

SAUDI MARKETING COMPANY
(FARM SUPERSTORES)
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Saudi Marketing Company (Farm Superstores)
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Saudi Marketing Company (Farm Superstores) (the "Company") and its subsidiary (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2021, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics 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 its requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. 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.

Valuation of inventories	
Refer to note 4 for the accounting policy and note 11 for related disclosures	
Key audit matter	How the matter was addressed in our audit
<p>Inventories as at December 31, 2021 amounted to SR 850.3 million (December 31, 2020: SR 824.2 million) constitute around 38% (December 31, 2020: 36%) of the total assets of the Group.</p> <p>Inventories are stated at lower of cost or net realisable value. At each reporting date, management reviews the valuation of inventories and writes down the cost of inventories that are forecasted to be sold below cost.</p> <p>We considered 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 the net realizable value assessment.</p>	<p>Our audit procedures on valuation of inventories included the following:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant accounting standard; - Assessed the design and implementation and operating effectiveness of the Group's relevant controls including automated controls around recognition and measurement of inventories; - Observed periodical physical count of inventories on selected locations to identify expired, lost or slow moving items; - Tested the net realisable value of finished goods inventories on sample basis by comparing their costs to their net realizable value; - Assessed the accuracy and completeness of the inventory aging provided by the management and evaluated the adequacy of allowance for obsolete / slow-moving inventories; - Assessed the adequacy of the disclosures in the Group's consolidated financial statements as per the applicable accounting standard.

Revenue recognition	
Refer to note 4 for the accounting policy and note 23 for related disclosures.	
Key audit matter	How the matter was addressed in our audit
<p>During the year ended December 31, 2021, the Group has recognized total revenue amounted to SR 1,651.4 million (2020: SR 1,863.3 million).</p> <p>The Group's sales are recognized on a point-in-time in accordance with the requirements of IFRS 15 "revenue from contracts with customers" with no major judgements or estimates involved.</p> <p>We considered this as a key audit matter as the Group focused on revenue as a key performance measure and the existence of inherent risk associated with possible overstatement of revenue to achieve better results.</p>	<p>Our audit procedures on revenue recognition of the Group included the following:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of Group's revenue recognition policy and its compliance in terms of relevant accounting standards; - Involved our IT specialists in testing the design, implementation and operating effectiveness of the Group's relevant controls including automated controls around recognition of revenue; - On sample basis, performed tests on daily sales reconciliations prepared by the management at branch level and agreed with the sales records; - Assessed a sample of sales transactions pre- and post-year end and evaluated whether revenue has been recognized in the correct accounting period; - Assessed the adequacy of the disclosure made in the consolidated financial statements as per the applicable accounting standard.

Other information

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

Our opinion on the 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 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 of the Group, 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 ("TCWG") for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of 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 have no realistic alternative but to do so.

Those Charged with Governance, in particular 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 the 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 the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

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

- 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.
- 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, 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's 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.

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

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

For Dr. Mohamed Al-Amri & Co.



Gihad M. Al-Amri
Certified Public Accountant
Registration No. 362



4 April, 2022 (G)
3 Ramadhan, 1443 (H)

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
Property and equipment	6	646,510,886	661,339,332
Right of use assets	7	612,884,410	679,490,561
Investment properties	8	28,979,220	29,165,121
Intangible assets	9	2,699,776	3,719,924
Investment in equity instrument at fair value through other comprehensive income ("FVOCI")	10	731,961	355,740
Total non-current assets		1,291,806,253	1,374,070,678
Current assets			
Inventories	11	850,342,688	824,233,364
Trade receivables	12	13,206,224	9,707,764
Prepayments and other receivables	13	41,299,951	48,019,559
Due from related parties	14	5,199,512	1,689,256
Investments at fair value through profit or loss ("FVTPL")	15	1,906,428	-
Cash and cash equivalents	16	17,180,690	16,305,127
Total current assets		929,135,493	899,955,070
TOTAL ASSETS		2,220,941,746	2,274,025,748
EQUITY AND LIABILITIES			
Equity			
Share capital	17	450,000,000	450,000,000
Statutory reserve	17	98,837,939	96,760,548
Retained earnings		86,642,837	68,950,422
Fair value reserve of equity instrument at ("FVOCI")		(525,868)	(902,089)
Equity attributable to the shareholders of the Company		634,954,908	614,808,881
Non-controlling interest	17	185,263	241,966
Total equity		635,140,171	615,050,847
Non-current liabilities			
Loans and borrowings	18	63,029,412	15,000,000
Lease liability	19	606,494,897	660,588,847
Employees end of service benefits	20	62,023,094	56,248,286
Total non-current liabilities		731,547,403	731,837,133
Current liabilities			
Trade payables and accruals	21	345,873,042	374,474,763
Short-term loans	18	420,000,000	442,732,428
Current portion of long term loans and borrowings	18	36,970,588	56,944,444
Current portion of lease liability	19	47,000,766	46,867,023
Advances against sub lease		3,132,769	3,866,681
Provision for zakat	22	1,277,007	2,252,429
Total current liabilities		854,254,172	927,137,768
Total liabilities		1,585,801,575	1,658,974,901
TOTAL EQUITY AND LIABILITIES		2,220,941,746	2,274,025,748

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements

Chairman
Hazem Fayed Al Aswad

CEO
Maher Hazem Fayed Al Aswad

CFO
Salman Ejaz Khawaja Ejaz Ur Rehman

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Notes	December 31, 2021	December 31, 2020
Revenue	23	1,651,397,200	1,863,271,061
Cost of revenue	24	(1,164,525,740)	(1,382,076,731)
Gross profit		486,871,460	481,194,330
Selling and distribution expenses	25	(323,354,753)	(301,092,245)
General and administrative expenses	26	(109,481,319)	(105,167,799)
Profit from operations		54,035,388	74,934,286
Finance cost	27	(50,781,779)	(54,870,950)
Other income, net	28	18,903,731	20,976,200
Profit before Zakat		22,157,340	41,039,536
Zakat	22	(1,440,135)	(2,319,765)
PROFIT FOR THE YEAR		20,717,205	38,719,771
Other comprehensive loss			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement loss on employees end of service benefits	20	(1,004,102)	(865,061)
Fair value gain/ (loss) on re-measurement of equity instruments at FVOCI	10	376,221	(150,666)
		(627,881)	(1,015,727)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		20,089,324	37,704,044
Profit / (loss) attributable to:			
Shareholders of the Company		20,773,908	38,763,598
Non-controlling interests	17	(56,703)	(43,827)
		20,717,205	38,719,771
Total comprehensive income/ (loss) attributable to:			
Shareholders of the Company		20,146,027	37,747,871
Non-controlling interests		(56,703)	(43,827)
		20,089,324	37,704,044
Earnings per share			
Basic and diluted earnings per share from net profit attributable to the shareholders of the Company	29	0.46	0.86

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.



Chairman
Hazem Fayez Al Aswad



CEO
Maher Hazem Fayez Al Aswad



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Salman Ejaz Khawaja Ejaz Ur Rehman

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021**
(Expressed in Saudi Riyals)

	Attributable to the shareholders of the Company				
	Fair value reserve		Non-		
	of equity		controlling		
	instrument at		interest		
	FVOCI		Total		
	Share capital	Statutory reserve	Retained earnings	Total	Total equity
At January 01, 2020	450,000,000	92,884,188	34,928,245	577,061,010	577,346,803
Profit for the year	-	-	38,763,598	38,763,598	38,719,771
Other comprehensive loss	-	-	(865,061)	(1,015,727)	(1,015,727)
Total comprehensive income for the year	-	-	37,898,537	37,747,871	37,704,044
Transfer to statutory reserve	-	3,876,360	(3,876,360)	-	-
At December 31, 2020	450,000,000	96,760,548	68,930,422	614,808,881	615,050,847
Profit for the year	-	-	20,773,908	20,773,908	20,717,205
Other comprehensive loss	-	-	(1,004,102)	376,221	(627,881)
Total comprehensive income for the year	-	-	19,769,806	376,221	20,089,324
Transfer to statutory reserve	-	2,077,391	(2,077,391)	-	-
At December 31, 2021	450,000,000	98,837,939	86,642,837	(525,868)	635,140,171

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

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SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)


CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

	Notes	December 31, 2021	December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		22,157,340	41,039,536
<i>Adjustments for non –cash items to reconcile profit before zakat to net cash flows</i>			
Depreciation of property and equipment	6	51,365,836	50,549,497
Depreciation of right of use assets	7	64,359,551	63,075,584
Depreciation of investment properties	8	185,901	185,901
Amortization of intangible assets	9	1,050,060	1,305,452
Provision for employees' end of service benefits	20	7,018,571	6,976,840
Allowance for obsolete/ slow moving inventories	11	5,768,738	2,010,694
Gain on termination of lease		(1,782,351)	-
Gain on disposal / write off of property and equipment - net		(133,604)	(42,696)
Gain on sale of investments at FVTPL	15	(110,703)	-
Unrealised gain on investments at FVTPL	15	(489,216)	-
Finance cost	27	50,781,779	54,870,950
		200,171,902	219,971,758
<i>Working capital adjustments</i>			
Inventories		(31,878,062)	(66,742,337)
Trade receivables		(3,498,460)	1,144,352
Prepayments and other receivables		6,719,608	(18,313,565)
Due from related parties		(3,510,256)	8,593,051
Trade payables and accruals		(28,601,721)	50,632,240
Advances against sub-lease		(733,912)	(95,251)
Cash provided by operations		138,669,099	195,190,248
Employees' end of service benefits paid	20	(3,869,073)	(7,161,575)
Finance cost paid		(10,262,022)	(13,606,066)
Zakat paid	22	(2,415,557)	(3,619,733)
Net cash generated from operating activities		122,122,447	170,802,874
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	6	(36,664,479)	(25,823,746)
Proceeds from disposal of property and equipment		260,693	481,671
Purchases of intangible assets	9	(29,912)	(1,390,803)
Purchases of investments at FVTPL	15	(1,630,205)	-
Proceeds from sale of investment at FVTPL		323,696	-
Net cash used in investing activities		(37,740,207)	(26,732,878)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loans and borrowings		(56,944,444)	(123,666,659)
Proceeds from long term loans and borrowings		85,000,000	-
Net change in short term loans		(22,732,428)	71,762,901
Repayment of lease liability	19	(88,829,805)	(96,536,363)
Net cash used in financing activities		(83,506,677)	(148,440,121)
Net change in cash and cash equivalents		875,563	(4,370,125)
Cash and cash equivalents at beginning of the year		16,305,127	20,675,252
Cash and cash equivalents at end of the year	16	17,180,690	16,305,127

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.


Chairman
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CEO
Maher Hazem Fayeze Al Aswad


CFO
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SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in Saudi Riyals)

1. CORPORATE INFORMATION AND GROUP STRUCTURE

Saudi Marketing Company (Farm Superstores) (the "Company") is a Saudi Joint Stock Company registered in Dammam, Kingdom of Saudi Arabia under Commercial Registration Number 2050006430 dated Muharram 2, 1399H (corresponding to December 3, 1978). The Company's registered office is P.O.Box 4605, Dammam 31412, Kingdom of Saudi Arabia.

The Company operates through the following branches. The financial results of these branches are included in these consolidated financial statements.

<i>Commercial Registration Number</i>	<i>Date</i>	<i>Location</i>	<i>Commercial Registration Number</i>	<i>Date</i>	<i>Location</i>
1010228155	22/01/1428	Riyadh	2056005325	26/10/1436	Nairyah
3550123355	08/09/1439	Tabuk	2056101873	08/09/1439	Nairyah
5950032945	20/04/1438	Najran	2057003568	08/05/1430	Khafji
1010431223	20/05/1436	Riyadh	2057004408	04/11/1432	Khafji
1010437819	23/12/1436	Riyadh	2057004613	03/02/1433	Khafji
1010441945	09/05/1437	Riyadh	2063015989	26/08/1425	Safwa
1010453578	02/11/1439	Riyadh	2063020578	01/06/1430	Safwa
1010464717	15/01/1438	Riyadh	2066002140	26/08/1425	Ras Tanura
1010608841	02/09/1438	Riyadh	2250047819	17/08/1433	Hassa
1011024191	15/01/1438	Kharj	2250373911	17/01/1440	Hassa
2050006046	05/07/1398	Dammam	2251036566	18/01/1429	Hofuf
2050007771	03/11/1399	Dammam	2251036644	26/01/1429	Hofuf
2050046049	05/05/1425	Dammam	2251057050	26/05/1435	Hofuf
2050046079	08/05/1425	Dammam	2251066762	15/01/1438	Hofuf
2050050416	23/01/1427	Dammam	2252101746	15/05/1439	AlMobaraz
2050053732	16/02/1428	Dammam	2511012061	22/05/1432	Hafar Al-Batin
2050070704	04/06/1431	Dammam	2511012130	15/06/1432	Hafar Al-Batin
2050070995	18/06/1431	Dammam	2511117798	13/01/1442	Hafar Al-Batin
2050103313	06/01/1436	Dammam	3350036643	26/12/1433	Hail
2050110665	24/01/1438	Dammam	3350037344	02/02/1434	Hail
2050112804	21/08/1438	Dammam	3400116343	08/09/1439	Skaka
2050112911	02/09/1438	Dammam	3450014091	13/06/1435	Arar
2050113222	24/10/1438	Dammam	3450014223	23/07/1435	Arar
2050115023	07/04/1439	Dammam	3452010790	12/09/1438	Qurayat
2050140634	05/05/1442	Dammam	3550123355	08/09/1439	Tabuk
2051023874	16/10/1420	Khobar	3555001935	23/10/1438	Debah
2051023875	16/10/1420	Khobar	4030149428	04/04/1425	Jeddah
2051026992	13/09/1423	Khobar	4030179904	05/06/1429	Jeddah
2051029721	08/05/1425	Khobar	4030179993	07/06/1429	Jeddah
2051037258	09/05/1429	Khobar	4030219007	03/01/1433	Jeddah
2051063268	23/02/1438	Khobar	4030230447	03/08/1433	Jeddah
2051227141	04/12/1440	Khobar	4030245169	13/06/1434	Jeddah
2052000604	18/12/1415	Dhahran	4030266227	27/04/1435	Jeddah
2052000879	16/02/1423	Dhahran	4030285221	01/01/1437	Jeddah
2053014486	19/10/1423	Qatif	4030285223	01/01/1437	Jeddah
2053019428	06/06/1429	Qatif	4030302295	15/08/1439	Jeddah
2053111849	11/07/1439	Qatif	4030303782	05/09/1439	Jeddah
2055001486	09/05/1406	Jubail	4030317559	13/04/1440	Jeddah
2055007398	06/02/1427	Jubail	4030325339	20/06/1440	Jeddah
2055007399	06/02/1427	Jubail	4030389198	13/01/1442	Jeddah

SAUDI MARKETING COMPANY (FARM SUPERSTORES)
(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**
(Expressed in Saudi Riyals)

<i>Commercial Registration Number</i>	<i>Date</i>	<i>Location</i>	<i>Commercial Registration Number</i>	<i>Date</i>	<i>Location</i>
2055007400	06/02/1427	Jubail	4700016176	22/07/1434	Yanbu
2055007463	10/03/1427	Jubail	4700019712	13/02/1437	Yanbu
2055009051	03/02/1429	Jubail	4700019827	09/05/1437	Yanbu
2055012058	29/06/1431	Jubail	4700020157	06/04/1438	Yanbu
2055012059	29/06/1431	Jubail	4700020215	21/06/1438	Yanbu
2055013625	02/07/1432	Jubail	5800021614	15/01/1439	Baha
2055024379	24/11/1436	Jubail	5801015416	12/07/1434	Baljurashi
2055025593	23/03/1438	Jubail	5801774489	15/08/1439	Baljurashi
2055026379	07/04/1439	Jubail	5850120314	08/09/1439	Abha
2055123215	03/08/1439	Jubail	5900014580	07/07/1431	Jaizan
2055123404	08/09/1439	Jubail	5900014581	07/07/1431	Jaizan
2055126204	04/12/1440	Jubail	5901029910	08/11/1435	Abu Arish

At the reporting date, the Company has a following subsidiary (collectively referred to as the "Group"):

Subsidiary name	Country of incorporation	Effective ownership interest (%)	
		December 31, 2021	December 31, 2020
Pure Springs Agencies and Trading Company Ltd.	Kingdom of Saudi Arabia	90	90

The Group is engaged in the following activities:

- Wholesale and retail of foodstuff, household consumables, toys, textiles and stationary;
- Marketing services on behalf of third parties and managing and operating bakeries;
- Managing and operating restaurants and coffee shops and providing fast food items and cold and hot beverages;
- Establishment, operation and maintenance of amusement centers.

2. BASIS OF PREPARATION AND BASIS OF MEASUREMENT

2.1 Statement of compliance

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

2.2 Basis of measurement

These consolidated financial statements have been prepared using the accruals basis of accounting under the historical cost convention, except for:

- The remeasurement of equity instruments at FVOCI and at FVTPL at fair values, and;
- Employees end of service benefits that have been measured at the present value using Projected Unit Credit Method.

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2.3 Basis of consolidation

These consolidated financial statements of the Group incorporate the financial statements of the Company and its subsidiary as mentioned in note 1. Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has all of the following three elements:

- a) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- b) Exposure, or rights, to variable returns from its involvement with the investee and;
- c) The ability to use its power over the investee to affect its returns.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-group investments, transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated. The accounting policies of the subsidiaries are consistent with those adopted by the Group.

Non-controlling interests in the results and equity of not wholly owned subsidiary are shown separately in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity respectively.

2.4 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR), which is the functional currency of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods. Significant estimates, assumptions and judgments are described below:

3.1 Impairment of non-financial assets

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

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3.2 Useful lives of property and equipment

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

3.3 Incremental borrowing rate for lease agreements

The Group cannot readily determine the interest rate implicit in the lease agreement, therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

3.4 Determining the lease term of contracts with renewal and terminations options

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

The Group has several lease contracts that include extension and termination clauses. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

3.5 Allowance for inventories obsolescence

The Group recognises an allowance for inventory net realisable value due to factors such as obsolescence, technical faults, physical damage, expiry etc. The estimation of such allowance includes the consideration of factors including but not limited to past sales trends and both existing and emerging market conditions.

3.6 Long-term assumptions for employees' benefits

End-of-service benefits represent obligations that will be settled in the future and require assumptions to project obligations. The accounting requires management to make further assumptions regarding variables such as discount rates, rate of compensation increases and return on assets, mortality rates, employment turnover and future healthcare costs. Periodically, management of the Group consults with external actuaries regarding these assumptions. Changes in key assumptions can have a significant impact on the projected benefit obligations and/or periodic employees' defined benefit costs incurred.

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted and consistently applied in preparation of these consolidated financial statements are as follows:

4.1 Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. Construction work in progress is stated at cost, net of accumulated impairment losses, if any. Such costs includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects (qualifying assets), if the recognition criteria are met. Where such assets are constructed in-house, their cost includes all amounts necessary to bring the asset to the present condition and location to be ready for intended use by management and excludes all costs such as general and administrative expenses and training costs. Any feasibility study costs are expensed as incurred unless they relate to specifically identifiable asset being constructed in-house and are directly attributable to it.

When parts of property and equipment are significant in cost in comparison to the total cost of the item, and where such parts/components have a useful life different than other parts and are required to be replaced at different intervals, the Group shall recognise such parts as individual assets with specific useful lives and depreciate them accordingly. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

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

Buildings and leasehold improvements	10 - 20 years
Cold storage equipment	3 - 20 years
Vehicles and trucks	4 - 10 years
Furniture, fixtures and office equipment	3 - 20 years

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

Capital work in progress, which are not ready for its intended use and freehold land are not depreciated.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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4.2 Right-of-use assets and lease liabilities

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

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. Currently, Group has no contract which includes lease and non-lease component.

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.

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 to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability mainly comprise of fixed lease payments.

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.

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.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

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4.3 Investment properties

Investment properties held for the purpose of generating rental income or capital appreciation are classified as investment properties. Investment properties are measured at cost less any accumulated depreciation and any accumulated impairment losses. Investment properties under construction are measured at cost less any impairment in value. Depreciation is charged on a straight line basis over the estimated useful lives as follows:

Buildings	20 years
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Land and investment properties under construction are not depreciated.

The useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognised in the consolidated statement of profit or loss and other comprehensive income as the expense is incurred.

4.4 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

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

The useful life of an intangible asset with a definite life is reviewed regularly to determine whether there is any indication that its current life assessment continues to be supportable. If not, the change in useful life assessment is made on a prospective basis. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the aggregated CGU level.

The amortisation periods for intangible assets with a finite useful life are as follows:

Software costs	5 years
Franchise costs	10 - 25 years

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

4.5 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset maybe impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the assets recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate (pre-zakat) that reflects current market assessment of the time value of money and the risks specific to the asset.

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The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual asset is allocated. These budgets and forecast calculations generally cover a five-year period. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the budget period.

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

Irrespective of whether there is any indication of impairment, the Group also tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing their carrying amount with the respective recoverable amount. This impairment test may be performed at any time during an annual period, provided it is performed at the same time every year. Different intangible assets may be tested for impairment at different times. However, if such an intangible asset was initially recognised during the current annual period, that intangible asset is tested for impairment before the end of the current annual period.

For assets other than above, an assessment is made at each financial year-end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. This reversal is limited such that the recoverable amount doesn't exceed what the carrying amount would have been, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income.

4.6 Financial instruments – initial recognition, subsequent measurement and derecognition

Financial assets

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. Financial assets are classified as:

- financial assets measured at amortised cost, or
- financial assets measured at fair value

Gains or losses of assets measured at fair value are recognised either through the consolidated statement of profit or loss or other comprehensive income.

Trade receivables, which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

Initial measurement

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

Subsequent measurement

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

Amortised cost

Financial assets held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest (SPPI), are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost, and not part of a hedging relationship, is recognised in the consolidated statement of

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profit or loss and other comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair Value through Other Comprehensive Income ("FVOCI")

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in the statement of profit or loss and other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the consolidated statement of profit or loss and other comprehensive income and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

Fair Value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL and which is not part of a hedging relationship is recognised and presented net in the consolidated statement of profit or loss and other comprehensive income in the period in which it arises. A gain or loss on equity instruments that is subsequently measured at FVTPL is recognised in consolidated statement of profit or loss.

• *Trade receivables and cash and cash equivalents*

The Group's financial assets compose of trade receivables and cash and cash equivalents as all are held to collect contractual cash flow and expected to give rise to cash flows representing solely payment of principal and interest. Accordingly, subsequent to initial measurement all are carried at amortised cost.

All of the Group's financial assets are subsequent to initial recognition carried at amortised costs, except equity instruments at FVOCI and FVTPL.

Derecognition

A financial asset or a part of a financial asset is de-recognised when:

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

Impairment

The Group assesses on a forward looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, which are carried at amortised cost and FVOCI. The ECL is based on a 12-month ECL and a life time ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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Financial liabilities

Initial recognition and measurement

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVTPL; and
- Other financial liabilities measured at amortised cost using the Effective Interest rate ("EIR") method.

The category of financial liability at FVTPL has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVTPL upon initial recognition; and,
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recorded at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at FVTPL continue to be recorded at fair value with changes being recorded in the consolidated statement of profit or loss and other comprehensive income.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gain and losses are recognised in consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

All of the Group's financial liabilities are carried subsequent to initial recognition at amortised cost.

Derecognition

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

Offsetting of financial instruments

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

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4.7 Borrowing costs

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

4.8 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for using weighted average method. Allowance is made, wherever necessary, for obsolete, slow moving and defective stocks. Normal wastages are charged directly to the cost of revenue.

4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash with banks and other short-term highly liquid investments, if any, with original maturities of three months or less, which are available to the Group without any restrictions.

4.10 Statutory reserve

In accordance with Saudi Arabian Companies Law, the Group must set aside 10% of its net income in each year until it has built up a reserve equal to 30% of the capital. The reserve is not available for distribution.

4.11 Earnings per share

Basic earnings per share amounts are calculated by dividing consolidated net profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares during the year. Diluted earnings per share amounts are calculated by dividing the consolidated net profit attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

4.12 Dividend

The Group recognises a liability to make cash distributions to equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the corporate laws in Kingdom of Saudi Arabia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

4.13 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation amount. Where management of the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in consolidated statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

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Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost meeting its obligation under the contract.

4.14 Contingencies

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

4.15 Employee benefits

Short-term employee benefits

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

Employees' end of service

The Group's net obligation in respect of employee's end of service is calculated by estimating the amount of future benefits that employees have earned in the current and prior periods and discounting that amount. The calculation of employees' end of service obligations is performed annually by a qualified actuary using the projected unit credit method.

Remeasurements of the employees' end of service liability, which comprise actuarial gains and losses are recognised immediately in OCI. Net interest is calculated by applying the discount rate to the employee's end of service liability or asset. Net interest expense and other expenses related to employee's end of service are recognised in the consolidated statement of profit or loss and other comprehensive income.

4.16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a product or services to a customer and when the specific criteria have been met for each of the Group's activities, as described below.

Retail and household revenues

Retail and household revenues are recognised at a point in time i.e. when the control over goods has been transferred to the customer, usually on delivery of the goods. Revenues are measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding any taxes or duty. Amounts disclosed as revenue are net of sales returns.

Entertainment service revenue

Entertainment revenue is recognised when services is provided to customers at point in time.

4.17 Expenses

Cost of revenue

Rebates and gondola income are netted off from cost of revenue on an accruals basis and are measured based on the contractual terms specified in the agreements signed with suppliers.

Selling and distribution expenses

Selling and distribution expenses comprise of all costs for selling and distributing the Group's products and include expenses for advertising, distribution and other sales related overheads. Allocation between selling and distribution and cost of sales are made on a consistent basis, when required.

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General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales or the selling and distribution activity of the Group. Allocation between general and administrative expenses and cost of sales, are made on a consistent basis, when required.

4.18 Zakat and tax

Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat Tax and Customs Authority ("ZATCA"). Provision for zakat for the Group are charged to the consolidated statement of profit or loss and other comprehensive income.

Withholding tax

The Group withholds taxes (WHT) on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, as required under Saudi Arabian Income Tax Law. Such WHT are recorded as tax liabilities under other payables.

Value added tax

The value added tax (VAT) is based on gross sales price at the rate of 15%. The VAT may be offset by VAT paid by the Group on procurements included in the cost of sales and other expenses. The Group recorded a VAT payable net of payments in the accompanying consolidated financial statements.

4.19 Foreign currencies

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

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statement of profit or loss and other comprehensive income.

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

4.20 Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers (the "CODM"), which in the Group's case is the Chief executive officer. The CODM make decisions about resources to be allocated to segments and assess their performance, based on the discrete financial information made available to him. Segments results that are reported to the Group CODM includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group also disclose its geographical segmental information based on the economic environment it provides its services and goods.

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4.21 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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

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

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

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

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

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

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

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5. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS

5.1 New standards, interpretations and amendments effective in the current year

The following are the new interpretations and amendments to the standards that are effective in the current year and which either do not give rise to significant changes or not applicable to the Group's accounting policies:

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IFRS 16	Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	April 01, 2021
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2	January 01, 2021

5.2 New and amended IFRS Standards that are not yet effective

There are a number of standards, amendments to standards, and interpretations, which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

<u>Standards</u>	<u>Title</u>	<u>Effective date</u>
IAS 37	Onerous Contracts – Amendments regarding Cost of Fulfilling a Contract	January 01, 2022
IAS 16	Amendments regarding Property, Plant and Equipment: Proceeds before Intended Use	January 01, 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Amendment regarding Annual Improvements to IFRS Standards 2018-2020	January 01, 2022
IFRS 3	Amendments regarding References to Conceptual Framework	January 01, 2022
IAS 1, IFRS Practice Statement 2	Disclosure of Accounting Policies	January 01, 2023
IAS 1	Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities	January 01, 2023
IAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	January 01, 2023
IAS 8	Amendment regarding definition of accounting estimates	January 01, 2023

The Group does not foresee any material impact on the consolidated financial statements upon the adoption of these amendments to standards.

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6. PROPERTY AND EQUIPMENT

December 31, 2021

	Freehold land	Building and leasehold improvements	Cold storage equipment	Vehicles and trucks	Furniture, fixtures and office equipment	Construction work-in-progress	Total
<i>Cost</i>							
At January 1, 2021	134,408,893	508,550,217	120,063,790	41,104,920	300,829,450	10,913,988	1,115,871,258
Additions	-	1,078,454	906,976	1,604,927	7,178,884	25,895,238	36,664,479
Transfers	-	9,692,097	184,260	-	1,876,676	(11,753,033)	-
Disposals	-	-	(39,031)	(816,200)	(230,180)	-	(1,085,411)
At December 31, 2021	134,408,893	519,320,768	121,115,995	41,893,647	309,654,830	25,056,193	1,151,450,326
<i>Accumulated depreciation and impairment</i>							
At January 1, 2021	-	210,012,264	46,627,703	37,684,109	160,207,850	-	454,531,926
Charge for the year	-	23,398,208	5,964,971	1,583,237	20,419,420	-	51,365,836
Disposals	-	-	(1,703)	(763,454)	(193,165)	-	(958,322)
At December 31, 2021	-	233,410,472	52,590,971	38,503,892	180,434,105	-	504,939,440
Net carrying amounts							
At December 31, 2021	134,408,893	285,910,296	68,525,024	3,389,755	129,220,725	25,056,193	646,510,886

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6. PROPERTY AND EQUIPMENT (CONTINUED)

December 31, 2020

<i>Cost</i>	Freehold land	Building and leasehold improvements	Cold storage equipment	Vehicles and trucks	Furniture, fixtures and office equipment	Construction work-in-progress	Total
At January 1, 2020	134,408,893	492,375,645	115,770,226	40,381,234	291,521,133	17,792,540	1,092,249,671
Additions	-	56,665	2,200,740	2,179,878	6,946,644	14,439,819	25,823,746
Transfers	-	16,117,907	2,172,624	161,167	2,866,673	(21,318,371)	-
Disposals / write offs	-	-	(79,800)	(1,617,359)	(505,000)	-	(2,202,159)
At December 31, 2020	134,408,893	508,550,217	120,063,790	41,104,920	300,829,450	10,913,988	1,115,871,258

Accumulated depreciation and impairment

At January 1, 2020	-	187,551,233	40,796,231	37,162,097	140,236,052	-	405,745,613
Charge for the year	-	22,461,031	5,870,971	2,045,334	20,172,161	-	50,549,497
Disposals / write offs	-	-	(39,499)	(1,523,322)	(200,363)	-	(1,763,184)
At December 31, 2020	-	210,012,264	46,627,703	37,684,109	160,207,850	-	454,531,926
Net carrying amounts							
At December 31, 2020	134,408,893	298,537,953	73,436,087	3,420,811	140,621,600	10,913,988	661,339,332

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6. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation charge for the year has been allocated as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cost of revenue (note 24)	6,776,606	6,473,267
Selling and distribution expenses (note 25)	34,505,273	33,860,836
General and administrative expenses (note 26)	10,083,957	10,215,394
	<u>51,365,836</u>	<u>50,549,497</u>

Construction work in progress mainly represents the cost incurred for the construction of new outlets in addition to certain improvement of various existing outlets.

Certain buildings are constructed on leasehold land for years ranging from 10 to 20 years.

Finance cost amounted to SR 0.057 million (2020: SR 0.3 million) have been capitalized during the year related to construction work in progress.

7. RIGHT OF USE ASSETS

Right of use assets consist of lands and buildings depreciated over 3 to 23 years:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cost:		
At January 01,	806,528,626	775,708,080
Additions	16,261,169	31,145,279
Deletions	(26,247,657)	(324,733)
At December 31,	<u>796,542,138</u>	<u>806,528,626</u>
Accumulated depreciation:		
At January 01,	127,038,065	64,046,303
Charge for the year	64,359,551	63,075,584
Deletions	(7,739,888)	(83,822)
At December 31,	<u>183,657,728</u>	<u>127,038,065</u>
Net carrying amount		
At December 31,	<u>612,884,410</u>	<u>679,490,561</u>

Depreciation charge for the year has been allocated as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cost of revenue (note 24)	3,816,172	3,816,172
Selling and distribution expenses (note 25)	60,543,379	59,259,412
	<u>64,359,551</u>	<u>63,075,584</u>

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8. INVESTMENT PROPERTIES

Investment properties comprises of the Group's investments in land and buildings located in the Kingdom of Saudi Arabia.

December 31, 2021	Land	Buildings	Total
Cost:			
At the beginning of the year	26,376,600	3,718,027	30,094,627
At the end of the year	26,376,600	3,718,027	30,094,627
Accumulated depreciation:			
At the beginning of the year	-	929,506	929,506
Charge for the year	-	185,901	185,901
At the end of the year	-	1,115,407	1,115,407
Net carrying amounts			
At December 31, 2021	26,376,600	2,602,620	28,979,220

December 31, 2020	Land	Buildings	Total
Cost:			
At the beginning of the year	26,376,600	3,718,027	30,094,627
At the end of the year	26,376,600	3,718,027	30,094,627
Accumulated depreciation:			
At the beginning of the year	-	743,605	743,605
Charge for the year	-	185,901	185,901
At the end of the year	-	929,506	929,506
Net carrying amounts			
At December 31, 2020	26,376,600	2,788,521	29,165,121

The fair values of land and buildings have been arrived based on the valuation exercise carried out by an independent valuer, Zhoor Al Dammam For Real Estate Valuation having license number 1210000630. Zhoor Al Dammam For Real Estate Valuation is a firm licensed by Taqueem (the Saudi Authority for Accredited Valuers) and is also regulated by the Royal Institution of Chartered Surveyors ("RICS"). The fair value of land and buildings as of December 31, 2021 was amounted to SR 32.84 million (2020: SR 32.78 million). The fair value has been determined based on the income approach that reflects present value of discounted cash flows and cost approach that reflects the current replacement cost.

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9. INTANGIBLE ASSETS

December 31, 2021

	Software	Franchise cost	Total
Cost:			
At the beginning of the year	14,709,148	1,917,287	16,626,435
Additions	29,912	-	29,912
At the end of the year	14,739,060	1,917,287	16,656,347
Accumulated amortisation:			
At the beginning of the year	11,217,835	1,688,676	12,906,511
Charge for the year	1,013,310	36,750	1,050,060
At the end of the year	12,231,145	1,725,426	13,956,571
Net carrying amounts			
At December 31, 2021	2,507,915	191,861	2,699,776

December 31, 2020

	Software	Franchise cost	Total
Cost:			
At the beginning of the year	13,318,345	1,917,287	15,235,632
Additions	1,390,803	-	1,390,803
At the end of the year	14,709,148	1,917,287	16,626,435
Accumulated amortisation:			
At the beginning of the year	9,949,133	1,651,926	11,601,059
Charge for the year	1,268,702	36,750	1,305,452
At the end of the year	11,217,835	1,688,676	12,906,511
Net carrying amounts			
At December 31, 2020	3,491,313	228,611	3,719,924

Amortisation charge for the years ended December 31, 2021 and December 31, 2020 have been charged to general and administrative expenses (note 26).

10. INVESTMENT IN EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME("FVOCI")

	December 31, 2021	December 31, 2020
At the beginning of the year	355,740	506,406
Change in fair value	376,221	(150,666)
At the end of the year	731,961	355,740

This represents investment in shares of GFH Financial Group B.S.C, a Company registered in Bahrain. The Group holds 600,584 shares of the investee.

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11. INVENTORIES

	December 31, 2021	December 31, 2020
Finished goods	818,797,716	791,057,644
Packing and consumable materials	43,112,671	41,294,487
Raw materials	1,908,457	1,217,569
Goods in transit	2,845,133	1,216,215
Total	866,663,977	834,785,915
Less: Allowance for obsolete / slow moving inventory	(16,321,289)	(10,552,551)
	850,342,688	824,233,364

Movement in allowance for obsolete / slow moving inventory is as follows:

	December 31, 2021	December 31, 2020
At the beginning of the year	10,552,551	8,541,857
Charge for the year	5,768,738	2,010,694
At the end of the year	16,321,289	10,552,551

12. TRADE RECEIVABLES

	December 31, 2021	December 31, 2020
Trade receivables	13,700,479	10,137,166
Less: allowance for expected credit loss	(494,255)	(429,402)
	13,206,224	9,707,764

An aged analysis of net trade receivables was as follows:

	<i>Not due</i>	<i>Due upto 360 days</i>	<i>361-1080 days</i>	<i>More than 1080 days</i>	<i>Total</i>
December 31, 2021	10,885,999	1,734,996	585,229	-	13,206,224
December 31, 2020	7,981,441	959,076	708,789	58,458	9,707,764

The Group measures the loss allowance for trade receivables based on expected credit loss model (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the customers and an analysis of the customer's current financial position, adjusted for factors that are specific to the customers, general economic conditions of the industry in which the customers operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Movement in the allowance for expected credit loss was as follows:

	December 31, 2021	December 31, 2020
At the beginning of the year	429,402	429,402
Charge for the year	64,853	-
At the end of the year	494,255	429,402

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13. PREPAYMENTS AND OTHER RECEIVABLES

	December 31, 2021	December 31, 2020
Prepaid Government fee	14,504,316	16,819,815
Sub lease receivables	7,281,518	8,789,387
Advances to suppliers	10,693,791	10,543,497
Employees receivables	3,907,590	3,642,508
Prepaid lease rentals	1,952,269	2,603,962
Others	2,960,467	5,620,390
	<u>41,299,951</u>	<u>48,019,559</u>

14. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include shareholders, key management personnel and the entities controlled, jointly controlled or significantly influenced by such parties and entities having common directorship. The significant transactions with related parties and the related balances as at the year-end are as follows:

Related parties	Relationship	Nature of transactions	Amounts of transaction		Balances	
			December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Amounts due from related parties						
Saudi Marketing and Trading SAL holding	Common directorship	Collection	-	(6,692,500)	-	-
Al Dawaa Medical Services	Common directorship	Rental income net of payment	-	(1,116,321)	-	-
		Rental and advances paid	(2,721,258)	(3,858,654)	-	-
		Services	(736,230)	(1,330,642)	-	-
Al Aswad Trading and Contracting Company	Common directorship	Purchases	3,536,127	-	-	-
		Rental income	3,272,325	4,028,585	4,322,078	971,114
Al Karam Restaurant	Common directorship	Sales	409,292	470,400	-	-
		Collection	(250,000)	(213,561)	487,134	327,842
Al- Aswad for Real Estate Services Company	Common directorship	Services received	-	(1,860)	390,300	390,300
					5,199,512	1,689,256

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Amounts due to related parties (note 21)

Al Dawa Medical Services	Common directorship	Purchases	-	488,381	-	-
		Gondola and sales	-	(23,448)	-	-
		Payment	-	(439,957)	-	-
Al Aswad Trading Company	Common directorship	Purchases	1,874,155	2,661,573	-	-
		Gondola, rental income and sales	(143,584)	(192,064)	-	-
		Payments	(1,743,072)	(2,440,553)	293,245	305,746
Space Travel and Tourism Agency	Common directorship	Purchases	859,182	589,123	-	-
		Payments	(935,755)	(525,789)	-	76,573
Al Aswad Trading and Contracting- Electromechanical	Common directorship	Services received	-	990	990	990
					<u>294,235</u>	<u>383,309</u>

Pricing policies and terms of payments of the above transactions with related parties have been approved by the Group's management.

Compensation of key management personnel

The remuneration of key management personnel during the year was as follows:

	December 31, 2021	December 31, 2020
Short term benefits	3,615,866	3,925,200
End of service benefits	228,406	255,342
Board of Directors' remunerations	600,000	450,000
	<u>4,444,272</u>	<u>4,630,542</u>

15. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	December 31, 2021	December 31, 2020
<i>Quoted equity securities</i>		
<i>Movement in equity securities during the year is as follows:</i>		
Opening	-	-
Purchased during the year	1,630,205	-
Disposed-off during the year	(212,993)	-
Closing – cost	1,417,212	-
Remeasurement fair value gain (Note 15.1)	489,216	-
Closing fair value	<u>1,906,428</u>	<u>-</u>

	December 31, 2021	December 31, 2020
15.1 Impacts on profit and loss during the year is as follows:		
Realized gain during the year	110,703	-
Unrealized gain during the year	489,216	-
Dividend received	8,417	-
Net gain charged in profit and loss for the year (note 28)	<u>608,336</u>	<u>-</u>

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16. CASH AND CASH EQUIVALENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash in hand	4,376,106	4,253,898
Cash at banks	12,804,584	12,051,229
	<u>17,180,690</u>	<u>16,305,127</u>

17. EQUITY

a. Share capital

Share capital is divided into 45,000,000 shares of SR 10 each (2020: 45,000,000 shares of SR 10 each).

b. Statutory reserve

In accordance with the Saudi Arabian Regulations for Companies, 10% of the profit for the year is required to be transferred to statutory reserve until the balance in the reserve equals 30% of share capital. The reserve is not available for distribution.

c. Non- Controlling Interest

Non-controlling interest in the subsidiary is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
	%	%
Pure Spring Agencies and Trading Company Ltd.	10	10

The movement in the non-controlling interest is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
At the beginning of the year	241,966	285,793
Share in results of subsidiary	(56,703)	(43,827)
At the end of the year	<u>185,263</u>	<u>241,966</u>

18. LOANS AND BORROWINGS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Long term loans and borrowings	100,000,000	71,944,444
Less: current portion	(36,970,588)	(56,944,444)
Non -current portion	<u>63,029,412</u>	<u>15,000,000</u>

18.1 Term loans

Various long term loan facilities have been obtained from local commercial banks and are secured by promissory notes. These long term loan facilities carry financial charges at normal commercial rates.

In 2021, the Group obtained two new loan facilities from a local commercial bank amounted to SR 54 million and SR 31 million with final maturity dates in 2025 and 2026 respectively. These loans are subject to mark-up at SIBOR plus margin and is secured by promissory notes.

Financial charges incurred during the year amounted to SR 2.1 million (2020: SR 3.7 million) out of which a SR 0.057 million (2020: SR 0.3 million) have been capitalized to construction work in progress, (note 6). The loan agreements include covenants which among other things, require certain financial ratios to be maintained.

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Below are the maturity profile of term loans which are grossed and undiscounted and includes estimated interest payments;

	December 31, 2021	December 31, 2020
2021	-	57,746,878
2022	38,819,638	15,158,868
2023	26,710,522	-
2024	26,048,207	-
2025	9,027,570	-
2026	3,666,993	-
	104,272,930	72,905,746

18.2 Short term loans

Short term facilities have been obtained from local commercial banks and comprise of short term loans with maturities of less than one year. The short term facilities are secured by promissory notes. The short term facilities carry financial charges at normal commercial rates. Financial charges incurred during the year amounted to SR 8.2 million (2020: SR 9.9 million) which have been charged to the profit or loss.

19. LEASE LIABILITY

	Interest rate	Maturity	December 31, 2021	December 31, 2020
Current portion	4.59% to 5.77%	2022 to 2043	47,000,766	46,867,023
Non-current portion	4.59% to 5.77%	2022 to 2043	606,494,897	660,588,847
Total			653,495,663	707,455,870

The following are the amounts recognised in the consolidated statement of profit or loss and other comprehensive income:

	December 31, 2021	December 31, 2020
Depreciation expense of right-of-use assets	64,359,551	63,075,584
Interest expense on lease liabilities	38,898,549	39,824,918
Expense relating to short-term leases (included in general and administration expenses)	8,151,232	5,188,483
Expense relating to short-term leases (included in selling and distribution expenses)	2,180,574	1,709,727
Total amount recognised in profit or loss	113,589,906	109,798,712

The Group had total cash outflows for leases amounted to SR. 88.8 million during the year (2020: SR 96.5 million).

The contractual maturity of lease liabilities (gross) is as follows:

	December 31, 2021	December 31, 2020
Within one year	78,789,813	80,340,554
1-5 years	271,048,386	298,334,394
Thereafter	551,656,610	632,339,591
Lease obligation	901,494,809	1,011,014,539

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20. EMPLOYEES' END OF SERVICE BENEFITS

20.1 Post-employment benefits plan

In accordance with the provisions of IAS 19 - Employee Benefits, management has appointed an independent actuary to carry out an exercise to assess the present value of its defined benefit obligations as at December 31, 2020 and December 31, 2021 in respect of employees' benefits payable under relevant local regulations and contractual arrangements.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Post-employment benefits plan	<u>62,023,094</u>	<u>56,248,286</u>

The following table summarizes the components of the net benefit expense recognized in profit or loss, OCI and amounts recognized in the statement of financial position.

20.2 Net benefit expense recognised in profit or loss	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current service cost	7,018,571	6,976,840
Interest cost on benefit obligations	1,621,208	1,439,966
Net benefit expense	<u>8,639,779</u>	<u>8,416,806</u>

20.3 Net remeasurement loss recognised in other comprehensive income	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Loss/ (gain) due to change in financial assumptions	2,200,348	(2,092,652)
Loss due to change in demographic assumptions	42,273	-
(Gain)/ loss due to change in experience adjustments	(1,238,519)	2,957,713
Net remeasurement loss	<u>1,004,102</u>	<u>865,061</u>

20.4 Movement in the present value of defined benefit obligations	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Defined benefit obligations at the beginning of the year	56,248,286	54,127,994
Interest cost	1,621,208	1,439,966
Current service cost	7,018,571	6,976,840
Benefits paid	(3,869,073)	(7,161,575)
Re-measurement loss on obligations	1,004,102	865,061
Defined benefit obligations at the end of the year	<u>62,023,094</u>	<u>56,248,286</u>

Significant assumptions used in determining the post-employment defined benefit obligations includes the following:

	<u>December 31, 2021</u> <u>% per annum</u>	<u>December 31, 2020</u> <u>% per annum</u>
Discount rate	2.10%	2.95%
Future salary increases	1.10%	1.35%
Mortality rates	WHO SA19 - 75%	WHO SA16 - 75%

A quantitative sensitivity analysis for discount rate assumption on the defined benefit obligations as at December 31, are shown below:

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<u>Assumptions</u>	<u>Discount rate per annum</u>	
	<u>0.5%</u>	<u>0.5%</u>
Sensitivity level	<u>Increase</u>	<u>Decrease</u>
Defined benefit obligations as at December 31, 2021	59,455,799	63,202,230
Defined benefit obligations as at December 31, 2020	53,816,348	57,234,774

<u>Assumptions</u>	<u>Salary increase rate per annum</u>	
	<u>0.5%</u>	<u>0.5%</u>
Sensitivity level	<u>Increase</u>	<u>Decrease</u>
Defined benefit obligations as at December 31, 2021	62,194,009	60,392,879
Defined benefit obligations as at December 31, 2020	56,338,480	54,648,170

The sensitivity analysis mentioned above have been determined based on a method that extrapolates the impact on the defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

21. TRADE PAYABLES AND ACCRUALS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Trade payables - third parties	316,919,389	344,026,958
Amounts due to related parties (note 14)	294,235	383,309
Accrued expenses	16,349,905	18,629,474
Others (21.1)	12,309,513	11,435,022
	<u>345,873,042</u>	<u>374,474,763</u>

21.1 Others include VAT payable of SR. 12.1 million (2020: SR 11.3 million).

22. PROVISION FOR ZAKAT

22.1 Charge for the year

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current year	1,277,007	2,252,429
Prior years	163,128	67,336
Total charge for the year	<u>1,440,135</u>	<u>2,319,765</u>

22.2 Movement of provision for Zakat

The movement of provision for Zakat is as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
At the beginning of the year	2,252,429	3,552,397
Charged during the year	1,440,135	2,319,765
Paid during the year	(2,415,557)	(3,619,733)
At the end of the year	<u>1,277,007</u>	<u>2,252,429</u>

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22.3 Status of assessments

The Company has finalized its Zakat assessments for years from 2009 to 2012 with the Zakat, Tax and Customs Authority (ZATCA). The declarations / returns for the years from 2013 to 2020 have been submitted to ZATCA.

During 2020, ZATCA raised an assessments of Zakat for the years from 2014 to 2018 claiming additional zakat liability which was initially SR 15.6 million and subsequently reduced to SR 13.5 million. Further, in 2020, the Company also received an assessment of VAT for the years 2018 and 2019 amounted to SR 35 million excluding penalties.

In 2021, the Company received another zakat assessment for the years 2019 and 2020 claiming additional zakat liability aggregated to SR 21 million. In addition, the Company also received assessment for excise tax for the years 2017 to 2021 claiming additional tax liability of SR 0.6 million.

The Company, with an assistance of an external consultant, has filed its appeals against these assessments within the statutory timelines and all of these cases have been escalated to the General Secretariat of Zakat Tax and Customs Committees (GSTC). In 2022, the Company had one hearing with the Tax Committees for Resolution of Tax Violations and Disputes with respect to the VAT matters. However, the decision related to the hearing is still awaited.

Based on the opinion of the external consultant, the Company has strong grounds to defend and thereby, management is not expecting a material liability on these matters.

Pure Springs Agencies and Trading Company Ltd. obtained its final assessments up to 2008. The declarations for years from 2009 to 2020 have been submitted to ZATCA.

23. REVENUE

	December 31, 2021	December 31, 2020
Retail revenue	1,606,034,099	1,835,810,115
Entertainment services revenue	36,021,104	18,699,129
Household revenue	9,341,997	8,761,817
	1,651,397,200	1,863,271,061

All the revenue is generated within the Kingdom of Saudi Arabia.

24. COST OF REVENUE

24.1 Cost of revenue by segment was as follows:

	December 31, 2021	December 31, 2020
Retail	1,131,638,665	1,353,577,389
Entertainment services	25,866,619	21,934,363
Household	7,020,456	6,564,979
	1,164,525,740	1,382,076,731

24.2 Cost of revenue by nature was as follows:

	December 31, 2021	December 31, 2020
Cost of goods sold	1,135,956,795	1,358,660,430
Employees' costs	11,088,919	8,704,813
Depreciation of property and equipment (note 6)	6,776,606	6,473,267
Depreciation of right of use assets (note 7)	3,816,172	3,816,172
Utilities	2,347,653	1,425,495
Others	4,539,595	2,996,554
	1,164,525,740	1,382,076,731

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25. SELLING AND DISTRIBUTION EXPENSES

	December 31, 2021	December 31, 2020
Employees' costs	137,870,371	134,571,122
Rent (note 19)	2,180,574	1,709,727
Depreciation of property and equipment (note 6)	34,505,273	33,860,836
Depreciation of right of use assets (note 7)	60,543,379	59,259,412
Utilities	30,677,732	23,361,377
Government fee	30,570,846	23,150,727
Advertisement	6,864,329	5,642,514
Repair and maintenance	5,617,018	4,200,625
Packing	6,723,175	7,445,637
Cleaning supplies	1,081,864	1,639,862
Insurance	1,680,649	1,523,510
Transportation	2,480,490	2,444,930
Allowance for expected credit loss	64,854	-
Commissions	383,894	328,671
Gifts and donations	138,929	302,294
Travel	230,809	113,221
Others	1,740,567	1,537,780
	<u>323,354,753</u>	<u>301,092,245</u>

26. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2021	December 31, 2020
Employees' costs	62,732,561	65,137,650
Depreciation of property and equipment (note 6)	10,083,957	10,215,394
Bank charges	6,700,336	3,341,281
Rent (note 19)	8,151,232	5,188,483
Office supplies	5,690,951	7,977,701
Utilities	1,690,290	2,466,356
Professional fees	2,195,175	2,753,339
Repair and maintenance	1,554,385	1,670,896
Transportation	1,245,192	1,042,715
Government fee	4,394,903	1,040,284
Insurance	600,580	763,214
Amortisation (note 9)	1,050,060	1,305,452
Travel	399,396	209,303
Cleaning supplies	1,200,698	1,148,013
Others	1,791,603	907,718
	<u>109,481,319</u>	<u>105,167,799</u>

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27. FINANCE COST

Finance cost on:	<u>December 31, 2021</u>	<u>December 31, 2020</u>
- Loans and borrowings (note 18)	10,262,022	13,606,066
- Employee's end of service benefits (note 20)	1,621,208	1,439,966
- Lease liability (note 19)	38,898,549	39,824,918
	<u>50,781,779</u>	<u>54,870,950</u>

28. OTHER INCOME, NET

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Gain on disposal / write off of property and equipment - net	133,604	42,696
Rental income from investment properties, net (note 28.1)	1,586,439	1,683,553
Rental income from sublease (note 28.2)	11,740,214	12,997,484
Gain on termination of lease	1,782,351	-
Gain from investments at fair value through profit or loss (note 15)	608,336	-
Write back of old balances with suppliers	-	1,711,839
Foreign currency exchange losses, net	(738)	(12,725)
Others	3,053,525	4,553,353
	<u>18,903,731</u>	<u>20,976,200</u>

28.1 This is rental income generated from the Group's investment properties leased to customers, net of depreciation.

28.2 This represents sublease rental income earned by the Group during the year.

29. EARNING PER SHARE

Considering that Group does not have any dilutive instruments as of December 31, 2021 and 2020, diluted earning per share was the same as basic earning per share.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Net profit attributable to ordinary shareholders of the Group	20,773,908	38,763,598
Weighted average number of ordinary shares outstanding	45,000,000	45,000,000
Basic and diluted earning per share	<u>0.46</u>	<u>0.86</u>

30. CONTINGENCIES AND COMMITMENTS

The Group's bankers have issued payment guarantees, on behalf of the Group amounted to SR 40.19 million (2020: SR 12 million) and letter of credits amounted to SR 0.43 million (2020: SR 1.3 million). The Group has nil (2020: nil) future capital commitments in respect of construction of various outlets.

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31. SEGMENT INFORMATION

31.1 Operating segments

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- The retail segment- this segment includes sale of goods to customers commonly at the store checkout for the sales via the Group's stores.
- The household segment- this segment includes sale of goods to the wholesale customers.
- The entertainment service segment- this segment includes services provided by operating kids play grounds "Adventure World".

The selected information for each operating segment for the years ended December 31, 2021 and 2020 was as follows:

Year ended December 31, 2021	Retail	Household	Entertainment services	Total
Revenue	1,606,034,099	9,341,997	36,021,104	1,651,397,200
Profit from operations	45,097,284	269,520	8,668,584	54,035,388
Profit / (loss) for the year attributable to shareholders	22,192,973	(5,663,128)	4,244,063	20,773,908
Total non-current assets	1,175,570,823	324,069	115,911,361	1,291,806,253
Total assets	2,104,706,316	324,069	115,911,361	2,220,941,746
Total liabilities	1,542,480,717	-	43,320,858	1,585,801,575

Year ended December 31, 2020	Retail	Household	Entertainment services	Total
Revenue	1,835,810,115	8,761,817	18,699,129	1,863,271,061
Profit / (loss) from operations	80,155,878	13,641	(5,235,233)	74,934,286
Profit / (loss) for the year attributable to shareholders	53,252,541	(5,245,129)	(9,243,814)	38,763,598
Total non-current assets	1,260,843,521	422,081	112,805,076	1,374,070,678
Total assets	2,160,798,591	422,081	112,805,076	2,274,025,748
Total liabilities	1,613,081,485	-	45,893,416	1,658,974,901

32. FINANCIAL INSTRUMENTS BY CATEGORY

	December 31, 2021			
	Total	Financial assets at amortised cost	Financial assets at FVTPL	Financial assets at FVOCI
<i>Financial assets</i>				
Investment in equity securities	2,638,389	-	1,906,428	731,961
Trade receivables	13,206,224	13,206,224	-	-
Due from related parties	5,199,512	5,199,512	-	-
Cash and cash equivalents	17,180,690	17,180,690	-	-
Prepayments and other receivables	14,149,575	14,149,575	-	-
Total	52,374,390	49,736,001	1,906,428	731,961

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	December 31, 2021		
	Total	Liabilities at amortised cost	Liabilities at FVTPL
<i>Financial liabilities</i>			
Trade payables and accruals	333,767,650	333,767,650	-
Loans and borrowings	520,000,000	520,000,000	-
Lease liabilities	653,495,663	653,495,663	-
Total	1,507,263,313	1,507,263,313	-

	December 31, 2020			
	Total	Financial assets at amortised cost	Financial assets at FVTPL	Financial assets at FVOCI
<i>Financial assets</i>				
Investment in equity securities	355,740	-	-	355,740
Trade receivables	9,707,764	9,707,764	-	-
Due from related parties	1,689,256	1,689,256	-	-
Cash and cash equivalents	16,305,127	16,305,127	-	-
Prepayments and other receivables	18,052,285	18,052,285	-	-
Total	46,110,172	45,754,432	-	355,740

	December 31, 2020		
	Total	Liabilities at amortised cost	Liabilities at FVTPL
<i>Financial liabilities</i>			
Trade payables and accruals	363,163,089	363,163,089	-
Loans and borrowings	514,676,872	514,676,872	-
Lease liabilities	707,455,870	707,455,870	-
Total	1,585,295,831	1,585,295,831	-

The Company's exposure to various risks associated with the financial instruments is discussed in Note 33. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

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33. FINANCIAL INSTRUMENTS

The Group's principal financial liabilities comprise payables, short term facilities and term loans. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include cash and cash equivalents, equity instruments at FVOCI and FVTPL and receivables.

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and price risk). The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance

33.1 Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to credit risk on its bank balances, trade receivables, and other receivables as follows:

Financial assets	December 31, 2021	December 31, 2020
Cash and cash equivalents	17,180,690	16,305,127
Trade receivables	13,206,224	9,707,764
Prepayments and other receivables	14,149,575	18,052,285
Due from related parties	5,199,512	1,689,256
	49,736,001	45,754,432

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on bank balances, trade receivables and other receivables is limited as cash balances are held with banks with sound credit ratings and the trade receivables and other receivables are shown net of allowance for impairment.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. Before accepting any new credit customer, the Group has its own credit policy to assess the potential customer's credit quality and defines the credit limits for the new customer. These policies are reviewed and updated regularly. Moreover, the Group seeks to manage its credit risk by monitoring outstanding receivables on an ongoing basis.

33.2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial and non-financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

	<u>December 31, 2021</u>			
	Within one year	1-5 years	Thereafter	Total
Trade payables and accruals	333,767,650	-	-	333,767,650
Loans and borrowings	38,819,638	65,453,292	-	104,272,930
Lease liabilities	78,789,813	271,048,386	551,656,610	901,494,809
	451,377,101	336,501,678	551,656,610	1,339,535,389

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	Within one year	1-5 years	Thereafter	Total
Trade payables and accruals	363,163,089	-	-	363,163,089
Loans and borrowings	57,746,878	15,158,868	-	72,905,746
Lease liabilities	80,340,554	298,334,394	632,339,591	1,011,014,539
	<u>501,250,521</u>	<u>313,493,262</u>	<u>632,339,591</u>	<u>1,447,083,374</u>

The maturity analysis of lease liabilities is disclosed under note 19.

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

33.3 Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Financial instruments affected by market risk include borrowings and investment in equity instruments at fair value.

Management believes that Group's exposure to price risk is limited because the amounts of the underlying balances and transactions are marginal. The Group is exposed to interest rate risk on its borrowings.

Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Term loans and short-term loans amounted to SR 520 million (2020: SR 514.6 million) bear variable finance costs at prevailing market rate.

	Increase/ decrease in basis points	Effect on profit before zakat
	+100	5,200,000
December 31, 2021	-100	(5,200,000)
	+100	5,146,769
December 31, 2020	-100	(5,146,769)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyal (SR) and United States Dollar (USD). The Group's management believe that their exposure to currency risk associated with the USD is limited as the Saudi Riyal is pegged to the USD.

33.4 Measurement of fair value

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.

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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.

- 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).

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 recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Investment in equity instruments at FVOCI and FVTPL are determined at level 1 of the fair value hierarchy. As of December 31, 2021 and 2020, the carrying amount of financial assets and financial liabilities of the Group approximate their fair value.

33.5 Capital management

For the purpose of the Group's capital management, capital includes issued capital, statutory reserve and retained earnings the Group. The primary objective of the Group's capital management is to maximize the shareholder value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

34 COVID-19 UPDATES

The global economy is recovering faster from COVID-19 impacts and the number of people vaccinated against COVID-19 is increasing. In addition, protective measures and contact restrictions are relaxed. Uncertainties remain, however, with the prospect of further COVID outbreaks as a result of new variants, Omicron, for instance. In response to the spread of the COVID-19 in KSA where the Group operates and its resulting potential disruptions to the social and economic activities in market, management had proactively assessed its impacts on its operations and took a series of preventive measures, including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers and the wider community as well as to ensure the continuity of supply of its products throughout its markets.

During the year ended December 31, 2021, the Group's management did not observe any significant impact on the retail operations of the Group. However, the entertainment segment of the Group - Adventure World (which constitute insignificant part of the Group's operations) had been temporarily closed from February 05, 2021 to prevent spread of COVID-19 and was re-opened on March 07, 2021 and is now fully operational. Based on these factors, the management believes that COVID-19 has no material impact on the Group's reported financial results for the year ended December 31, 2021. Further, management has implemented active prevention programs at its sites and contingency plans in order to minimize the impact of risks related to COVID-19 and to safeguard the continuity of its business operations. Based on this assessment, no significant adjustments were required in the consolidated financial statements for the year ended December 31, 2021. As the COVID-19 pandemic remains an evolving situation, management will continue to closely monitor the effects of the pandemic on its financial results during 2022 and beyond.

35 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors of the Company on March 30, 2022 G.