	--	--	(13,924)	--	(13,924)
Dividends	--	--	--	--	--	--	--	--	(400,486)	(400,486)	(103,459)	(503,945)
Dividend on Treasury Shares	--	--	--	--	--	--	--	--	71	71	--	71
Balance at December 31, 2021	5,339,807	342,974	(30,433)	1,774,085	4,000	(104,866)	(187,979)	(1,899,084)	2,840,089	8,078,593	1,013,220	9,091,813

The notes from 1 to 42 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Owners of the Company											
	Share capital	Share premium	Shares held under employees' share based payment plan	Statutory reserve	General reserve	Other reserves	Effect of transactions with non-controlling interests without change in control	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2022	**5,339,807**	**342,974**	**(30,433)**	**1,774,085**	**4,000**	**(104,866)**	**(187,979)**	**(1,899,084)**	**2,840,089**	**8,078,593**	**1,013,220**	**9,091,813**
Total comprehensive income / (loss) for the year												
Profit for the year	--	--	--	--	--	--	--	--	**742,752**	**742,752**	**122,133**	**864,885**
Other comprehensive income / (loss)	--	--	--	--	--	**(318,988)**	--	**(167,262)**	**37,472**	**(448,778)**	**(10,002)**	**(458,780)**
	--	--	--	--	--	**(318,988)**	--	**(167,262)**	**780,224**	**293,974**	**112,131**	**406,105**
Charge for equity-settled employees' share based payment plan (Note 18)	--	--	--	--	--	**10,219**	--	--	--	**10,219**	**56**	**10,275**
Purchase of shares held under employees' share based payment plan (Note 18)	--	--	**(21,429)**	--	--	--	--	--	--	**(21,429)**	--	**(21,429)**
Dividends (Note 15)	--	--	--	--	--	--	--	--	**(106,796)**	**(106,796)**	**(63,426)**	**(170,222)**
Transfer of fair value reserve of investments designated at FVOCI (Note 10.5)	--	--	--	--	--	**(39,096)**	--	--	**39,096**	--	--	--
Dividend on Treasury Shares	--	--	--	--	--	--	--	--	**151**	**151**	--	**151**
Balance at December 31, 2022	**5,339,807**	**342,974**	**(51,862)**	**1,774,085**	**4,000**	**(452,731)**	**(187,979)**	**(2,066,346)**	**3,552,764**	**8,254,712**	**1,061,981**	**9,316,693**

The notes from 1 to 42 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	**2022**	2021
Cash flows from operating activities			
Profit for the year		**864,885**	396,114
Adjustments for:			
Depreciation and amortisation		**1,063,333**	1,065,945
Net finance cost	38	**710,096**	491,443
Share of results of equity accounted investees, net of zakat and tax	9	**(660,581)**	(557,066)
Share based payment expense	18	**10,275**	6,047
Impairment (reversal) / loss, net	9 & 37	**(65,155)**	421,866
Loss on sale of property, plant and equipment		**33,863**	21,060
Provision for employee benefits	23	**128,352**	115,566
Zakat and income tax expense	27	**168,476**	128,738
Gain on disposal of investments	10	**(41,871)**	--
		2,211,673	2,089,713
Changes in:			
Inventories		**(1,332,826)**	(628,131)
Trade receivables		**(209,695)**	(519334)
Prepayments and other receivables		**(214,630)**	(249,995)
Trade payables		**1,183,412**	427,970
Accrued and other liabilities		**39,423**	268,374
Cash generated from operating activities		**1,677,357**	1,388,597
Finance cost paid		**(401,147)**	(350,587)
Zakat and income tax paid	27	**(78,404)**	(78,657)
Employee benefits paid	23	**(93,235)**	(94,966)
Net cash from operating activities		**1,104,571**	864,387
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	**(823,353)**	(360,906)
Acquisition of software	6	**(40,014)**	(117,786)
Acquisition of investment property	8	**(572)**	(4,201)
Proceeds from sale of property, plant and equipment		**30,575**	23,019
Capital distribution from equity accounted investee	9	**--**	147,704
Acquisition of investments	10	**(28,140)**	(37,509)
Acquisition of subsidiaries, net of cash acquired	7	**--**	(977,544)
Proceeds from investments	10.5	**459,256**	--
Net change in FVTPL investments		**(16,379)**	(24,277)
Dividends received from equity accounted investments	9	**356,827**	351,549
Net cash used in investing activities		**(61,800)**	(999,951)
Cash flows from financing activities			
Net change in loans and borrowings - current		**1,201,602**	748,159
Net change in loans and borrowings - non-current		**(1,012,969)**	695,375
Net changes in bank deposits with maturity more than three months		**(104,066)**	(115,164)
Payment of lease liabilities	22	**(677,348)**	(648,909)
Dividends paid to the owners of the Company		**(107,753)**	(402,315)
Dividend paid to non-controlling interests		**(63,426)**	(103,459)
Purchase of shares held under employees' share based payment plan	18	**(21,429)**	(13,924)
Net cash (used in) / generated from financing activities		**(785,389)**	159,763

The notes from 1 to 42 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	**2022**	2021
Net change in cash and cash equivalents		**257,382**	24,199
Effect of movement in exchange rates on cash and cash equivalents		**(175,453)**	(1,863)
Cash and cash equivalents at beginning of the year		**518,830**	496,494
Cash and cash equivalents at December 31	14	**600,759**	518,830
Supplemental schedule of non-cash financial information:			
Other reserves		**(323,898)**	(17,169)
Foreign currency translation reserve		**(174,494)**	84,933
Actuarial reserve	23	**39,612**	(24,868)
Addition to right-of-use assets	5	**349,443**	184,874
Addition to lease liabilities	22	**349,218**	184,875

The notes from 1 to 42 form an integral part of these consolidated financial statements.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION

Savola Group Company is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030019708 issued in Jeddah on Rajab 21, 1399H (corresponding to June 16, 1979). The Company was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978).

The Company's registered office is located at the following address:

Savola Tower,
The Headquarter Business Park,
Prince Faisal Bin Fahad Street,
Jeddah 23511-7333, Kingdom of Saudi Arabia.

These accompanying consolidated financial statements comprise the financial statements of Savola Group Company (the "Company" (or) the "Parent Company") and its local and foreign subsidiaries (collectively referred as the "Group"), involved in the manufacturing and sale of vegetable oils and to set up related industries, retail outlets, dairy products, fast foods, exports and imports, commercial contracting, trade agencies, development of agricultural products and real estate related investment activities.

Subsequent to the year end, the new Companies Law issued through Royal Decree M/132 on 01/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the New Law") came into force on 26/06/1444 H (corresponding to 19 January 2023) as well as the amended implementing regulations issued by the Capital Market Authority (CMA) based on the New Law. For certain provisions of the New Law and the amended CMA implementing regulations, 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 Law and will amend its By-laws with the amendments in the provisions required to align with the provisions of the New Law and the amended CMA implementing regulations, and with any other amendments that may take advantage of the New Law and the amended CMA implementing regulations. Consequently, the Company shall present the amended By-laws to the shareholders in its Extraordinary General Assembly meeting for their ratification.

At December 31, 2022, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

(I) Direct subsidiaries of the Company

i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2022	Ownership interest (%) December 31, 2021
Savola Foods Company ("SFC")	Saudi Arabia	Holding company	**100**	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	**98.87**	98.87
Good Food Company ("GFC")	Saudi Arabia	Holding company	**100**	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	**80**	80
Herfy Food Services Company ("Herfy")	Saudi Arabia	Restaurant & manufacturing bakery products	**49**	49

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(I) Direct subsidiaries of the Company (continued)

The Group considers that it controls Herfy even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of Herfy with a 49% equity interest. The remaining 51% of the equity shares in Herfy are widely held by many other shareholders. There is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

ii) Holding and Dormant subsidiaries

Subsidiary name	**Country of incorporation**	**Principal business activity**	**Ownership interest (%)**	
			December 31, 2022	December 31, 2021
Adeem Arabia Company (Adeem)	Saudi Arabia	Holding company	**100**	100
Al Utur Arabian Company for Commercial Investment	Saudi Arabia	Holding company	**100**	100
Al Matana Holding Company	Saudi Arabia	Holding company	**100**	100
Madarek Investment Company	Jordan	Holding company	**100**	100
United Properties Development Company	Saudi Arabia	Dormant company	**100**	100

Subsidiaries controlled through Al Matana Holding Company:

SGC Ventures Limited	Cayman Islands	Holding company	**100**	100
SGC Marketplace Venture	Cayman Islands	Holding company	**100**	100
SGC Agritech Ventures	Cayman Islands	Holding company	**100**	--

(II) Savola Foods Company

The Parent Company has a 100% (December 31, 2021: 100%) ownership interest in Savola Foods Company (“SFC”), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 236/G dated Dhul Qadah 21, 1435H (September 16, 2014). Prior to its conversion to a closed joint stock company, SFC was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030180782 issued in Jeddah on Rajab 5,1429H (July 8, 2008).

The principal objective of SFC is to deal in wholesale and retail trading of food items. SFC through its direct and indirect subsidiaries is engaged in the manufacturing, marketing and distribution of products including edible oil, pasta, sugar, seafood, confectionery, and agro cultivation, in the local and overseas market.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

Subsidiaries controlled through Savola Foods Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2022	Ownership interest (%) December 31, 2021
Afia International Company ("AIC")*	Saudi Arabia	Manufacturing of edible oils	**95.19**	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	Holding company	**100**	100
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	**100**	100
Savola Foods Emerging Markets Company Limited	British Virgin Islands (BVI)	Holding company	**95.43**	95.43
Savola Foods for Sugar Company	Cayman Islands	Holding company	**95**	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	**100**	100
International Foods Industries Company ("IFI")	Saudi Arabia	Manufacturing of specialty fats	**100**	100
Seafood International Two FZCO	UAE	Seafood products trading and distribution	**100**	100
Afia Arabia for Foods	Saudi Arabia	Dormant company	**100**	100
Seafood International Holdco	Cayman Islands	Holding company	**100**	100
Al Maoun International Holding Company	Saudi Arabia	Holding company	**100**	100
Marasina International Real Estate Investment Limited	Saudi Arabia	Holding company	**100**	100
Commodities Sourcing Company for Trading	Saudi Arabia	Trading Company	**100**	100
Snacking and Ingredients Food Holding Company Limited ("SIFCO")	UAE	Holding Company	**100**	100
SIFCO				
Bayara Holding Limited	Cayman Islands	Holding company	**100**	100
Bayara FZE Limited	UAE	Holding Company	**100**	100
Savola Snacks *	Egypt	Manufacturing of snacks	**99**	--

* The Group's subsidiary, Savola Snacks entered into an Asset Purchase Agreement dated May 17, 2022 to acquire property, plant and equipment in Egypt against a total consideration of EGP 622million (equivalent to SR 122 million). In this regard, the consideration amount was transferred to an escrow account on April 5, 2022. During the year, certain assets were acquired and transferred to Savola Snacks and accordingly partial payment of EGP 485 million (equivalent to SR 92 million) was released to the seller. As at the reporting date, residual amount of EGP 137 million (equivalent to SR 20.8 million) is retained in the escrow pending transfer of remaining assets.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

a) Subsidiaries controlled through Afia International Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2022	Ownership interest (%) December 31, 2021
Savola Behshahr Company ("SBeC")	Iran	Holding company	**90**	90
Malintra Holdings	Luxembourg	Dormant company	**100**	100
Savola Foods Limited ("SFL")	BVI	Holding company	**100**	100
Afia International Company – Jordan (under liquidation)	Jordan	Dormant company	**98.57**	98.57
Inveskz Inc.	BVI	Holding company	**90**	90
Afia Trading International	BVI	Dormant company	**100**	100
Savola Foods International	BVI	Dormant company	**100**	100
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	Holding company	**100**	100
Aseel Food – Hold Co.	Cayman Islands	Holding company	**100**	100
SBeC				
Behshahr Industrial Company (BIC)	Iran	Manufacturing of edible oils	**79.9**	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	**100**	100
Savola Behshahr Sugar Company	Iran	Dormant	**100**	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	**90**	90
Behshahr Industrial Company				
Mahsoolat Daryaee Ta'm Afarin Saba Company (Sahel)	Iran	Seafood products trading and distribution	**100**	51
SFL				
Afia International Company, Egypt ("AICE")	Egypt	Manufacturing of edible oils	**99.95**	99.95
AICE				
Savola For Export and Import	Egypt	Trading and distribution	**49**	49
KUGU				
Savola Gida Sanayi Ve Ticaret Anonim Şirketi	Turkey	Manufacturing of edible oils	**100**	100

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

b) Subsidiaries controlled through Savola Industrial Investment Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2022	Ownership interest (%) December 31, 2021
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of sugar	**74.48**	74.48
USC				
Alexandria Sugar Company, Egypt ("ASCE")*	Egypt	Manufacturing of sugar	**62.13**	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	**100**	100
ASCE				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	**100**	100

c) Subsidiaries controlled through Savola Foods Emerging Markets Company Limited:

Savola Morocco Company (Refer Note 21)	Morocco	Manufacturing of edible oils	**100**	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of edible oils	**100**	100
Afia International Company – Algeria	Algeria	Manufacturing of edible oils	**100**	100

d) Subsidiaries controlled through Savola Foods Company International Limited:

Modern Behtaam Royan Kaveh Company	Iran	Food and confectionery	**100**	100
Middle East Technology Ventures Limited	Cayman Island	Holding Company	**100**	100

e) Subsidiaries controlled through Al Maoun and Marasina

Alofog Trading DMMC	UAE	Trading and distribution	**100**	100

f) Subsidiaries controlled through Seafood International Two FZCO

Seafood International One FZCO	UAE	Seafood products distribution	**80**	80

* The Group's effective ownership interest in ASCE is 71.66% (December 31, 2021: 71.66%).

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

g) Subsidiaries controlled through Bayara Holding Limited

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) December 31, 2022	Direct ownership interest (%) December 31, 2021
Kandoo Worldwide Limited	BVI	Dormant company	**100**	100
Kamali Investment Limited	UAE	Holding Company	**100**	100

h) Subsidiaries controlled through Bayara FZE

GYMA Food Industries**	UAE	Processing of spices, nuts and pulses	**100**	48
Bayara Saudi Arabia Limited Group	Saudi Arabia	Processing of spices, nuts and pulses	**100**	100
Profood Holdings Limited (under liquidation)	UAE	Dormant company	**100**	100

** During the year ended December 31, 2022, the ownership of GYMA Food Industries LLC is transferred to Bayara FZE from Profood Holding Limited. However, there is no change in the effective ownership of GYMA Food Industries LLC for the purpose of these consolidated financial statements.

i) Subsidiaries controlled through Sea Food International Holdco

Mahsoolat Daryaee Ta'm Afarin Saba Company***	Iran	Seafood products trading and distribution	**--**	49%

*** During the year, Sea Food International Holdco sold its 49 % stake in Mahsoolat Daryaee Ta'm Afarin Saba Company to BIC effective from February 21, 2022, which is treated as common control transaction in these consolidated financial statements and hence transaction was carried out at carrying value.

(III) Panda Retail Company

The Parent Company has a 98.87% (December 31, 2021: 98.87%) ownership interest in Panda Retail Company ("Panda"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 235/G dated Rajab 22, 1431H (July 3, 2010). Prior to its conversion to a closed joint stock company, Panda was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010137417 issued in Riyadh on Rabi-ul-Awal 1, 1416H (July 28, 1995).

Panda together with its subsidiaries is principally engaged in wholesale and retail trading in food supplies and consumable materials. Panda Group operates through its network of hypermarkets and supermarkets.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(III) Panda Retail Company (continued)

Subsidiaries controlled through Panda:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2022	Ownership interest (%) December 31, 2021
Giant Stores Trading Company	Saudi Arabia	Retail	**100**	100
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	**100**	100
Panda International for Retail Trading	Egypt	Retail	**100**	100
Panda Bakeries Company	Saudi Arabia	Dormant company	**100**	100
Atabet Al Bab Communications and Information Technology LLC	Saudi Arabia	E-commerce	**100**	100
Giant				
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	**95**	95

(IV) Good Food Company

The Parent Company has a 100% (December 31, 2021: 100%) ownership interest in Good Food Company ("GFC"), which was incorporated as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030603674 issued in Jeddah on Rabi-ul-Thani 21, 1439H (January 8, 2018).

GFC through its direct and indirect subsidiaries is principally engaged in the processing, wholesale, retail and distribution of frozen food and seafood in the local and overseas markets.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(IV) Good Food Company (continued)

Subsidiaries controlled through GFC (collectively referred to as "Al Kabeer Group of companies"):

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2022	December 31, 2021
Variety Food Factory Company	Saudi Arabia	Manufacturing of frozen food	**51**	51
Al Ahsan Trading Company	Saudi Arabia	Trading and distribution	**51**	51
Al Helal Imports and Exports Company	Bahrain	Trading and distribution	**51**	51
Sahar Enterprises Company	UAE	Trading and distribution	**51**	51
Sahar Food Industry Company	UAE	Manufacturing of frozen food	**51**	51
Al Kabeer Holding Limited	UAE	Holding Company	**51**	51
Best Foodstuff Trading Company	UAE	Trading and distribution	**51**	51

Subsidiaries controlled through Al Kabeer Holding Limited

Cascade Investments Limited (CIL)	UAE	Investment company	**100**	100
Cascade Marine Foods Company	UAE	Manufacturing frozen food	**100**	100
Al Sabah Foodstuff Enterprises Company	UAE	Trading and distribution	**100**	100
Best Foods Company	Oman	Trading and distribution	**100**	100

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA ("IFRS").

2. BASIS OF PREPARATION (continued)

a) Statement of compliance (continued)

i) Accounting convention / Basis of Measurement

These consolidated financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for investments classified as fair value through other comprehensive income ("FVOCI"), investments classified as fair value through profit or loss ("FVTPL"), firm commitments and inventory under fair value hedging relationship, derivative financial instruments and employee benefits which are recognised at the present value of future obligation using the Projected Unit Credit Method. Certain comparative amounts have been reclassified to conform to the current year's presentation.

ii) Functional and presentation currency

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

b) Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements, is included in the following notes:

(i) Note 3(b)(i) - whether the Group exercises control over an investee
(ii) Note 3(b)(iii) - classification of equity accounted investees
(iii) Note 3(c)(iv) - application of hedge accounting
(iv) Note 3(i) - determining the fair value less cost to sell of the assets classified as held for sale
(v) Note 3 (o) – revenue recognition: whether revenue is recognised over time or at a point in time
(vi) Note 3(t) - lease classification

2. BASIS OF PREPARATION (continued)

b) Critical accounting estimates and judgments (continued)

Judgments (continued)

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements, are described below:

i) Impairment of financial assets

The implementation of business model approach under IFRS 9 require judgement to ensure that financial assets of the Group are classified into the appropriate category. Deciding whether the classified categories will require assessment of contractual provisions that do or may change the timing or amount of the contractual cash flows. Objective evidence may exist in circumstances in which a counterparty has been placed in bankruptcy or has failed on the repayments of principal and interest. In other circumstances, the Group uses judgment in order to determine whether a financial asset may be impaired using Expected Credit Loss ("ECL") model. The Group uses judgement in order to determine whether an impairment can be reversed, an assumption in doing so might be an improvement in the debtor's credit rating or receipt of payments due. In addition, Group also make judgments in deciding whether the measurement of expected credit loss reflect reasonable and supportable information that is available without undue cost or effort that include historical, current and forecast information.

ii) Provision for inventory obsolescence

The Group determines its provision for inventory obsolescence based upon historical experience, expected inventory turnover, inventory aging and current condition, and current and future expectations with respect to sales. Assumptions underlying the provision for inventory obsolescence include future sales trends, and the expected inventory requirements and inventory composition necessary to support these future sales and offerings. The estimate of the Group's provision for inventory obsolescence could materially change from period to period due to changes in product offerings of those products.

iii) Useful lives of property, plant and equipment, investment properties and intangible assets

The management determines the estimated useful lives of property, plant and equipment, investment property and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charges are adjusted where management believes the useful lives differ from previous estimates.

2. BASIS OF PREPARATION (continued)

b) Critical accounting estimates and judgments (continued)

iv) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment loss is recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

v) Employee benefits – defined benefit obligation

Certain actuarial assumptions have been adopted as disclosed in note 22 to these financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

2. BASIS OF PREPARATION (continued)

b) Critical accounting estimates and judgments (continued)

Judgments (continued)

vi) Going concern

The Group's management has made an assessment of its ability to continue as a going concern for the foreseeable future and is satisfied that it has the resources to discharge its liabilities including the mandatory repayment of loans and borrowings. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Management believes that the repayment of the liabilities will be met out of operating and investing cash flows. Further, the Group has unused bank financing facilities to manage the short term and the long-term liquidity requirements, as disclosed in Note 39.

Based on these factors, the financial statements continue to be prepared on the going concern basis.

vii) Other assumptions

Information about other assumptions and estimation uncertainties is included in the following notes:

i) Note 3(c) & 39- measurement of fair values
ii) Note 3(j) - allowance for inventory losses
iii) Note 3(k) - impairment in financial and non-financial assets
iv) Note 3(l) - provision against assets restoration
v) Note 3(m) - measurement of defined benefit obligations

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Share based payments arrangements

Equity-settled share-based payment
The grant-date fair value of equity-settled share-based payment plan granted to employees is recognised as an expense on a straight-line basis in the statement of profit or loss, with a corresponding increase in equity as 'Other reserves', over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash-settled share-based payment
The fair value of the amount payable to employees in respect of cash-settled share-based payment arrangement is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the award. Any changes in the liability are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Business combinations

Business combinations (except for entities under common control) are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition. The excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is classified as goodwill. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions from entities under common control
Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognized directly in equity.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are consolidated in the financial statements from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-Group balances, transactions, income and expenses resulting from intra-Group transactions, are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Changes in a Group's ownership interest in a subsidiary that does not result in a change in control, is accounted as equity transaction and the carrying amounts of the non-controlling interests is adjusted against the fair value of the consideration paid and any difference is recognized directly in equity under "Effect of transactions with non-controlling interest without change in control".

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Business combinations (continued)

(ii) Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss incurred.

(iii) Interests in equity-accounted investees

The Group's interests in equity accounted investees comprise of interests in associates and joint ventures.

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and joint ventures are accounted for using the equity method (equity-accounted investees). They are initially recognized at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income ("OCI") of equity-accounted investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the investment carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the underlying assets / liabilities to the extent of the Group's interest in the investee.

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising on equity accounted investees are recognized in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Business combinations (continued)

(iv) Non-controlling interests

Non-controlling interest represents the interest in subsidiary companies, not held by the Group which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group.

Changes in Group's interest in a subsidiary as a result of transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal / acquisition of non-controlling interests are also recorded in equity.

c) Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant finance component) or finance liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – initial measurement

On initial measurement, a financial asset is classified as measured at: amortised cost, FVOCI – debt instrument; FVOCI – equity instrument or fair value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to initial measurement unless the Group changes the business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – initial measurement (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment (continued)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

Financial assets – Subsequent measurement and gains and losses

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment loss, if any.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss as well.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Derivatives

Derivative financial instruments and hedge accounting

The Group holds financial instruments to hedge its commodity price related exposures. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge, together with the methods that will be used to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range as per risk management policy. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

(iv) Derivatives (continued)

Cash flow hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and accumulated in equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to gain or loss in the periods when the hedged item affects gain or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of commodity value is recognized in the consolidated statement of profit or loss within ‘Cost of revenues’.

However, when the forecast transaction that is hedged, results in the recognition of a non-financial asset (for example, inventory), the amounts accumulated in equity are transferred from the equity and included in the initial measurement of the cost. The accumulated amounts are ultimately recognized in cost of revenues for inventory.

When a hedging instrument expires, is terminated, is sold or is exercised, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. When the hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the equity remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss within “Finance income or Finance cost”.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging commodity (raw sugar) value risk. The gain or loss relating to the effective portion of the hedging transaction is recognized in the profit or loss within “cost of revenue”. The gain or loss relating to the ineffective portion is recognized in the profit or loss within “Finance income or Finance cost”. Changes in the fair value of the hedge futures are recognized in the consolidated statement of profit or loss within ‘Cost of revenues’.

Other derivatives

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in the consolidated statement of profit or loss within “Finance income or Finance cost”.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(vi) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three month or less and excludes bank overdrafts which are available to the Group without any restrictions that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

d) Segment reporting

An operating segment is a component:

i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
ii) the results of its operations are continuously analysed 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. For further details of reportable operating segments of Group please refer to Note 31.

e) Foreign currency translations

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the respective transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of equity instruments classified as FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency translations (continued)

(ii) Foreign operations

The assets and liabilities of foreign operations, with the exception of economies under hyperinflation, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Saudi Riyals at exchange rates at average exchange rates.

Foreign currency differences arising on foreign operations are recognized in other comprehensive income and accumulated in the "Foreign currency translation reserve", except to the extent that the translation difference is allocated to non-controlling interest.

Dividends received from foreign associate are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of profit or loss and other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the Foreign Currency Translation Reserve ("CTR") is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the foreign currency translation differences.

(iii) Hyperinflationary economies

When the economy of a country in which the Group operates is deemed hyperinflationary and the functional currency of a Group entity is the local currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit currency at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the consolidated statement of financial position, such as property, plant and equipment and inventories, to reflect current purchasing power as at the year-end using a general price index from the date when they were first recognized. The gain or loss on the net monetary position is included in finance costs or income for the year. Comparative amounts are not adjusted. When the economy of a country, in which the Group operates, is no more deemed a hyperinflationary economy, the Group ceases application of hyperinflationary economies accounting at the end of the reporting period that is immediately prior to the period in which hyperinflation ceases. The amounts in the Group's consolidated financial statements as at that date are considered as the carrying amounts for the subsequent consolidated financial statements of the Group. For the purpose of consolidation of foreign components operating in hyperinflation economies; items of statements of financial position and profit or loss are translated at the closing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss. Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized, on net basis, in statement of profit or loss and other comprehensive income.

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

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of individual items of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives of assets for current and comparative year is as follow:

	Years
Buildings	12.5 - 50
Leasehold improvements	3 - 33
Plant and equipment	3 - 30
Furniture and office equipment	3 - 16
Vehicles	4 - 10

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For impairment assessment of property, plant and equipment, please refer to policy on impairment of non-financial assets note 3(k)(ii).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Intangible assets

Intangible assets, other than goodwill and brand, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment loss.

The estimated useful lives of assets for current and comparative year is as follow:

	Years
Software	3 – 10
Customer List	18 – 28
Distribution Network	25

Brand is initially measured at cost. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which it is expected to generate net cash inflows for the Group and is therefore considered to have an indefinite useful life.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since it most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Intangible assets acquired by the Group that have indefinite useful lives are measured at cost less accumulated impairment loss. The useful life of such assets is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. These are reviewed for impairment annually and whenever there is an indication that the intangible asset may be impaired.

h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost less accumulated depreciation and accumulated impairment loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost subsequently.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Investment property (continued)

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of individual items of investment property. The estimated useful lives of investment properties for current and comparative year is as follows:

	Years
Buildings	20-33

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For impairment assessment of investment property, please refer to policy on impairment of non-financial assets note 3(k)(ii).

i) Assets classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets or investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in the profit or loss.

Once classified as held-for-sale, intangible assets, investment property and property and equipment are no longer amortised or depreciated, and any investment in associate is no longer equity accounted.

j) 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, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. In case of retail business, cost of inventory is net of rebates and commercial income which is based on the contractual terms specified in the agreements with suppliers.

Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. Further, inventory may also include gain and losses transferred from marked to market of firm commitment due to fair value hedge accounting and fair valuation impact of inventory price risk being hedged under fair value hedge.

Net realizable value comprises estimated selling price in the ordinary course of business, less any additional production costs for completion and appropriate selling and distribution costs. Provision is made, where necessary, for obsolete, slow moving and defective stocks.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment

i. Financial assets

Financial instruments and contract assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost.

For trade receivables and other financial assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The loss allowance is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For bank balances in which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, the ECL is measured at 12-month ECLs

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

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

ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Allowances for expected credit loss against financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment (continued)

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (the "cash-generating unit, or CGU"). Impairment exists when the carrying value of an asset or CGU exceeds the recoverable amount, which is the higher of the fair value less costs to sell and value in use. The value in use is based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using applicable discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment loss is recognized in profit or loss. Impairment loss recognized in respect of CGUs is allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment loss recognized in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

l) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows using applicable rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Group records provision for decommissioning costs of manufacturing facility and restoration of leasehold improvements. Such costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a rate that reflects the current market assessments of the time value of money and risks specific to the related liability. The unwinding of the discount is expensed as incurred and recognized in the profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Employees' end of service benefits

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

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

n) Shares held under employees' share based payment plan

Own equity instruments that are reacquired, for discharging obligations under Employees Long Term Incentive Program ("Plan"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in Equity.

o) Revenues recognition

Revenue is measured based on the consideration, to which the Group expects to be entitled to, specified in a contract with a customer and is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Revenue from sale of goods
Revenue from sale of goods is recognised in the statement of profit or loss when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Variable consideration
Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Revenues recognition (continued)

Significant financing component
The Group evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. The Group adjusts the committed amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

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

Commission income
When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue is recognised at a point in time at which amount of commission is earned by the Group.

p) Zakat and taxes

The Company and its subsidiaries are subject to zakat and income tax in accordance with the regulations of The Zakat, Tax and Customs Authority (“ZATCA”) (previously known as General Authority of Zakat and Income Tax). Company’s zakat and its share in zakat of subsidiaries are charged to the consolidated statement of profit or loss and other comprehensive income. Zakat and income tax attributable to other Saudi and foreign shareholders of the consolidated subsidiaries are charged to non-controlling interest in the accompanying consolidated statement of financial position. Additional zakat and income tax liability, if any, related to prior years’ assessments arising from ZATCA are accounted for in the period in which the assessments are finalized. The Company and its Saudi Arabian subsidiaries withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations. Foreign subsidiaries are subject to zakat and income taxes in their respective countries of domicile. Such zakat and income taxes are charged to consolidated statement of profit or loss under zakat and income tax expense.

Deferred tax is provided for, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on laws that have been enacted in the respective countries at the reporting date. Deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Current and deferred tax assets and liabilities are offset only if certain criteria are met.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q) Finance income and finance cost

Finance income includes gains on the derivative instruments that are recognized in consolidated statement of profit or loss and other comprehensive income. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in consolidated statement of profit or loss and other comprehensive income on the date that the Group's right to receive payment is established.

Finance costs comprise of financial charges on borrowings including sukuks and unwinding of the discount on provisions and losses on derivative instruments that are recognized in consolidated statement of profit or loss and other comprehensive income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in consolidated statement of profit or loss and other comprehensive income using the effective interest method.

Foreign currency gains and losses are reported on a net basis within finance cost.

r) Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Group.

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors.

s) Expenses

Selling and distribution expenses and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Selling and distribution expenses are those arising from the Group's efforts underlying the selling and distribution functions. All other expenses are classified as administrative expenses. Allocation of common expense between cost of revenues and selling and distribution and administrative expenses, when required, are made on consistent basis.

t) Leases

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

As a lessee
At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Leases (continued)

As a lessee (continued)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Leases (continued)

As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Cost								
Balance at January 1, 2021	1,433,063	2,708,672	1,583,092	2,860,302	2,757,140	504,519	409,767	12,256,555
Acquisition through Business Combination (Note 7)	388	37,936	--	27,925	30,512	753	44	97,558
Additions	--	5,656	213	20,096	15,183	13,546	306,212	360,906
Disposals / write-off / reversals	(4,798)	(24,354)	(57,748)	(12,489)	(158,690)	(19,746)	(4,465)	(282,290)
Transfer from CWIP	--	21,071	20,006	90,145	66,027	--	(197,249)	--
Hyperinflation adjustment	1,973	3,795	12	77,989	2,270	1,341	2,399	89,779
Effect of movement in exchange rate	(3,066)	(5,599)	(220)	(28,155)	(1,666)	(616)	(5,839)	(45,161)
Balance at December 31, 2021	1,427,560	2,747,177	1,545,355	3,035,813	2,710,776	499,797	510,869	12,477,347
Balance at January 1, 2022	**1,427,560**	**2,747,177**	**1,545,355**	**3,035,813**	**2,710,776**	**499,797**	**510,869**	**12,477,347**
Additions	**7,682**	**2,144**	**4,646**	**23,265**	**17,195**	**5,455**	**762,966**	**823,353**
Disposals / write-off / reversals	**(13,528)**	**1,461**	**(43,406)**	**(10,601)**	**(399,895)**	**(38,383)**	**(406)**	**(504,758)**
Transfer from CWIP	**30,806**	**144,995**	**123,884**	**110,951**	**113,048**	**13,593**	**(537,277)**	**--**
Hyperinflation adjustment	**7,215**	**6,166**	**83**	**109,985**	**2,244**	**574**	**6,508**	**132,775**
Effect of movement in exchange rate / other adjustments	**(27,075)**	**(49,712)**	**(14,081)**	**(291,716)**	**(28,117)**	**(10,276)**	**(57,257)**	**(478,234)**
Transfer to assets classified as held for sale (Note 21)	**(4,605)**	**(17,837)**	**--**	**(83,683)**	**(1,641)**	**--**	**(466)**	**(108,232)**
Transfer to Intangible Assets (Note 6)	**--**	**--**	**--**	**--**	**--**	**--**	**(17,969)**	**(17,969)**
Transfer to investment property (Note 8)	**(35,069)**	**(78,769)**	**--**	**--**	**--**	**--**	**--**	**(113,838)**
Balance at December 31, 2022	**1,392,986**	**2,755,625**	**1,616,481**	**2,894,014**	**2,413,610**	**470,760**	**666,968**	**12,210,444**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

4. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Leasehold improvements	Plant and equipment	Furniture and office equipment	Vehicles	Construction work in progress (CWIP)	Total
Accumulated Depreciation / Impairment								
Balance at January 1, 2021	(77,117)	(992,379)	(943,971)	(1,319,354)	(2,288,160)	(407,712)	--	(6,028,693)
Acquisition through Business Combination (Note 7)	--	(20,568)	--	(14,810)	(24,366)	(649)	--	(60,393)
Depreciation for the year	--	(106,257)	(83,376)	(184,879)	(142,809)	(25,289)	--	(542,610)
Disposals / write-off / reversals	--	18,821	47,104	9,303	149,127	16,956	--	241,311
Impairment loss (Note 37)	(83,775)	(50,454)	(41,645)	--	(32,700)	(1,276)	--	(209,850)
Hyperinflation adjustment	--	(4,179)	(5)	(14,429)	(1,195)	(629)	--	(20,437)
Effect of movement in exchange rate / other adjustments	--	1,168	153	13,070	1,238	160	--	15,789
Balance at December 31, 2021	(160,892)	(1,153,848)	(1,021,740)	(1,511,099)	(2,338,865)	(418,439)	--	(6,604,883)
Balance at January 1, 2022	**(160,892)**	**(1,153,848)**	**(1,021,740)**	**(1,511,099)**	**(2,338,865)**	**(418,439)**	**--**	**(6,604,883)**
Depreciation for the year	**--**	**(118,417)**	**(80,662)**	**(187,316)**	**(129,255)**	**(24,121)**	**--**	**(539,771)**
Disposals / write-off / reversals	**--**	**(6,054)**	**37,825**	**6,012**	**388,653**	**37,222**	**--**	**463,658**
Impairment reversal / (loss) (Note 37)	**43,360**	**4,131**	**8,559**	**(3,469)**	**2,710**	**212**	**--**	**55,503**
Transfer to assets classified as held for sale (Note 21)	**--**	**14,730**	**--**	**57,228**	**1,531**	**--**	**--**	**73,489**
Hyperinflation adjustment	**--**	**(889)**	**(16)**	**(20,583)**	**(634)**	**(126)**	**--**	**(22,248)**
Effect of movement in exchange rate / other adjustments	**--**	**26,581**	**5,735**	**150,493**	**18,903**	**1,014**	**--**	**202,726**
Balance at December 31, 2022	**(117,532)**	**(1,233,766)**	**(1,050,299)**	**(1,508,734)**	**(2,056,957)**	**(404,238)**	**--**	**(6,371,526)**
December 31, 2021	1,266,668	1,593,329	523,615	1,524,714	371,911	81,358	510,869	5,872,464
December 31, 2022	**1,275,454**	**1,521,859**	**566,182**	**1,385,280**	**356,653**	**66,522**	**666,968**	**5,838,918**

a) Construction work in progress mainly relates to upgrading and enhancing the production facilities and retail outlets of certain subsidiaries. Also refer Note 20.3.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

5. RIGHT-OF-USE ASSETS

The movement of right-of-use assets is as follows:

	Land	Buildings	Plant and equipment	Vehicles	Total
Cost					
Balance as at January 1, 2021	859,556	4,146,278	25	78,654	5,084,513
Acquisition through Business combination (Note 7)	--	26,194	7,112	10,266	43,572
Addition during the year	3,639	171,201	--	10,034	184,874
Leases termination / modification	(17,388)	(268,632)	--	(1,056)	(287,076)
Effect of movement in exchange rate / other adjustments	374	(1,491)	(24)	(2,656)	(3,797)
Balance at December 31, 2021	846,181	4,073,550	7,113	95,242	5,022,086
Balance as at January 1, 2022	**846,181**	**4,073,550**	**7,113**	**95,242**	**5,022,086**
Assets held for sale (Note 21)	--	--	--	**(4,463)**	**(4,463)**
Addition during the year	**282,274**	**57,505**	**11**	**9,653**	**349,443**
Leases termination / modification	**(93,564)**	**73,264**	--	**(2,461)**	**(22,761)**
Effect of movement in exchange rate / other adjustments	**(8,755)**	**(5,538)**	**(21)**	**(1,578)**	**(15,892)**
Balance at December 31, 2022	**1,026,136**	**4,198,781**	**7,103**	**96,393**	**5,328,413**
Accumulated Depreciation					
Balance at January 1, 2021	(134,380)	(1,006,761)	(1)	(31,243)	(1,172,385)
Acquisition through Business combination (Note 7)	--	(6,923)	(1,246)	(3,987)	(12,156)
Depreciation for the year	(66,911)	(409,198)	(123)	(19,717)	(495,949)
Leases termination / modification	5,360	90,158	--	713	96,231
Impairment loss (Note 37)	--	(127,409)	--	--	(127,409)
Effect of movement in exchange rate / other adjustments	(65)	560	10	2,304	2,809
Balance at December 31, 2021	(195,996)	(1,459,573)	(1,360)	(51,930)	(1,708,859)
Balance at January 1, 2022	**(195,996)**	**(1,459,573)**	**(1,360)**	**(51,930)**	**(1,708,859)**
Assets held for sale (Note 21)	--	--	--	**2,847**	**2,847**
Depreciation for the year	**(360,201)**	**(98,737)**	**(517)**	**(19,551)**	**(479,006)**
Leases termination / modification	**44,667**	**(15,057)**	--	**439**	**30,049**
Impairment reversal (Note 37)	**37,807**	--	--	--	**37,807**
Effect of movement in exchange rate / other adjustments	**1,969**	**2,697**	**12**	**1,040**	**5,718**
Balance at December 31, 2022	**(471,754)**	**(1,570,670)**	**(1,865)**	**(67,155)**	**(2,111,444)**
Carrying amounts					
December 31, 2021	650,185	2,613,977	5,753	43,312	3,313,227
December 31, 2022	**554,382**	**2,628,111**	**5,238**	**29,238**	**3,216,969**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. INTANGIBLE ASSETS AND GOODWILL

6.1 The movement of intangible assets and goodwill is as follows:

	Goodwill	Brands with indefinite useful life	Software	Customer list	Distribution network	Total
Cost						
Balance as at January 1, 2021	486,835	252,271	279,830	75,611	8,480	1,103,027
Acquisition through Business combination (Note 7)	510,555	321,800	1,900	54,700	--	888,955
Additions	--	--	117,786	--	--	117,786
Disposals / write-off	--	--	(8,488)	--	--	(8,488)
Effect of movement in exchange rate	(8,414)	--	(1,423)	--	--	(9,837)
Balance at December 31, 2021	988,976	574,071	389,605	130,311	8,480	2,091,443
Balance as at January 1, 2022	**988,976**	**574,071**	**389,605**	**130,311**	**8,480**	**2,091,443**
Additions	--	--	**40,014**	--	--	**40,014**
Reclassification from Property, plant and equipment (Note 4)	--	--	**17,969**	--	--	**17,969**
Disposals / write-off	--	--	**(23,880)**	--	--	**(23,880)**
Effect of movement in exchange rate	**(44,077)**	--	**(2,241)**	--	--	**(46,318)**
Adjustments under PPA (Note 7)	**54,000**	**(93,800)**	--	**39,800**	--	--
Balance at December 31, 2022	**998,899**	**480,271**	**421,467**	**170,111**	**8,480**	**2,079,228**
Accumulated Depreciation						
Balance at January 1, 2021	--	--	(188,177)	(2,701)	(339)	(191,217)
Acquisition through Business combination (Note 7)	--	--	(1,016)	--	--	(1,016)
Amortisation for the year	--	--	(19,491)	(2,701)	(339)	(22,531)
Disposals / write-off	--	--	5,388	--	--	5,388
Impairment loss (Note 37)	(13,162)	--	(12,620)	--	--	(25,782)
Effect of movement in exchange rate	--	--	1,551	--	--	1,551
Balance at December 31, 2021	(13,162)	--	(214,365)	(5,402)	(678)	(233,607)
Balance at January 1, 2022	**(13,162)**	--	**(214,365)**	**(5,402)**	**(678)**	**(233,607)**
Amortisation for the year	--	--	**(26,195)**	**(12,302)**	**(339)**	**(38,836)**
Disposals / write-off	--	--	**543**	--	--	**543**
(Impairment) / reversal during the year (Note 37)	**(12,711)**	--	**1,473**	--	--	**(11,238)**
Effect of movement in exchange rate	--	--	**1,349**	--	--	**1,349**
Balance at December 31, 2022	**(25,873)**	--	**(237,195)**	**(17,704)**	**(1,017)**	**(281,789)**
Carrying amounts						
December 31, 2021	975,814	574,071	175,240	124,909	7,802	1,857,836
December 31, 2022	**973,026**	**480,271**	**184,272**	**152,407**	**7,463**	**1,797,439**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. INTANGIBLE ASSETS AND GOODWILL (continued)

6.2 The carrying values of goodwill, after foreign currency translation adjustments, comprises the following:

	December 31, 2022	December 31, 2021
Bayara Holding Limited (Note 7)	**530,721**	476,721
Savola Industrial Investment Company	**145,664**	145,664
Giant Stores Trading Company	**95,209**	95,209
Afia International Company	**84,016**	84,016
El Maleka for Food Industries Company	**43,922**	69,020
Herfy Foods Services Company	**25,330**	25,330
Afia International Company, Egypt	**17,991**	28,271
United Sugar Company	**14,912**	14,912
KUGU Gida Yatum Ve Ticaret A.S	**7,554**	10,868
Atabet Al Bab Communications and Information Technology LLC (Note 37)	**--**	12,711
Seafood International HoldCo	**3,341**	7,961
Notrika Golden Wheat Company	**2,370**	2,786
Behshahr Industrial Company	**1,996**	2,345
	973,026	975,814

The Group has reviewed the carrying amounts of goodwill to determine whether the carrying values exceeds the recoverable amounts. For the impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows based on 5 year management's approved plan, discounted to their present value using the growth rates, applicable discount rates and a terminal value percentages. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below:

The calculation of value-in-use is most sensitive to the following assumptions:

a) Discount rates

Discount rates reflect management estimates of the rate of return required for each business. The management has used the Weighted Average Cost of Capital (WACC) to determine the cost of capital rate. The cost of equity has been computed through the Capital Asset Pricing Model.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. INTANGIBLE ASSETS AND GOODWILL (continued)

a) Discount rates (continued)

The following discount rates have been used which are based on the WACC of respective CGUs:

	Discount Rate %		Terminal growth rate %	
	2022	2021	**2022**	2021
Savola Industrial Investment Company	**10.5**	7.3	**4.6**	2.0
United Sugar Company	**10.5**	7.3	**4.6**	2.0
Afia International Company	**12.5**	7.3	**3.6**	2.0
El Maleka for Food Industries Company	**17.5**	13.6	**7.7**	3.5
KUGU Gida Yatum Ve Ticaret A.S.	**20.5**	20.4	**9.0**	12.9
Afia International Company Egypt	**21.5**	14.0	**5.3**	3.5
Notrika Golden Wheat Company	**32.5**	39.9	**21.7**	18.0
Beshar Industrial Company	**34.5**	29.8	**21.7**	18.0
Seafood International HoldCo	**29.5**	--	**21.7**	--
Bayara Holding Limited	**12.2**	--	**4.3**	--
Giant Stores Trading Company	**12.3**	10.0	**2.0**	2.0

b) Key commercial assumptions

The valuation is based on the key commercial assumptions that revenue forecast and contribution margins in the products of the CGUs would be achieved.

As at December 31, 2022, there was headroom available aggregating to SR 3,853.3 million (2021: SR 4,247.6 million) between the recoverable amount and the carrying value of above CGUs, therefore, no impairment loss was recognised in these consolidated financial statements.

The following table shows the key mutually exclusive assumptions that would reduce the estimated recoverable values to the carrying amounts:

	Discount rate %	**Average EBITDA growth rate %**
SIIC / United Sugar Company	**11.8**	**(3.6)**
Afia International Company	**34.9**	**(13.9)**
El Maleka for Food Industries Company	**20.3**	**(2.4)**
KUGU Gida Yatum Ve Ticaret A.S.	**22.4**	**0.1**
Afia International Company Egypt	**34.4**	**11.4**
Notrika Golden Wheat Company	**--**	**(36.2)**
Beshar Industrial Company	**36.4**	**9.3**
Sahel (Seafood)	**35.6**	**29.2**
Bayara Holding Company	**13.1**	**43.5**
Giant Stores Trading Company	**30.7**	**3.2**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

7. ACQUISITION OF SUBSIDIARIES

Bayara Holding Limited

During the year 2021, the Group through its 100% owned subsidiary Snacking and Ingredients Food Holding Company Limited (SIFCO) acquired 100% shares of Bayara Holding Limited, in accordance with the terms and conditions of Share Purchase Agreement (SPA) for a cash consideration of SR 975 million. The related formalities were completed on October 13, 2021.

The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations, and accordingly, the assets acquired and liabilities assumed are recorded at estimated fair vales at the acquisition date.

The determination of estimated fair values required management to make certain estimates about future cashflows, discount rates, market conditions and future events that are subjective in nature and may require adjustments which can be revisited for up to a year following its acquisition. The net assets of Bayara based on an initial estimate of respective fair values as of October 13, 2021 is presented below:

	October 13, 2021
Property, plant and equipment	**37,165**
Intangible assets	**884**
Right-of-use assets	**31,416**
Inventories	**72,490**
Trade receivables – net	**88,014**
Prepayments and other receivables	**5,032**
Cash and bank balances	**8,455**
Lease liabilities	**(31,941)**
Loans and borrowings	**(21,992)**
Employee benefits	**(10,488)**
Trade payables and other liabilities	**(56,996)**
Total identifiable net assets acquired	**122,039**

The completion of the purchase price allocation (PPA) and valuation exercise was completed within twelve months from the acquisition date, which resulted in the following adjustments to previously reported amounts. These have been adjusted in the current period financial statements as follows:

	Provisional purchase price allocation	**Adjustment**	**Final purchase price allocation**
Consideration transferred	975,260	--	**975,260**
Less: Fair value of identifiable net assets acquired	(122,039)	--	**(122,039)**
Less: Brands	(321,800)	93,800	**(228,000)**
Less: Customer List	(54,700)	(39,800)	**(94,500)**
Goodwill	476,721	54,000	**530,721**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

8. INVESTMENT PROPERTY

	2022	2021
Cost		
Balance at beginning of year	**119,199**	114,998
Additions	**572**	4,201
Transfer from Property, plant and equipment (Note 4)	**113,838**	--
Balance at end of year	**233,609**	119,199
Accumulated depreciation and impairment		
Balance at beginning of year	**(51,059)**	(46,204)
Depreciation during the year	**(5,720)**	(4,855)
Balance at end of year	**(56,779)**	(51,059)
Carrying amounts	**176,830**	68,140

8.1 During the year, an amount of SR 113.8 million was reclassified from property, plant and equipment related to one of the subsidiaries, due to change in management's intended use of the property.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

9. EQUITY-ACCOUNTED INVESTEES

The details of the Group's investment in equity-accounted investees are as follows:

Name	Principal business sector	Country of incorporation	Ownership interest (%) 2022	Ownership interest (%) 2021	December 31, 2022	December 31, 2021
Almarai Company ("Almarai")	Fresh food products	Saudi Arabia	**34.52**	34.52	**8,387,491**	8,293,365
Kinan International for Real Estate Development Company ("Kinan")	Real Estate	Saudi Arabia	**29.9**	29.9	**356,764**	287,612
United Sugar Company, Egypt ("USCE") (Note 9.5)	Sugar Manufacturing	Egypt	**33.82**	33.82	**185,345**	227,690
Al-Seera City Company for Real Estate Development (Note 10.5)	Real Estate	Saudi Arabia	**--**	40	**--**	143,911
United Edible Oils Holding Limited (Note 21)	Holding Company	Cayman Islands	**--**	51	**--**	4,724
Intaj Capital Limited ("Intaj")	Fund management	Republic of Tunisia	**49**	49	**13,046**	13,046
Knowledge Economic City Developers Company (Note 10.5)	Real Estate	Saudi Arabia	**--**	2.07	**--**	15,888
					8,942,646	8,986,236

9.1 Movement in the investment in equity-accounted investees is as follows:

	2022	2021
Balance at beginning of year	**8,986,236**	9,054,136
Share in net income, net	**660,581**	557,066
Fair value reserve adjustment	**(175,507)**	(60,408)
Capital distribution from equity accounted investee	**--**	(147,704)
Dividends	**(356,827)**	(351,549)
Impairment loss (Note 9.5)	**(16,917)**	(58,825)
Disposal	**(154,920)**	(6,480)
Balance at end of year	**8,942,646**	8,986,236

(Expressed in thousands of Saudi Riyal unless otherwise stated)

9. EQUITY-ACCOUNTED INVESTEES (continued)

9.2 The following table summarizes the financial information of significant equity-accounted investees:

	Almarai		Kinan		USCE	
	2022	2021	**2022**	2021	**2022**	2021
Percentage ownership interest	**34.52**	34.52	**29.9**	29.9	**33.82**	33.82
Non-current assets	**23,947,662**	24,652,117	**2,221,683**	2,044,746	**255,521**	261,152
Current assets	**8,126,308**	7,102,185	**743,746**	784,311	**894,257**	837,787
Non-current liabilities	**10,007,653**	8,511,844	**559,891**	794,423	**11,678**	19,030
Current liabilities	**5,083,452**	6,624,045	**422,255**	289,892	**569,198**	449,340
Net assets attributable to shareholders (100%)	**16,671,360**	16,119,494	**1,749,895**	1,518,618	**568,902**	630,569
Group's share of net assets	**5,754,953**	5,564,449	**523,219**	454,067	**192,403**	213,258
Carrying amount of interest in associates	**8,387,491**	8,293,365	**356,764**	287,612	**185,345**	227,690
Revenue	**18,722,258**	15,849,720	**647,846**	625,707	**1,774,224**	1,528,424
Profit / (loss) from continuing operations attributable to shareholders (100%)	**1,759,812**	1,563,543	**272,704**	178,511	**(43,161)**	12,838
Other comprehensive income / (loss) attributable to shareholders (100%)	**(74,451)**	(92,502)	**(2,602)**	(830)	**(18,506)**	1,169
Total comprehensive income attributable to shareholders	**1,685,361**	1,471,041	**270,102**	177,681	**(61,667)**	14,007
Group's share of profit and total comprehensive income	**439,345**	474,531	**80,761**	53,134	**(25,321)**	5,664
Dividends received by the Group	**345,218**	345,218	**11,609**	6,331	**--**	--

9.3 As at December 31, 2022, the fair value of Almarai based on quoted market price amounted to SR 18.5 billion (December 31, 2021: SR 16.8 billion).

9.4 Group also has interest in other equity-accounted investees. With an aggregate carrying value of SR 13.0 million (December 31, 2021: SR 177.6 million). The Company's share of losses from these entities amounted to SR 9.6 million (December 31, 2021: SR 36.7 million).

(Expressed in thousands of Saudi Riyal unless otherwise stated)

9. EQUITY-ACCOUNTED INVESTEES (continued)

9.5 During the year ended December 31, 2022, the Group has assessed the carrying value of its investment in USCE and recorded an impairment loss amounting to SR 16.9 million (December 31, 2021: SR 58.8 million). The fair value is assessed using income approach under "IFRS 13 – Fair value measurement".

The significant assumptions used in calculating the fair value at the reporting date are as follows:

EBITDA margin	A 3.9% average positive EBITDA margin is expected during FY23-FY27
Long term growth rate	4.1%
Discount rate	13.5%

- If forecast EBITDA margins decrease by 25bps (average 3.65% over FY23-FY27), the value will decline by SR 30 million.
- If the discount rate increases by 50 bps, the value will decline by SR 16.9 million: and
- If the long-term rate growth rate decreases by 25 bps, the value will decline by SR 4.7 million.

9.6 United Edible Oils Holding Limited loss has exceeded its cost of investment during the year. Further the amount has been included in liabilities classified as held for sale amounting to SR 3.07 million for the year ended December 31, 2022 (Refer note 21).

10. INVESTMENTS

Investments at December 31 comprise the following:

	December 31, 2022	December 31, 2021
Investments held at fair value through other comprehensive income (note 10.1)	**104,428**	475,425
Investments at fair value through profit or loss	**43,448**	27,069

10.1 Investments held at fair value through other comprehensive income:

	December 31, 2022	December 31, 2021
Quoted investments (Note 10.2)	**55,871**	395,884
Unquoted investments	**48,557**	79,541
	104,428	475,425

(Expressed in thousands of Saudi Riyal unless otherwise stated)

10. INVESTMENTS (continued)

10.2 Quoted Investments at fair value through other comprehensive income

	Principal business sector	Country of incorporation	Ownership interest (%) December		Amount December	
			31, 2022	31, 2021	**31, 2022**	31, 2021
Quoted investments						
Knowledge Economic City (Refer Note 10.5 below)	Real Estate	Saudi Arabia	**--**	6.4	**--**	315,896
Emaar the Economic City	Real Estate	Saudi Arabia	**0.9**	0.9	**55,871**	79,988
Arab Phoenix Holdings Company	Real Estate	Jordan	**5**	5	**--**	--
					55,871	395,884

10.3 Movement in the FVOCI investments is as follows:

	2022	2021
Balance at beginning of year	**475,425**	387,196
Additions during the year	**28,140**	37,509
Disposal (Note 10.5)	**(256,296)**	--
Fair value reserves adjustment (Note 17)	**(142,841)**	50,720
Balance at end of year	**104,428**	475,425

10.4 The Group has applied an appropriate market participant discount factor in valuing its quoted investment due to the security-specific restrictions on disposal. Accordingly, the investment has been classified as level 2 securities.

10.5 During the year, Seera entered into an agreement with its shareholders to return Seera's investment in KECD to its shareholders in proportion to each shareholder's relative ownership in Seera. Accordingly, the Group's investment in Seera was replaced with a direct investment in KECD and consequently, the Group's direct ownership in KECD increased from 2.07% to 20.72%. Legal formalities for the fulfilment of this agreement were completed on May 30, 2022.

As part of the Group's continued focus on exiting from non-core assets, on August 10, 2022, the Group entered into an agreement with Taiba Investment Company for sale of its investments in Knowledge Economic City Company (KEC) and Knowledge Economic City Developers Company Limited (KECD). The sale transaction was completed on December 29, 2022 and generated cash proceeds amounting to SR 459 million, resulting in a gain of SR 39 million (related to KEC), recorded in the Consolidated Statement of Other Comprehensive Income, and a gain of SR 41.9 million (related to KECD), recorded in the Consolidated Statement of Profit or Loss.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

11. INVENTORIES

	December 31, 2022	December 31, 2021
Finished products	**2,046,971**	1,770,393
Raw and packing materials	**1,859,009**	1,266,437
Work in process	**88,777**	48,385
Spare parts and supplies	**236,694**	198,113
Goods in transit	**601,246**	491,900
	4,832,697	3,775,228
Less: Provision for obsolescence / slow moving inventories	**(195,673)**	(173,545)
	4,637,024	3,601,683

Inventories have been reduced by SR 177.9 million (December 31, 2021: SR 154.8 million) as a result of the write-down to net realizable value.

Raw materials include raw sugar having cost of SR 98.6 million (December 31, 2021: SR 130.6 million) which are held under a fair value hedge relationship. As at December 31, 2022, the fair value of these raw sugar amounts to SR 107.7 million (December 31, 2021: SR 128.4 million).

12. TRADE RECEIVABLES

	December 31, 2022	December 31, 2021
Trade receivables	**1,810,109**	1,745,154
Less: Allowance for expected credit losses	**(166,072)**	(150,365)
	1,644,037	1,594,789
Due from related parties (Note 30)	**14,356**	11,846
	1,658,393	1,606,635

Following is the movement of allowance for expected credit losses:

	2022	2021
Balance at beginning of year	**150,365**	140,092
Acquisition through Business Combination	**--**	2,361
Transfer to assets classified as held for sale	**(7,294)**	--
Impairment loss for the year, net	**38,790**	16,714
Reversals	**(5,992)**	(1,492)
Currency translation	**(9,797)**	(7,310)
Balance at end of year	**166,072**	150,365

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. PREPAYMENTS AND OTHER RECEIVABLES

	Note	**December 31, 2022**	December 31, 2021
Advances to vendors		**452,344**	357,328
Receivable from government authorities	13.1	**394,602**	325,790
Prepaid expenses		**244,468**	230,977
Positive fair value of derivatives	13.3	**73,222**	116,905
Employee loans and advances		**65,911**	43,061
Non-trade receivable	13.2	**43,909**	43,909
Unclaimed dividends		**36,761**	36,867
Due from related parties	30	**31,732**	27,947
Prepaid rent		**19,821**	29,603
Change in fair value of hedged item		**6,945**	8,548
Refundable deposits		**5,709**	5,954
Others		**117,188**	104,229
		1,492,612	1,331,118

13.1 Receivable from government authorities mainly includes claims of certain subsidiaries on account of subsidies, value added and other taxes.

13.2 This represents non-trade related balances with affiliates of a subsidiary.

13.3 Derivatives:

	December 31, 2022	December 31, 2021
Derivatives – current assets		
Future exchange commodity contracts	**73,222**	116,905
Derivatives		
Call option (Note ‘a’)	**25**	2,493
Derivatives – current liabilities		
Future exchange commodity contracts	**116,701**	32,235
Derivatives		
Put option (Note ‘b’)	**186,274**	164,220

In the ordinary course of business, the Group utilizes the following derivative financial instruments for both hedging and other purposes:

(a) Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. PREPAYMENTS AND OTHER RECEIVABLES (continued)

13.3 Derivatives (continued):

(b) Futures

Futures are contractual agreements to either buy or sell a specified commodity or financial instrument at a specified price and date in the future. Futures are transacted in standardized amounts on regulated exchanges.

SFC entered into call and put option agreement with European Bank for Reconstruction and Development ("EBRD") during March 2016, in relation to transaction for disposal of stake in USCE. As per the agreement, the option can be exercised as follows:

The agreement contains Put and Call options option, which entitles EBRD to sell USCE shares to the former shareholders at the agreed price during the period stipulated in the agreement. As per the agreement, the option can be exercised as follows:

- Call option: SFC has the right to deliver a call notice to EBRD to purchase all the shares held by EBRD in USCE from the fourth anniversary of the subscription date and ending 6.5 years after the subscription date; and

- Put option: EBRD has the right to deliver a put notice to SFC to sell all the shares held by EBRD in USCE commencing on 1 July and ending on the seventh anniversary of the subscription date.

- On February 22, 2023, the Company has signed an addendum with EBRD where the right to exercise call option has ended.

Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the valuation of derivative financial instruments by the amounts shown below:

	2022			
	Fair Value 5%		Risk free rate 20 bps	
	Increase	Decrease	Increase	Decrease
Call Option	**23**	**(13)**	**--**	**--**
Put Option	**(7,651)**	**7,733**	**(648)**	**649**

13.4 Derivatives held for other purposes

Derivatives used for other purposes is for positioning, arbitrage and short-term profit making purposes.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. PREPAYMENTS AND OTHER RECEIVABLES (continued)

13.5 Derivatives held for hedging purposes (continued)

The Group has adopted a comprehensive system for the measurement and management of risk (see note 39 - credit risk, market risk and liquidity risk). Part of the risk management process involves managing the Group's exposure to fluctuations in inventory prices and interest rates to reduce its exposure to inventory and interest rate risks to acceptable levels as determined by the Board of Directors.

The Board of Directors have established levels of inventory risk by setting limits on counterparty and commodity derivative exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. The Board of Directors established the level of interest rate risk by setting limits on interest rate gaps for stipulated periods.

The Group uses commodity futures to hedge against inventory price risk on raw sugar, the fair value risk on the firm commitments for sale of refined sugar and the forecast transactions. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument, are documented and the transactions are accounted for as fair value hedge.

December 31, 2022	**Positive fair value**	**Negative fair value**	**Notional amount**	**Notional amount by term to maturity** Within 3 months	3-12 months	1-5 years	Over 5 years
Held as fair value hedge							
Commodity futures	**41,099**	**23,003**	**565,475**	**453,009**	**112,376**	**--**	**--**
Held as cash flow hedge							
Commodity futures	**32,123**	**40,239**	**1,174,515**	**580,666**	**594,450**	**--**	**--**
Held as others							
Commodity futures	**--**	**(53,459)**	**454,411**	**--**	**454,411**	**--**	**--**
Call options	**25**	**--**	**25**	**--**	**25**	**--**	**--**
Put Option	**--**	**186,274**	**186,274**	**--**	**186,274**	**--**	**--**

December 31, 2021	Positive fair value	Negative fair value	Notional amount	Notional amount by term to maturity Within 3 months	3-12 months	1-5 years	Over 5 years
Held as fair value hedge							
Commodity futures	39,391	11,638	731,980	469,448	177,204	85,328	--
Held as cash flow hedge							
Commodity futures	16,908	14,840	685,187	312,960	307,461	64,766	--
Held as others							
Commodity futures	60,607	5,761	1,009,486	1,009,486	--	--	--
Call options	2,493	--	2,493	--	--	2,493	--
Put Option	--	164,220	164,220	--	--	164,220	--

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. PREPAYMENTS AND OTHER RECEIVABLES (continued)

13.5 Derivatives held for hedging purposes (continued)

All of the Group's Commodity derivatives are entered into with the global commodity exchanges and are mainly carried out by SFC’s commodity risk control function.

The Group is exposed to variability in future special commission cash flows on sukuks that carries interest at a variable rate.

Movements in the other reserve of cash flow hedges:

	2022	2021
Balance at beginning of year	**(2,493)**	4,019
Gain on changes in fair value recognized directly in equity, net	**(3,174)**	(6,512)
Balance at end of year	**(5,667)**	(2,493)

14. CASH AND BANK BALANCES

	December 31, 2022	December 31, 2021
Cash in hand	**24,441**	32,530
Cash at bank- current account	**766,342**	748,208
Term deposits (Note 14.1)	**644,769**	594,052
Cash and bank balances	**1,435,552**	1,374,790
Deposits with original maturity of more than three months	**(623,074)**	(587,354)
Bank overdrafts	**(211,719)**	(268,606)
Cash and cash equivalents for cash flow purposes	**600,759**	518,830

14.1 Term deposits are held by commercial banks and yield commission income at prevailing market rates.

15. SHARE CAPITAL AND DIVIDEND DECLARATION

At December 31, 2022 and December 31, 2021, the Group’s share capital of SR 5.3 billion consists of 533.981 million fully paid shares of SR 10 each.

On May 16, 2022, the Company’s shareholders in their Extraordinary General Assembly Meeting approved dividends amounting to SR 106.80 million representing Saudi Riyal 0.20 per share for the year ended 31 December 2021.

Subsequent to year end, the Company’s Board of Directors have recommended final dividend amounting to SR 352.4 million representing Saudi Riyal 0.66 per share for the approval by the shareholders.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

16. STATUTORY RESERVE

In accordance with the Company's bylaws, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. Since the Company has reached the required reserve level, therefore, no additional transfers are required to be made as at year end.

The statutory reserve in the consolidated financial statements is the statutory reserve of the Company. This reserve currently is not available for distribution to the shareholders of the Company.

17. OTHER RESERVES

Other reserves include share of reserve of equity-accounted investees, FVOCI investments and cash flow hedge. Movement in fair value reserve is as follows:

	Note	**2022**	2021
Balance at beginning of year		**(104,866)**	(94,585)
Share in changes in other reserve of associates		**(172,973)**	(60,478)
Fair value adjustment from FVOCI investments	10	**(142,841)**	50,720
Fair value adjustment from derivative financial instruments relating to cash flow hedge	13	**(3,174)**	(6,512)
Charge for equity-settled employees' share based payment plan		**10,219**	5,989
Transfer of fair value reserve of investments designated at FVOCI	10.5	**(39,096)**	--
Balance at end of year		**(452,731)**	(104,866)

18. SHARE BASED PAYMENT

On April 29, 2020, the shareholders of the Company approved the Employees Long Term Incentive Program ("Plan") for the benefit of certain eligible senior executives of the Group (the "Participants"). The Plan entitles the Participants a conditional right to receive a number of restricted share units (each unit equal to the value of one share of the Company at the Grant date), following the satisfaction of service condition.

Significant features of the Plan are as follows:

Grant date	**Total number of shares granted**	**Service / vesting period**	**Fair value per share on grant date**
September 10, 2022	**645,549**	**3 years**	**SR 31.2**
September 10, 2021	403,647	3 years	SR 39.25
September 10, 2020	341,675	3 years	SR 49.0

Fair value per share on grant date is the closing price per share on Tadawul as at the grant date.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

18. SHARE BASED PAYMENT (continued)

The total expense recognised for employees' services received during the year ended December 31, 2022 under the Plan amounted to SR 10.3 million (December 31, 2021: SR 6.0 million) and is included in ‘salaries and employee related expenses’ with a corresponding increase in the consolidated statement of changes in equity under the ‘Other reserves’.

On April 28, 2021, the Company’s shareholders in their Extraordinary General Assembly Meeting approved buy-back of 1,200,000 treasury shares under the Employees Long Term Incentive Program (LTIP) for the executives of Savola Group and its subsidiaries.

During the year ended December 31, 2022, the Group purchased 637,955 (December 31, 2021: 349,076) treasury shares amounting to SR 21.4 million (December 31, 2021: SR 13.9 million) in connection with the Plan. This includes shares funded by certain subsidiaries that are held by the Company in fiduciary capacity until vesting.

As at December 31, 2022, the number of shares to be vested are 1,166,407 (December 31, 2021: 634,086), after forfeiture of 205,705 shares (December 31, 2021: 111,236 shares) due to the non-completion of service condition of certain employees.

19. NON–CONTROLLING INTERESTS

The following table summarizes the information relating to each of the Group’s significant subsidiaries that has Non-Controlling Interests (“NCI”), before any intra group eliminations:

December 31, 2022	SFC	Panda	Herfy	Matoun	GFC
Non-current assets	**3,709,695**	**4,905,408**	**1,597,110**	**282,284**	**504,076**
Current assets	**6,806,802**	**1,716,273**	**397,390**	**16,263**	**471,153**
Non-current liabilities	**1,670,856**	**2,806,901**	**651,252**	**81,075**	**611,465**
Current liabilities	**6,421,987**	**3,582,985**	**286,695**	**43,513**	**115,229**
Net assets (100%)	**2,423,654**	**231,795**	**1,056,553**	**173,959**	**248,535**
Carrying amount of NCI	**321,418**	**--**	**--**	**--**	**194,121**
Revenue	**16,440,803**	**10,114,010**	**1,243,838**	**27,335**	**670,009**
Profit	**499,732**	**(158,171)**	**(1,064)**	**(439)**	**23,168**
Other Comprehensive Income (“OCI”)	**(191,089)**	**--**	**9,408**	**--**	**(2,991)**
Total comprehensive income (100%)	**308,643**	**(158,171)**	**8,344**	**(439)**	**20,177**
Profit allocated to NCI	**94,838**	**--**	**--**	**--**	**30,285**
OCI allocated to NCI	**81,106**	**--**	**--**	**--**	**(1,466)**
Cash flow from operating activities	**446,347**	**620,370**	**250,790**	**13,985**	**(55,476)**
Cash flow from investing activities	**(293,145)**	**(419,633)**	**(129,815)**	**--**	**(12,428)**
Cash flow from financing activities	**228,487**	**(185,724)**	**(131,164)**	**(13,985)**	**(28,222)**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

19. NON–CONTROLLING INTERESTS (continued)

December 31, 2021	SFC	Panda	Herfy	Matoun	GFC
Non-current assets	3,909,791	4,851,343	1,529,382	292,345	515,507
Current assets	5,617,848	1,516,415	316,014	4,640	462,401
Non-current liabilities	1,813,003	3,058,955	574,771	80,367	615,184
Current liabilities	5,315,065	2,959,969	222,417	42,221	105,785
Net assets (100%)	2,399,571	348,834	1,048,208	174,397	256,939
Carrying amount of NCI	274,874	--	--	--	194,167
Revenue	12,630,122	10,476,124	1,313,856	27,545	642,944
Profit	375,441	(586,667)	160,837	(45)	72,095
Other Comprehensive Income (“OCI”)	81,282	(12,208)	(7,343)	--	(3,474)
Total comprehensive income (100%)	456,723	(598,875)	153,494	(45)	68,621
Profit allocated to NCI	59,889	--	--	--	39,519
OCI allocated to NCI	20,616	--	--	--	(1,702)
Cash flow from operating activities	(10,533)	683,033	284,729	38,926	172,520
Cash flow from investing activities	(1,125,841)	(217,204)	(75,388)	--	(13,955)
Cash flow from financing activities	1,168,377	(477,187)	(297,786)	(38,926)	(117,894)

20. LOANS AND BORROWINGS

The following information reflects the contractual terms of the Group’s interest-bearing loans and borrowings, which are measured at amortised cost:

	December 31, 2022	December 31, 2021
Non-current liabilities		
Secured bank loans	**14,845**	69,986
Unsecured bond issues (Sukuk) (Note 20.2)	**1,000,000**	1,000,000
Unsecured bank loans	**3,067,368**	4,066,654
	4,082,213	5,136,640
Current liabilities		
Current portion of secured bank loans	**29,691**	54,311
Current portion of unsecured bank loans	**415,886**	477,595
Secured bank loans	**141,873**	157,636
Unsecured bank loans	**3,263,214**	2,366,365
Bank overdrafts	**211,719**	268,606
	4,062,383	3,324,513
	8,144,596	8,461,153

(Expressed in thousands of Saudi Riyal unless otherwise stated)

20. LOANS AND BOROWINGS (continued)

Geographical analysis of loans and borrowings is as follows:

Location	Long term loans		Short term Loan		Total loans and borrowings	
	2022	2021	**2022**	2021	**2022**	2021
Saudi Arabia	**4,407,113**	5,516,528	**2,108,001**	1,315,000	**6,515,114**	6,831,528
Egypt	**120,677**	152,018	**286,053**	531,027	**406,730**	683,045
Algeria	**--**	--	**253,807**	263,709	**253,807**	263,709
Turkey	**--**	--	**245,230**	235,864	**245,230**	235,864
Iran	**--**	--	**492,501**	202,611	**492,501**	202,611
Morocco	**--**	--	**--**	119,710	**--**	119,710
UAE	**--**	--	**115,085**	71,065	**115,085**	71,065
Sudan	**--**	--	**116,129**	53,621	**116,129**	53,621
	4,527,790	5,668,546	**3,616,806**	2,792,607	**8,144,596**	8,461,153

20.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its subsidiaries. These borrowings are in Saudi Riyals, Egyptian Pounds, Iranian Riyals, US Dollars, Algerian Dinar, Moroccan Dirham, Turkish Lira, United Arab Emirates Dirhams and Sudanese Pounds. Certain of these borrowings are secured by a charge on the property, plant and equipment of certain overseas subsidiaries. Certain loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the borrowings of subsidiaries are secured by corporate guarantees of the Parent Company. As at December 31, 2022, loans and borrowings include sharia-compliant financing facilities amounting to SR 7.2 billion (December 31, 2021: SR 7.1 billion).

20.2 On July 9, 2019, the Group completed the offering of Sukuk, under the new program, with a total value of SR 1 billion with a tenor of 7 years and carrying an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.60% payable semi-annually. The Sukuk will mature on July 9, 2026. The issuance included SR 507 million of the previous Sukuk, that have been redeemed and exchanged to new program.

20.3 Property, plant and equipment amounting to SR 147.5 million (December 31, 2021: SR 133 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.

20.4 Inventories amounting to SR 74.3 million (December 31, 2021: SR 93 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

21. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During the current year, the Group decided to divest its interest in Savola Morocco Company and United Edible Oils Holding Limited which are presented as 'held for sale'.

	Note	Assets held for sale	Liabilities held for sale
Savola Morocco Company	21.1	**186,910**	**162,635**
United Edible Oils Holding Limited	9.6	**--**	**3,074**
		186,910	**165,709**

21.1 The Group signed a Share Purchase Agreement (SPA) dated November 10, 2022 to sell the Company's interest in Savola Morocco Company. Subsequent to the year end, the shares of Savola Morocco were transferred to the buyer on 24 February 2023, however, the consideration thereagainst is yet to be received. Details of assets and liabilities held for sale as at December 31, are as follows:

	2022
Assets classified as held for sale	
Property plant and equipment	**34,743**
Right-of-use assets	**1,616**
Deferred tax assets	**441**
Inventories	**40,779**
Trade receivables	**53,202**
Prepayments and other receivables	**56,129**
	186,910
Liabilities classified as held for sale	
Loans and borrowings	**113,965**
Lease liabilities	**1,669**
Trade payables	**23,086**
Accrued and other liabilities	**23,915**
	162,635

The net loss relating to these business disposal groups amounted to SR 12.3 million for the year ended December 31, 2022.

22. LEASE LIABILITIES

	2022	2021
Balance at beginning of year	**3,856,998**	4,366,013
Acquisition through Business Combination	**--**	31,941
Transfer to liabilities classified as held for sale (Note 21)	**(1,669)**	--
Addition during the year	**349,218**	184,875
Lease terminated / modified during the year	**(43,742)**	(296,671)
Interest expense for the year (Note 38)	**253,881**	222,946
Payments during the year	**(677,348)**	(648,909)
Currency translation	**(14,618)**	(3,197)
Balance at end of year	**3,722,720**	3,856,998

(Expressed in thousands of Saudi Riyal unless otherwise stated)

22. LEASE LIABILITIES (continued)

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

	December 31, 2022	December 31, 2021
Lease liabilities – non-current portion	**3,156,281**	3,288,518
Lease liabilities – current portion	**566,439**	568,480
	3,722,720	3,856,998

22.2 During the year 2022, one of the Group's subsidiaries ("Herfy" or "the Subsidiary") reassessed the accounting treatment for certain leases and other transactions / balances recorded in the Subsidiary's financial statements in the prior periods. The impact of these adjustments as at December 31, 2021 on right of use assets is SR 109 million (January 1, 2021: SR 125 million), lease liabilities is SR 102 million (January 1, 2021: SR 111 million) along with certain other adjustments. The Group's management believes that the impact of such adjustments is not material to the consolidated financial statements of the Group and accordingly have been corrected in the current year.

23. EMPLOYEE BENEFITS

General Description of the plan

The Group operates an approved unfunded employees' end of service benefits scheme / plan for its permanent employees as required by the Saudi Arabian Labour law and in accordance with the local statutory requirements of the foreign subsidiaries.

The amount recognized in the consolidated statement of financial position is determined as follows:

	December 31, 2022	December 31, 2021
Present value of defined benefit obligation	**844,487**	857,358

An independent actuarial exercise has been conducted as at December 31, 2022 and December 31, 2021 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Labour Laws of respective jurisdictions by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

Movement in net defined benefit liability

Net defined benefit liability comprises only of defined benefit plans.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

23. EMPLOYEE BENEFITS (continued)

Movement in net defined benefit liability (continued)

The movement in the defined benefit obligation during the year is as follows:

	2022	2021
Balance at beginning of year	**857,358**	803,870
Acquisition through Business Combination	**--**	10,488
Included in profit or loss		
Current service cost	**101,538**	96,268
Interest cost	**26,814**	19,298
	128,352	115,566
Included in other comprehensive income		
Re-measurement (gain):		
Actuarial (gain) / loss arising from:		
Financial assumptions	**(63,662)**	11,913
Experience adjustment	**24,050**	12,955
Actuarial (gain) / loss	**(39,612)**	24,868
Effect of movement in exchange rates	**(8,376)**	(2,468)
Benefits paid	**(93,235)**	(94,966)
Balance at end of year	**844,487**	857,358

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	December 31, 2022	December 31, 2021
Discount rate	**4.40% - 18%**	1.78% - 14.5%
Future salary growth / Expected rate of salary increase	**2.40% - 22%**	2% - 12.5%
Mortality rate	**0.10% - 0.20%**	0.10% - 0.20%
Employee turnover / withdrawal rates	**2.86% - 19%**	3% - 11.49%
Retirement age	**60 years**	60 years

The weighted average duration of the defined benefit obligation ranges between 7 to 21 years.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	December 31, 2022		December 31, 2021	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(70,460)**	**82,091**	(72,122)	70,761
Future salary growth (1% movement)	**83,728**	**(67,303)**	72,102	(73,479)
Withdrawal rates (10% movement)	**(6,933)**	**7,529**	(10,806)	10,430
Future mortality (1 year movement)	**327**	**(492)**	448	(445)

The analysis does not take account of the full distribution of cash flows expected under the plan, and only provides an approximation of the sensitivity of the assumptions considered.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

24. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	**2022**	2021	**2022**	2021
Property, plant and equipment	**--**	--	**(61,915)**	(98,241)	**(61,915)**	(98,241)
Provisions	**11,069**	9,945	**(26,796)**	(22,057)	**(15,727)**	(12,112)
Other items	**5,262**	2,988	**(22,442)**	(24,051)	**(17,180)**	(21,063)
Tax losses carry-forward	**17,123**	15,870	**--**	--	**17,123**	15,870
Net tax asset / (liabilities)	**33,454**	28,803	**(111,153)**	(144,349)	**(77,699)**	(115,546)

The movement in deferred tax liability-net, recognised in profit and loss and Other Comprehensive Income – Foreign Currency Translation differences ("OCI – CTR"), is as follows:

	January 1, 2022	**Recognised in profit of loss**	**Recognised in OCI – CTR**	**Other Adjustments**	**December 31, 2022**
Property, plant and equipment	**(98,241)**	**7,336**	**28,990**	**--**	**(61,915)**
Provisions	**(12,112)**	**(1,456)**	**(1,718)**	**(441)**	**(15,727)**
Other items	**(21,063)**	**4,669**	**(786)**	**--**	**(17,180)**
Tax carry-forwards	**15,870**	**5,418**	**(4,165)**	**--**	**17,123**
	(115,546)	**15,967**	**22,321**	**(441)**	**(77,699)**

	January 1, 2021	Recognised in profit of loss	Recognised in OCI – CTR	Other Adjustments	December 31, 2021
Property, plant and equipment	(97,173)	(1,258)	190	--	(98,241)
Provisions	(6,313)	(6,486)	687	--	(12,112)
Other items	(14,203)	(8,284)	1,424	--	(21,063)
Tax carry-forwards	14,438	(2,986)	(3,369)	7,787	15,870
	(103,251)	(19,014)	(1,068)	7,787	(115,546)

25. TRADE PAYABLES

	Note	**December 31, 2022**	December 31, 2021
Third parties		**3,694,066**	2,715,124
Related parties	30	**199,039**	192,730
		3,893,105	2,907,854

(Expressed in thousands of Saudi Riyal unless otherwise stated)

26. ACCRUED AND OTHER LIABILITIES

	Note	**December 31, 2022**	December 31, 2021
Accrued expenses		**803,484**	835,199
Marketing related accruals		**439,903**	403,891
Employee related accrual		**341,590**	332,797
Accrued zakat and tax	27	**219,911**	226,873
Negative fair value of derivatives	13.3	**116,701**	32,235
Accrued utilities, freight and other charges		**118,922**	126,836
Payable to government authorities	26.1	**78,577**	104,770
Payable to contractors		**89,657**	132,124
Provision against financial guarantee	26.2	**18,650**	18,650
Due to related parties	30	**63,031**	222
Accrued financial charges		**86,465**	31,249
Accrued rent	26.3	**38,403**	84,699
Advances from customers		**77,877**	61,693
Change in fair value of hedged item (firm commitments)		**38,900**	34,451
Unclaimed dividend	26.4	**2,612**	5,141
Other liabilities		**235,869**	226,443
		2,770,552	2,657,273

26.1 Payable to government authorities represents estimated payments to be made to government authorities related to custom duties, value added tax, subsidies and price adjustments on edible oil purchases.

26.2 Savola Group Company issued a corporate guarantee in favour of Saudi Industrial Development Fund (“SIDF”) along with certain other entities (together referred to as the “SIDF Guarantors”) for the loan facility availed by Eastern Industrial Company ("EICO", “Joussour Holding Company’s subsidiary” or Group’s affiliate). In 2018, the Company has received a notice from SIDF to settle its share of the guarantee due to default in repayment by EICO of SIDF loan, triggered from the adverse financial performance.

Accordingly, the Company recorded a provision amounting to SR 100.7 million during the year ended December 31, 2018. During the year, no payment was made (2021: SR 57.5 million) against the guarantee.

26.3 This includes additional accrued rent resulting from the lease cancellation of retail outlets.

26.4 Unclaimed dividends represent dividend declared by the Company in prior years and share fractions, which resulted from split of shares in prior years. Such amounts have not yet been claimed by the respective shareholders. In the opinion of management, the unclaimed dividend represents the amount which can be claimed during the next year. However, the amount which have not been claimed for over three years are unlikely to be paid during the next year and accordingly, classified under long term payables.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

27. ZAKAT AND INCOME TAXES

Zakat and taxes included in the consolidated statement of profit or loss comprises of the following:

	December 31, 2022	December 31, 2021
Foreign income-tax charge	**135,969**	66,023
Zakat	**48,474**	43,701
	184,443	109,724
Deferred foreign income-tax (reversal) / charge (Note 24)	**(15,967)**	19,014
	168,476	128,738

The movement in the accrued zakat and current income-taxes are as follows:

	2022	2021
Balance at beginning of year	**226,873**	199,210
Charge for the year	**184,443**	109,724
Transfer to liabilities held for sale	**(13,952)**	--
Currency translation / other adjustments	**(99,049)**	(3,404)
Payments during the year	**(78,404)**	(78,657)
Balance at end of year	**219,911**	226,873

(a) Zakat status

The Zakat, Tax and Customs Authority ("ZATCA") conducted a field audit on the Company's accounts for the years 2005 to 2012 and claimed additional Zakat difference of SR 85.8 million. Subsequently, the assessment was agreed with the ZATCA Settlement Committee and the Company settled the liability with an amount of SR 10.2 million. Moreover, the years from 2013 to 2018 were also finalized based on the disclosure initiative. The group settled additional SR 5.4 million as per the amended returns. During the year 2020, the ZATCA issued a revised claim, for the previously finalized years from 2014 to 2018 claiming additional zakat difference of SR 59.5 million. The management had escalated the company's objection against the said claim to the level of General Secretariat of Tax Committees (GSTC). The GSTC issued the official decision showing a reduction of Zakat difference to SR 29.6 million. The management had transferred the case to the Appeal Committee and believes that the settlement of the claim is not probable, therefore no provision has been recorded in these consolidated financial statements. The ZATCA issued amended assessments for years 1999 and 2000 and claimed additional SR 1.9 million. The case was escalated to the Bureau of Grievances.

Certain subsidiaries in the foods processing sector have also received final or provisional zakat certificates until the year 2021. Accordingly, payment plans have been pursued as per the agreement with ZATCA and liabilities have been adjusted against the final settlement amounts. Moreover, the ZATCA issued an additional claim amounting to SR 51.8 million for another subsidiary for the years 2015 to 2018. The subsidiary has escalated an objection against the said claim to the level of General Secretariat of Tax Committees and believes that the settlement of the claim is not probable, therefore no provision has been recorded in these consolidated financial statements.

27. ZAKAT AND INCOME TAXES (continued)

(a) Zakat status (continued)

Also, the Group has pending appeals against additional claims and assessments of certain subsidiaries with total Zakat differences of SR 31.0 million (December 31, 2021: approximately SR 35.9 million).

(b) Income tax status

The Group's foreign subsidiaries are obliged to pay income tax as per applicable tax laws of their countries of incorporation. Some of the foreign subsidiaries are currently tax exempt. Tax paying foreign subsidiaries determine their liabilities based on applicable corporate rates to the adjusted taxable income for the year. Certain foreign subsidiaries are also obliged to pay quarterly advance tax determined on prior year tax liability bases.

Certain foreign subsidiaries have received final tax assessments for certain years and provisional tax assessments for other years. They have also received queries from departments of income tax after their assessment or inspections for open years, for which replies have been filed.

The Group management believes that there are no significant amounts under protest with departments of income tax in any foreign operation.

28. CONTINGENCIES AND COMMITMENTS

	December 31, 2022	December 31, 2021
	Amounts in millions of Saudi Riyals	
Letters of credits	**65**	58
Bank guarantees	**131**	126
Commitments to buy raw sugar	**175**	405
Commitments to sell refined sugar	**741**	824
Capital commitments	**38**	51
	Quantity in Metric tonnes	
Commitments to buy raw sugar	**96,550**	234,500
Commitments to sell raw sugar	**315,652**	381,026

28.1 Also see note 20 with respect to guarantees given for certain loans and note 27 with respect to Zakat contingencies.

28.2 The Group has various operating leases for its offices, warehouses, retail outlets and production facilities. Future rental commitments under these operating leases amounting to SR 40.7 million (December 31, 2021: SR 50.3 million) are payable within one year.

28.3 During the year, certain overseas subsidiaries in food processing segment received preliminary aggregate claims from local regulatory authorities and commercial banks amounting to SR 410 million, that were subsequently reduced to SR 330 million, to affect a new pricing mechanism for edible oil products by replacing subsidized rate mechanism. In this connection, such subsidiaries, while contesting the claims, have made payments of SR 182 million and accrued a provision amounting to SR 30 million, based on the management's best estimate.

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29. EARNINGS PER SHARE

Basic earnings per share for the year ended December 31, 2022 and December 31, 2021 have been computed by dividing the net profit attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding 532.724 million (December 31, 2021: 533.531 million) during such periods.

Diluted earnings per share for the year ended December 31, 2022 and December 31, 2021, have been computed by dividing the profit attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares i.e. 533.981 million (December 31, 2021: 533.981 million).

Weighted average number of ordinary shares for the purpose of computing basic earnings per share are as follows:

	December 31, 2022	December 31, 2021
Issued ordinary shares	**533,980,700**	533,980,700
Effect of treasury shares (Note 18)	**(1,257,045)**	(449,745)
Weighted average number of ordinary shares outstanding	**532,723,655**	533,530,955

30. RELATED PARTIES

Related parties include the Group's shareholders, associates and affiliated companies, other entities related to certain consolidated subsidiaries and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group's management.

Transactions with key management personnel

Key management personnel compensation

Compensation to the Group's key management personnel includes salaries, non-cash benefits, and post-employment benefits, in relation to which, the Group has recognized an expense of SR 32.9 million for the year ended December 31, 2022 (December 31, 2021: SR 29.4 million).

Board of Directors' remuneration for the year ended December 31, 2022 amounting to SR 2.2 million (December 31, 2021: SR 2.2 million) has been calculated in accordance with the Company's By-laws and is charged to the consolidated statement of profit and loss. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 3.1 million (December 31, 2021: SR 3.3 million) are charged to expenses and included under administrative expenses.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

30. RELATED PARTIES (continued)

Other related party transactions

A number of companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on arm's length basis.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash within agreed credit period from the date of transaction. None of the balances are secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

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

Name	**Relationship**	**Nature of transactions**	**Amount of transactions**		**Closing balance**	
			2022	2021	**December 31, 2022**	December 31, 2021
Due from related parties – Trade receivables						
Almarai	Associate	Trade	**66,463**	47,762	**7,770**	3,773
Western Bakeries Company Limited	Affiliate	Trade	**73,585**	59,830	**6,586**	8,073
USCE	Associate	Trade	**--**	4,607	**--**	--
					14,356	11,846
Due from related parties – Prepayments and other receivables						
Khairat AlSharq for General Trade and Manufacturing Foodstuff Company (KASCO)	Affiliate	Non-trade	**15,289**	1,530	**28,053**	20,060
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Non-trade	**6,390**	6,985	**2,249**	2,760
Waste Collection & Recycling Company	Affiliate	Non-trade	**9,370**	5,683	**1,070**	4,249
Zohoor Alreef	Affiliate	Non-trade	**106**	184	**360**	493
USCE	Associate	Non-trade	**--**	154,577	**--**	385
					31,732	27,947

(Expressed in thousands of Saudi Riyal unless otherwise stated)

30. RELATED PARTIES (continued)

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2022	2021	**December 31, 2022**	December 31, 2021
Due to related parties – Trade payables						
Almarai	Associate	Trade	**716,998**	733,678	**116,378**	115,536
Nestle Group	Affiliate	Trade	**243,135**	343,704	**33,519**	44,398
Mayar Food Company	Affiliate	Trade	**122,388**	114,042	**45,272**	27,394
Del Monte Saudi Arabia Limited	Affiliate	Trade	**66,018**	95,549	**2,668**	3,242
Al Manhal Water Factory Company Limited	Affiliate	Trade	**6,146**	6,860	**1,153**	614
Al Jazirah Dates & Food Factory	Affiliate	Trade	**3**	--	**49**	52
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	**12,190**	14,921	**--**	1,494
					199,039	192,730
Due to related parties – Accrued and other liabilities						
USCE	Associate	Non-trade	**63,416**	--	**63,031**	--
Kinan	Associate	Non-trade	**29,017**	28,947	**--**	222
Del Monte Saudi Arabia	Affiliate	Non-trade	**--**	683	**--**	--
Arabian Centers Company	Affiliate	Non-trade	**27,979**	34,949	**--**	--
Dur Hospitality Company	Affiliate	Non-trade	**18,000**	10,500	**--**	--
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	**--**	266	**--**	--
					63,031	222

31. OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different capabilities and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (Chief Operating Decision Maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Food processing - includes manufacturing, sale and distribution of Edible oils, Sugar, Pasta, Spices, Nuts, Pulses and other food products.

Retail - includes hyper markets and super market operations;

Food services - includes food products and fast food restaurants' chain operated by Herfy;

Frozen Food - includes manufacturing, wholesale and retail distribution of frozen food products operated by Good Food Company; and

Investments - includes real estate activities, investments in associates, FVTPL, FVOCI and other investments.

The segments which do not meet any of the quantitative thresholds for determining reportable segments, are classified as "Others / Eliminations", which mainly include the eliminations.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

31. OPERATING SEGMENTS (continued)

Performance is measured based on segment profit net of income tax and zakat, as included in the internal management reports. Management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Information regarding the results of each reportable segment is included below:

	Reportable Segments						
December 31, 2022	**Food Processing**	**Retail**	**Food Services**	**Frozen Food**	**Investments**	**Others / Eliminations**	**Total**
External revenues	**16,105,768**	**10,109,087**	**1,213,400**	**626,448**	**--**	**--**	**28,054,703**
Inter segment revenue	**335,035**	**4,923**	**30,438**	**43,561**	**27,335**	**(441,292)**	**--**
Segment Revenue	**16,440,803**	**10,114,010**	**1,243,838**	**670,009**	**27,335**	**(441,292)**	**28,054,703**
Cost of revenues	**(14,454,991)**	**(7,772,921)**	**(903,425)**	**(460,919)**	**--**	**411,634**	**(23,180,622)**
Share of results of equity-accounted investees, net of zakat and tax	**(21,242)**	**--**	**--**	**--**	**681,823**	**--**	**660,581**
Impairment reversal / (loss), net (Note 9 & 37)	**(14,880)**	**99,617**	**(17,545)**	**--**	**(2,037)**	**--**	**65,155**
Segment net profit before non-controlling interests	**499,732**	**(158,171)**	**(1,064)**	**53,453**	**470,935**	**--**	**864,885**
Segment net profit / (loss)	**404,894**	**(158,171)**	**(1,064)**	**53,453**	**470,935**	**(27,295)**	**742,752**
Segment assets	**10,516,497**	**6,621,681**	**1,994,500**	**975,229**	**13,266,875**	**(3,810,134)**	**29,564,648**
Segment liabilities	**8,092,843**	**6,389,886**	**937,947**	**726,694**	**4,804,881**	**(704,296)**	**20,247,955**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

31. OPERATING SEGMENTS (continued)

	Reportable Segments						
December 31, 2021	Food Processing	Retail	Food Services	Frozen Food	Investments	Others / Eliminations	Total
External revenues	12,318,246	10,474,039	1,282,217	594,661	--	--	24,669,163
Inter segment revenue	311,876	2,085	31,639	48,283	27,545	(421,428)	--
Segment Revenue	12,630,122	10,476,124	1,313,856	642,944	27,545	(421,428)	24,669,163
Cost of revenues	(11,102,140)	(8,136,660)	(928,365)	(414,207)	--	390,923	(20,190,449)
Share of results of equity-accounted investees, net of zakat and tax	(32,339)	--	--	--	589,405	--	557,066
Impairment loss, net (Note 9 & 37)	(43,583)	(363,038)	--	--	(15,245)	--	(421,866)
Segment net profit before non-controlling interests	375,441	(586,667)	160,837	72,095	374,408	--	396,114
Segment net profit / (loss)	315,555	(586,667)	160,837	72,095	374,408	(114,349)	221,879
Segment assets	9,527,639	6,367,758	1,845,396	977,908	13,880,373	(4,053,155)	28,545,919
Segment liabilities	7,128,068	6,018,924	797,188	720,969	5,524,373	(735,416)	19,454,106

(Expressed in thousands of Saudi Riyal unless otherwise stated)

32. REVENUE

The Group generates revenue primarily from the sale of goods. Other sources of revenue include rental income and commission income.

	Reportable Segments						
2022	**Food Processing**	**Retail**	**Food services**	**Frozen Food**	**Investments**	**Others / Eliminations**	**Total**
Products transferred at a point in time	**16,440,803**	**10,072,714**	**1,222,024**	**670,009**	**--**	**(413,957)**	**27,991,593**
Products and services transferred over time	**--**	**41,296**	**21,814**	**--**	**27,335**	**(27,335)**	**63,110**
Total revenue	**16,440,803**	**10,114,010**	**1,243,838**	**670,009**	**27,335**	**(441,292)**	**28,054,703**

	Reportable Segments						
2021	Food Processing	Retail	Food services	Frozen Food	Investments	Others / Eliminations	Total
Products transferred at a point in time	12,630,122	10,428,514	1,313,856	642,944	--	(393,883)	24,621,553
Products and services transferred over time	--	47,610	--	--	27,545	(27,545)	47,610
Total revenue	12,630,122	10,476,124	1,313,856	642,944	27,545	(421,428)	24,669,163

33. COST OF REVENUES

	2022	2021
Inventories consumed / sold*	**21,124,828**	18,196,114
Salaries and employee related expenses	**803,837**	699,199
Overheads	**574,741**	648,298
Depreciation and amortisation	**420,279**	398,449
Freight & handling	**256,937**	248,389
	23,180,622	20,190,449

* Inventories consumed / sold are net of rebates, commercial and promotional income from retail business.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

34. SELLING AND DISTRIBUTION EXPENSES

	2022	2021
Salaries and employee related expenses	**1,411,896**	1,359,499
Depreciation and amortisation	**557,182**	589,981
Utilities	**234,591**	238,097
Advertisement	**317,922**	234,837
Maintenance	**100,956**	93,043
Rent	**103,112**	39,530
Commission	**113,604**	116,571
Impairment loss on trade receivables (Note 12)	**38,790**	16,714
Insurance	**28,906**	22,417
Communication	**9,886**	11,048
Others	**5,894**	4,623
	2,922,739	2,726,360

35. ADMINISTRATIVE EXPENSES

	Note	**2022**	2021
Salaries and employee related expenses		**548,508**	522,871
Professional fees		**94,092**	94,016
Depreciation and amortisation		**85,872**	77,515
IT related cost		**77,853**	33,260
Training, subscriptions and conferences		**34,752**	20,938
Insurance		**18,971**	17,691
Repairs and maintenance		**11,035**	9,955
Traveling		**9,114**	5,779
Utilities, telephone and communication cost		**4,220**	18,639
Rent		**2,714**	3,935
Others	35.1	**88,361**	66,660
		975,492	871,259

35.1 It includes software written off amounting to SR 23.9 million.

36. HYPERINFLATIONARY ACCOUNTING

The Group closely monitors the economic conditions for its foreign operations including qualitative consideration prescribed in IAS 29 – Financial Reporting in Hyperinflationary Economies. The Group uses available official statistics or other reliable information sources to estimate the impact of hyperinflation.

During the year, the Turkish economy was identified to be hyperinflationary based on the criteria established by International Accounting Standard 29, 'Financial Reporting in Hyperinflationary Economies' ('IAS 29'). This was determined following an assessment of a series of qualitative and quantitative circumstances, including the presence of a cumulative inflation rate of more than 100% over the previous three years and accordingly the reported amounts of the local operations have been adjusted in accordance with IAS 29.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

36. HYPERINFLATIONARY ACCOUNTING (continued)

Accordingly, during the year ended December 31, 2022 the Group's foreign operations in Iran, Sudan and Turkey were subject to hyperinflation and reported amounts of the local operations have been adjusted in accordance with IAS 29. The official statistics published for Iran, Sudan and Turkey have been used to estimate the hyperinflation accounting impact recorded during the year ended December 31, 2022.

The main effects on the Group's consolidated financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) for the year ended December 31, 2022 are as follows:

	Iran	Sudan	Turkey	Total
Year ended December 31, 2022				
Revenue increased by	**123,693**	**230,542**	**69,400**	**423,635**
Profit for the year decreased by	**(47,747)**	**(11,626)**	**(7,138)**	**(66,511)**
Total non-current assets increased by	**69,339**	**15,046**	**28,377**	**112,762**
Currency translation reserve increased / (decreased) by	**130,567**	**(174)**	**40,656**	**171,049**
Year ended December 31, 2021				
Revenue increased by	97,583	549,989	--	647,572
Profit for the year decreased by	(7,085)	(8,654)	--	(15,739)
Total non-current assets increased / (decreased) by	(2,848)	46,350	--	43,502
Currency translation reserve increased by	28,796	75,829	--	104,625

The conversion factors used for the CPI adjustment for the year ended are given below:

	December 31, 2022	December 31, 2021
Conversion factor for Iran	**1.4615**	1.3514
Conversion factor for Sudan	**2.0703**	4.5050
Conversion factor for Turkey	**1.6427**	--

37. IMPAIRMENT REVERSAL / LOSS

The Group reviews the carrying amounts of its non-financial assets including goodwill to determine whether their carrying values exceed the recoverable amounts. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is established based on the estimated future cash flows on the basis of budget after excluding impact of future renovation, using growth rates, terminal value percentages and discounting to their present value using pre-tax discount rates as mentioned in note 37(a) and 37(c).

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

37. IMPAIRMENT REVERSAL / LOSS (continued)

Following are the details of the impairment assessment carried out in food services segment;

During the year, the Group has recognised an impairment loss of SR 17.6 million (2021: Nil) against the leasehold improvements in stores within the property, plant and equipment due to the expected closure in 2023.

Following are the details of the impairment assessment carried out in retail segment;

Key assumptions used for determination of value in use except for freehold land:

Cash flow projections were prepared using budgeted earnings before interest, zakat, depreciation and amortisation (EBITDA) taking into account past experience, and following factors:

(i) Estimated revenue and EBITDA growth for future five years based on expected sales volume and price growth for these years.
(ii) Estimated improvement in gross margins and EBITDA as a result of improvement plans currently being carried out by the Group.

These cash flows were discounted using a pre-zakat discount rate which was estimated using industry average weighted-average cost of capital and cost of debt, with a target debt to equity ratio of 81.2% (31 December 2021: 79.9%) at a post Zakat cost of debt of 6.6% (31 December 2021: 3.7%).

a) *Impairment reversal / loss on recoverable amount of non-current assets excluding freehold land*:

During the year, the Group has recognised an impairment reversal of SR 37.8 million (2021: loss of SR 127.4 million) against right-of-use assets, impairment reversal of SR 36.7 million (2021: loss of SR 173.8 million) against items of property, plant and equipment and impairment reversal of SR 1.5 million (2021: loss of SR 12.6 million) against intangible assets, due to favorable changes in economic environment affecting footfall and basket size in retail segment.

The recoverable amount is based on “value-in-use” method and was determined at the level of cash generating unit (“CGU”) as identified by management and consists of the net operating assets of each store. In determining value in use for the CGUs, the cash flows (determined using approved five-year business plan and budget) were discounted at a rate of 12.6% to 13.7% (December 31, 2021 10.3% to 11.4%) on a post-Zakat basis and were projected up to the year 2027.

The key assumptions used for determination of recoverable amounts are as follows:

	2022	2021
Budgeted gross margin	**24.5% to 26.2%**	23.8% to 25.8%
Revenue growth rate	**3.0% to 3.9%**	2.8% to 2.9%
Operating expenses as percentage of sale	**17.7% to 18.2%**	18.3% to 18.6%
Budgeted EBITDA margins	**6.8% to 8.0%**	5.5% to 7.2%
Discount rate	**12.6% to 13.7%**	10.3% to 11.4%
Terminal growth value	**2.0%**	2.0%

(Expressed in thousands of Saudi Riyal unless otherwise stated)

37. IMPAIRMENT REVERSAL / LOSS (continued)

a) *Impairment reversal / loss on recoverable amount of non-current assets excluding freehold land (continued)*:

Management has identified that a reasonably possible change in the following key assumptions applied individually could cause the carrying amount to exceed the recoverable amount:

	Assumption required for carrying amount to equal recoverable amount	
	2022	2021
Revenue growth	**(4.1%)**	(7.2%)
EBITDA margin	**4.7%**	3.6%
Discount rate	**28.2%**	27.8%

b) *Impairment reversal / loss on recoverable amount of freehold land*:

The Group recognized an impairment reversal of SR 36.3 million (2021: loss of SR 36 million) on freehold land, due to favorable changes in market dynamics.

The recoverable amount is based on “comparable” method and was determined at the level of individual assets as identified by management. In determining market value, properties with similar characteristics in the same market area that have recently been sold were selected. Once those properties were found, they were compared to the property in question and an adjustment in value was made for comparative deficiencies and advantages.

c) *Impairment loss on goodwill:*

An impairment loss of SR 12.7 million (December 31, 2021: 13.2 million) was recognized during the year ended December 31, 2022, on the goodwill of Atabet Al Bab Communications and Information Technology LLC.

The key assumptions used for determination of recoverable amounts, using value in use basis, are as follows:

	2022	2021
Budgeted gross margin	**19.1% to 21.3%**	18.8% to 20.8%
Weighted average revenue growth rate	**8.1%**	30.6%
Operating expenses as percentage of sales	**25.0% to 29.9%**	17.6% to 36.4%
Budgeted EBITDA margins	**-8.6% to -5.9%**	-17.6% to 3.2%
Discount rate	**12.0%**	12.0%
Terminal growth value	**2.0%**	2.0%

The calculation of value in use is most sensitive to the assumptions on revenue growth rate and operating expenses as percentage of revenue and long-term growth rate used to extrapolate cash flows beyond the budget period of 5 years.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

38. NET FINANCE COST

	2022	2021
Commission income on bank deposits	**72,774**	56,934
Gain on re-measurement of other commodity futures	**2,377**	10,523
Positive fair value of options	**--**	26,524
Finance income	**75,151**	93,981
Financial charges on borrowings	**419,211**	291,187
Interest expense on lease liabilities	**253,881**	222,946
Bank commission	**63,275**	60,286
Foreign exchange loss, net	**616**	5,336
Negative fair value of options	**24,521**	--
Loss on re-measurement of other commodity futures	**18,117**	--
Unwinding of discount on site restoration	**5,626**	5,669
Finance cost	**785,247**	585,424
Net finance cost recognized in profit or loss	**710,096**	491,443

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are market risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Risk management framework (continued)

Financial instruments carried on the consolidated statement of financial position include cash and bank balances, trade and other receivables, investments measured at fair value, loans and borrowings, lease liabilities, derivatives, trade payables and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

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. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows.

The Group's interest rate risks arise mainly from its borrowings and short-term deposits, which are at floating rate of interest and are subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	December 31, 2022	December 31, 2021
Fixed rate instruments		
Financial assets	**449,896**	548,950
Financial liabilities	**1,913,643**	1,740,804
Variable rate instruments		
Financial assets	**194,872**	45,102
Financial liabilities	**6,230,953**	6,720,349

The fair value of fixed rate financial liabilities amounted to SR 1,888 million (2021: SR 1,707 million).

Sensitivity analysis for fixed rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before zakat and income tax for the year by SR 14.6 million (2021: SR 11.9 million).

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before zakat and income tax for the year by SR 63.0 million (2021: SR 67.7 million).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, United Arab Emirates Dirhams, Sudanese Pounds and Turkish Lira. The Group operates internationally and is exposed to foreign exchange risk. The Group's investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between foreign currencies against Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. Such fluctuations are recorded as a separate component of equity "Foreign Currency Translation Reserve" in the accompanying consolidated financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. In addition, interest on borrowings is denominated in the currency of the borrowings. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

Following is the significant gross financial position exposure (in thousands) classified into separate foreign currencies:

	December 31, 2022					
	US Dollars	**Iranian Riyals**	**Egyptian Pounds**	**Sudanese Pounds**	**Turkish Lira**	**United Arab Emirates Dirhams**
Trade receivables	**16,107**	**21,085,687,596**	**497,747**	**3,662,978**	**524,493**	**41,221**
Other receivables	**11,970**	**2,000,392,977**	**443,754**	**81,099**	**--**	**3,052**
Cash and bank balances	**34,921**	**28,838,442,032**	**1,435,676**	**2,619,042**	**127,299**	**25,574**
	62,998	**51,924,522,605**	**2,377,177**	**6,363,119**	**651,792**	**69,847**
Trade payables	**78,084**	**32,586,265,160**	**1,116,459**	**1,009,052**	**74,400**	**29,753**
Other payables	**4,543**	**7,141,816,081**	**1,390,353**	**1,826,122**	**72,104**	**21,159**
Loans and borrowings	**70,962**	**37,862,644,042**	**1,304,029**	**17,844,624**	**1,222,660**	**12,652**
	153,589	**77,590,725,283**	**3,810,841**	**20,679,798**	**1,369,164**	**63,564**
Net exposure	**(90,591)**	**(25,666,202,678)**	**(1,433,664)**	**(14,316,679)**	**(717,372)**	**6,283**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Market risk (continued)

Currency risk (continued)

	December 31, 2021					
	US Dollars	Iranian Riyals	Egyptian Pounds	Sudanese Pounds	Turkish Lira	United Arab Emirates Dirhams
Trade receivables	40,477	4,777,031,040	527,829	1,009,666	564,439	41,449
Other receivables	1,970	902,500,144	258,088	937,955	47,248	1,657
Cash and bank balances	20,136	19,232,166,164	928,953	2,496,276	1,289	113,346
	62,583	24,911,697,348	1,714,870	4,443,897	612,976	156,452
Trade payables	144,358	6,454,225,816	540,010	71,954	90,851	31,233
Other payables	6,013	4,939,736,618	838,397	1,491,323	4,708	25,507
Loans and borrowings	30,761	10,187,759,805	2,584,079	6,458,860	813,729	251
	181,132	21,581,722,239	3,962,486	8,022,137	909,288	56,991
Net exposure	(118,549)	3,329,975,109	(2,247,616)	(3,578,240)	(296,312)	99,461

Significant exchange rates applied during the year were as follows:

	Average rate		**Spot rate**	
	For the year ended December 31,		**As at December 31,**	
	2022	2021	**2022**	2021
Foreign currency per Saudi Riyal				
US Dollars	**0.27**	0.27	**0.27**	0.27
Iranian Riyals	**71,158**	66,344	**76,891**	65,425
Egyptian Pounds	**5.40**	4.20	**6.6**	4.20
Sudanese Pounds	**137.26**	96.10	**153.91**	120.60
Turkish Lira	**4.21**	2.71	**4.97**	3.46
United Arab Emirates Dirhams	**1.02**	1.02	**1.02**	1.02

The Group’s investments in foreign subsidiaries are not hedged.

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase equity and profit before zakat and income tax for the year by SR 11.1 million (2021: SR 8.2 million).

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk since the Group holds investment in certain listed equities which are classified on the statement of financial position as FVOCI investments. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Such investments are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. In addition, United Sugar Company uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

Further, as disclosed in Note 13, the put and call option are periodically valued based on Black Scholes' model using certain assumptions including the sugar prices; the fluctuations of which affects the valuations.

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in note 10 to these consolidated financial statements. As at December 31, 2022, the Company's overall exposure to price risk is limited to the fair value of those positions.

Sensitivity analysis

The net assets of the Group will increase / (decrease) by SR 0.6 million (2021: SR 3.9 million) if the prices of quoted equity vary due to increase / decrease in fair values by 1% with all other factors held constant.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers. The management also regularly monitors the credit exposure towards the customers whereby the customers are grouped according to their credit characteristics, payment history, whether they are an individual or a legal entity, whether they are a wholesale/retail or manufacturers, their geographic location, existence of any financial/economic difficulties including the default risk associated with the industry and country in which they operate and accordingly records impairment loss against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored. In order to cater the credit risk from debtors, the Group has also entered into insurance arrangements in certain geographies.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Credit risk (continued)

The Group's maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2022	December 31, 2021
Financial assets		
Trade receivables	**1,824,465**	1,757,000
Other receivables	**446,303**	378,354
Derivatives	**73,222**	116,905
Investment at fair value through profit or loss	**43,448**	27,069
Bank balances	**1,412,384**	1,342,260
	3,799,822	3,621,588

Trade receivables are carried net of allowance for Expected Credit Losses amounting to SR 166.1 million (December 31, 2021: SR 150.4 million).

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

The following table provides information about the exposure to credit risk for receivables as at December 31:

	Gross carrying amount	
	December 31, 2022	December 31, 2021
Current (not past due)	**1,340,538**	1,401,093
1–30 days past due	**200,797**	149,722
31–60 days past due	**52,108**	32,407
61–90 days past due	**64,918**	27,633
More than 90 days past due	**166,104**	146,145
Total	**1,824,465**	1,757,000

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Other receivables
Impairment on other receivables has been measured on a life-time expected loss basis and reflects the short maturities of the exposures having low credit risk.

Cash and bank balances
Impairment on cash and bank balances has been measured on a life-time expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Concentration Risk

The sector wise analysis of receivables is given below:

	December 31, 2022	December 31, 2021
Wholesale / Retail	**1,153,119**	990,735
Manufacturing	**286,655**	410,760
Exports	**237,346**	212,086
Others	**147,345**	143,419
	1,824,465	1,757,000
Less: Allowance for Expected Credit Losses	**(166,072)**	(150,365)
	1,658,393	1,606,635

The maximum exposure to credit risk for receivables by geographic region is as follows:

	December 31, 2022	December 31, 2021
Saudi Arabia	**1,121,202**	1,058,877
Turkey	**124,639**	180,940
Egypt	**130,866**	183,708
Iran	**140,974**	35,120
UAE	**242,924**	159,686
Other Regions	**63,860**	138,669
	1,824,465	1,757,000
Less: Allowance for Expected Credit Losses	**(166,072)**	(150,365)
	1,658,393	1,606,635

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, the Group has maintained credit lines with various commercial banks in order to meet its liquidity requirements. As at December 31, 2022, the Group has unused bank financing facilities amounting to SR 6.9 billion (December 31, 2021: SR 4.4 billion) to manage the short term and the long term liquidity requirements.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Liquidity risk (continued)

		Contractual cash flows				
December 31, 2022	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**
Non-derivative financial liabilities						
Loans and borrowings	**8,144,596**	**3,800,816**	**657,254**	**1,217,497**	**2,212,095**	**1,478,884**
Lease liabilities	**3,722,720**	**310,789**	**278,173**	**1,081,363**	**1,025,305**	**2,147,084**
Trade payables	**3,893,105**	**3,858,762**	**34,343**	**--**	**--**	**--**
Accrued and other liabilities	**2,308,434**	**2,308,434**	**--**	**--**	**--**	**--**
Unclaimed dividends	**261,068**	**261,068**	**--**	**--**	**--**	**--**
	18,329,923	**10,539,869**	**969,770**	**2,298,860**	**3,237,400**	**3,625,968**
Derivative financial liabilities						
Derivative contracts used for hedging	**63,238**	**42,833**	**20,405**	**4**	**--**	**--**
Put Option	**186,274**	**--**	**190,683**	**--**	**--**	**--**
Other derivative contracts not for hedging	**53,459**	**53,459**	**--**	**--**	**--**	**--**
	302,971	**96,292**	**211,088**	**4**	**--**	**--**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount with the exception of unclaimed dividend. Accordingly, it has been classified as such.

		Contractual cash flows				
December 31, 2021	Carrying Amount	Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
Non-derivative financial liabilities						
Loans and borrowings	8,461,153	2,925,130	715,549	2,040,689	1,337,015	2,021,870
Lease liabilities	3,856,998	515,402	502,956	1,086,026	872,321	2,316,123
Trade payables	2,907,854	2,907,854	--	--	--	--
Accrued and other liabilities	2,113,063	2,113,063	--	--	--	--
Unclaimed dividends	262,024	262,024	--	--	--	--
	17,601,092	8,723,473	1,218,505	3,126,715	2,209,336	4,337,993

(Expressed in thousands of Saudi Riyal unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Liquidity risk (continued)

		Contractual cash flows				
December 31, 2021	Carrying Amount	Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
Derivative financial liabilities						
Derivative contracts used for hedging	26,474	15,334	9,814	1,327	--	--
Put Option	164,220	--	--	166,693	--	--
Other derivative contracts not for hedging	5,761	5,761	--	--	--	--
	196,455	21,095	9,814	168,020	--	--

Fair value of assets and liabilities

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

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities (continued)

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As the Group's financial instruments are compiled under the historical cost convention, except for FVOCI investments, FVTPL investments, inventory and firm commitments under fair value relationships, and derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group’s financial assets and liabilities are not materially different from their carrying values.

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities (continued)

	Carrying amount				Fair Value			
December 31, 2022	Mandatorily at FVTPL - others	Designated at fair value	Hedging instruments	FVOCI	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Investment at fair value through profit or loss	43,448	--	--	--	1,109	--	42,339	43,448
Future exchange contracts used for hedging	--	--	73,222	--	--	73,222	--	73,222
Call option	--	25	--	--	--	--	25	25
Equity securities (Note 10)	--	--	--	104,428	--	104,428	--	104,428
	43,448	25	73,222	104,428	1,109	177,650	42,364	221,123
Financial liabilities measured at fair value								
Future exchange contracts used for hedging	--	--	116,701	--	--	116,701	--	116,701
Other future exchange contracts	--	53,459	--	--	--	53,459	--	53,459
Put option	--	186,274	--	--	--	--	186,274	186,274
	--	239,733	116,701	--	--	170,160	186,274	356,434

(Expressed in thousands of Saudi Riyal unless otherwise stated)

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Fair value of assets and liabilities (continued)

	Carrying amount				Fair Value			
December 31, 2021	Mandatorily at FVTPL - others	Designated at fair value	Hedging instruments	FVOCI	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Investment at fair value through profit or loss	27,069	--	--	--	812	--	26,257	27,069
Future exchange contracts used for hedging	--	--	116,905	--	--	116,905	--	116,905
Call option	--	2,493	--	--	--	--	2,493	2,493
Equity securities (Note 10)	--	--	--	475,425	--	475,425	--	475,425
	27,069	2,493	116,905	475,425	812	592,330	28,750	621,892
Financial liabilities measured at fair value								
Future exchange contracts used for hedging	--	--	26,474	--	--	26,474	--	26,474
Other future exchange contracts	--	5,761	--	--	--	5,761	--	5,761
Put option	--	164,220	--	--	--	--	164,220	164,220
	--	169,981	26,474	--	--	32,235	164,220	196,455

39. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair value, as well as significant unobservable input used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Equity securities	Market comparison technique. PE multiple, Price to Book value.	Price Earnings Multiples, Discount factor, Price to Book value and Price to Tangible Book Value.	Not applicable
Future contracts	Broker quotes	Not applicable	Not applicable
Call and Put Option	Black Scholes Model	Strike price Volatility of Sugar index Spot price (fair value)	Increase in fair value will decrease the Put Option and increase the Call option values. Increase in volatility index will increase the value of Put and Call options.

40. CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a leverage ratio, which is calculated as total liabilities (as shown in the statement of financial position) less cash and bank balances. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserves.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

40. CAPITAL MANAGEMENT (continued)

The leverage ratio is as follows:

	December 31, 2022	December 31, 2021
Total liabilities	**20,247,955**	19,454,106
Less: Cash and bank balances	**(1,435,552)**	(1,374,790)
Adjusted net liabilities	**18,812,403**	18,079,316
Total equity	**9,316,693**	9,091,813
Less: Hedging reserve (Note 13)	**5,667**	2,493
Adjusted equity	**9,322,360**	9,094,306
Adjusted net liabilities to adjusted equity ratio	**2.02**	1.99

41. NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPETATIONS

a) Standards, interpretations, and amendments issued

This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2022 and that are available for early adoption in annual periods beginning on 1 January 2022.

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

41. NEW STANDARDS, AMENDMENT TO STANDARDS AND INTERPETATIONS (continued)

b) Standards, interpretations, and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2023
IAS 8	Definition to accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

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

42. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Company's Board of Directors on March 27, 2023, corresponding to Ramadan 5, 1444H.