

**DEVELOPMENT WORKS FOOD COMPANY
(SAUDI JOINT STOCK COMPANY)
RIYADH - SAUDI ARABIA
CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

**DEVELOPMENT WORKS FOOD COMPANY
(SAUDI JOINT STOCK COMPANY)
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31 DECEMBER 2022**

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Independent Auditor's Report

**To the Shareholders of Development Works Food Company
(A Saudi Joint Stock Company)
Riyadh - Saudi Arabia**

Opinion

We have audited the consolidated financial statements of **Development Works Food Company - A Saudi Joint Stock Company** ("The Company") and its subsidiary referred (together the "Group"), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated statement comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2022, and 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 Saudi Organization for Certified Public 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 Professional code of conduct and ethics that are relevant to our audit of the consolidated financial statements in Saudi Arabia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2022. 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.

Independent Auditor's Report (Continued)
Report on the Audit of the Consolidated financial statements (continued)

Revenue recognition	
Refer to Note 5-25 of the financial statements for the accounting policy related to revenue recognition and Note 23 of the financial statements for the related disclosures.	
Key things to review	How we dealt with key issues during the review
<ul style="list-style-type: none"> ▪ During the year 2022, the Group's recorded total revenue amounted to SAR 98,650,440 (2022: SAR 100,858,743). ▪ The Group's sales are made based on the point of sale. ▪ Revenue recognition is a key audit matter because revenue is a measure of the Company's performance and profitability. The audit criteria stipulate the importance of evaluating the risks of management overstepping the internal controls when recognizing revenue, which may result in material risks, by recognizing revenue more than its actual value to increase profitability. 	<ul style="list-style-type: none"> ▪ The audit procedures implemented in this field include, among others, the following: ▪ Evaluate the appropriateness of accounting policies related to the company's revenue realization by considering the requirements of International Financial Reporting Standard 15 "Revenues from Contracts with Customers". ▪ Evaluating the design, application and testing of the operational effectiveness of the company's control procedures, including the examination of automated systems related to the operation of accounting operations, including the control measures to combat fraud when recognizing revenues in accordance with the company's policy. ▪ Performance of analytical review procedures for revenues, by comparing sales for the current year with the previous year and identifying the reasons for material fluctuations that require additional examination considering our understanding of the operating conditions of the company, considering the market conditions as well and according to the nature of the company's operation. Testing of computer systems related to the operation of accounting operations, including inputs, operations, system outputs, and related control procedures. ▪ - Evaluating the adequacy of the disclosures included by the management in the group's consolidated financial statements.

Other Information

Other information included in the Group's annual report for the year ended 31 December 2022, other than the consolidated financial statements and the auditor's report thereon. Which is expected to be produced to us after the date of this report.

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

In our audit of the consolidated financial statements, it is our responsibility to read the information described above. In doing so, we consider whether the other information is not materially consistent with the consolidated financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Independent Auditor's Report (Continued)**Report on the Audit of the Consolidated financial statements (continued)****Responsibilities of Management and those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation for the consolidated financial statements in accordance with IFRSs, which is approved in Saudi Arabia and other standards and issues approved by SOCPA, and for such internal control, management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the 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 ISAs 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 based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.

Independent Auditor's Report (Continued)**Report on the Audit of the Consolidated financial statements (continued)**

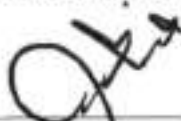
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or commercial activities within the group, to express an opinion on the consolidated financial statements. We are responsible for directing, supervising, and implementing the group review process. We remain solely responsible for the 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 Al-Kharashi Co.



Abdullah S. Al Msned
License No. (456)

Riyadh:
30 March 2023
08 Ramadan 1444



Development Works Food Company
(Saudi Joint Stock Company)
Consolidated Statement of Financial Position As of 31 December 2022
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	At December 31	
		2022	2021
Assets			
Non-current assets:			
Property, plant and equipment, Net	6	31,474,141	36,040,110
Intangible assets, Net	7	214,575	298,235
Capital work in progress	8	1,330,436	2,171,896
Right -of- use assets, Net	9-A	19,756,402	28,531,660
Investment in associate	10	-	176,578
Total non-current assets		52,775,554	67,218,479
Current assets:			
Inventories	11	5,693,193	7,024,518
Prepayments and other debit balances	12	10,628,632	11,465,616
Trade receivables	13	5,847,316	6,027,590
Due from related parties	20	-	216,009
Cash and cash equivalents	14	2,748,754	7,042,690
Total current assets		24,917,895	31,776,423
Total assets		77,693,449	98,994,902
Equity and Liabilities			
Equity			
Share capital	15	30,000,000	30,000,000
Statutory reserve	16	723,931	723,931
Employees defined benefit obligations remeasurement reserve		(423,141)	(360,004)
(Accumulated losses) Retained earning		(1,023,365)	2,199,728
Total shareholders' equity of the parent		29,277,425	32,563,655
Non-controlling interests		345,650	502,298
Total Equity		29,623,075	33,065,953
Liabilities			
Non-current liabilities:			
Long-term loans	17	7,397,857	14,734,897
Finance leases liabilities	18	-	475,615
Leases liabilities	9- B	5,829,706	11,452,250
Employees defined benefit obligations	19	2,076,836	1,719,481
Total non-current liabilities		15,304,399	28,382,243
Current liabilities:			
Short-term loans	17	11,138,669	13,906,445
Finance leases liabilities	18	435,655	644,892
Leases liabilities	9-b	10,508,769	11,781,950
Trade payables		5,135,822	5,127,444
Accrued expenses and other credit balance	21	5,264,756	5,782,385
Zakat provision	22-B	282,304	303,590
Total current liabilities		32,765,975	37,546,706
Total liabilities		48,070,374	65,928,949
Total shareholders' equity and liabilities		77,693,449	98,994,902

Salah Shahin	Hisham Abdelrahman Al Maqren	Ashry Saad Ashry
CFO	CEO	Chairman of Board of Directors

The accompanying notes are an integral part of these consolidated financial statements.

Development Works Food Company

(Saudi Joint Stock Company)

Statement of Consolidated of Comprehensive Income For the year ended 31 December 2022

(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31	
		2022	2021
Sales, Net	23	98,650,440	100,858,743
Cost of sales	24	(95,689,443)	(91,373,944)
Gross profit		2,960,997	9,484,799
selling, and marketing	25	(307,118)	(346,011)
General and administrative expenses	26	(9,353,225)	(9,369,524)
Loss from main operations		(6,699,346)	(230,736)
Finance cost	27	(1,359,087)	(1,325,010)
Other income	28	5,292,376	4,581,247
(loss) / Profit for the year before zakat		(2,766,057)	3,025,501
Zakat		(301,835)	(348,155)
(loss) / Profit for the year		(3,067,892)	2,677,346
Total income attributable to			
Shareholders' equity		(3,223,093)	2,348,659
Non-controlling interests		155,201	328,687
		(3,067,892)	2,677,346
Other comprehensive income:			
Items that will not be reclassified to net loss/ income			
Remeasurement of post-employment benefits	19	(67,688)	(304,521)
Total comprehensive income for the year		(3,135,580)	2,372,825
Total comprehensive income attributable to			
Shareholders' equity		(3,286,230)	2,044,138
Non-controlling interests		150,650	328,687
		(3,135,580)	2,372,825
Earnings per share			
Earnings (losses) per share (basic and diluted)	29	(1.07)	0.78

Salah Shahin

CFO

Hisham Abdelrahman Al
Maqren

CEO

Ashry Saad Ashry

Chairman of Board
of Directors

The accompanying notes are an integral part of these consolidated financial statements.

Development Works Food Company
(Saudi Joint Stock Company)
Statement of Consolidated Changes in Equity For the year ended 31 December 2022
(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Employees defined benefit obligations remeasurement reserve	Retained earnings	Total shareholders' equity of the parent	Non-controlling interest	Total equity
Balance as of 1 January 2021	25,000,000	2,443,389	(55,483)	3,131,611	30,519,517	392,303	30,911,820
Transferred to increasing capital	5,000,000	(1,923,872)	-	(3,076,128)	-	-	-
Transfer for statutory reserve	-	204,414	-	(204,414)	-	-	-
Net profit of the year	-	-	-	2,348,659	2,348,659	328,687	2,677,346
Other comprehensive loss	-	-	(304,521)	-	(304,521)	-	(304,521)
total comprehensive loss/profit	-	-	(304,521)	2,348,659	2,044,138	328,687	2,372,825
Adjustment to non-controlling interest	-	-	-	-	-	(6,201)	(6,201)
Dividends	-	-	-	-	-	(212,491)	(212,491)
Balance as of 31 December 2021	30,000,000	723,931	(360,004)	2,199,728	32,563,655	502,298	33,065,953
Balance as of 1 January 2022	30,000,000	723,931	(360,004)	2,199,728	32,563,655	502,298	33,065,953
Net loss of the year	-	-	-	(3,223,093)	(3,223,093)	155,201	(3,067,892)
Other comprehensive loss	-	-	(63,137)	-	(63,137)	(4,551)	(67,688)
total comprehensive loss/profit	-	-	(63,137)	(3,223,093)	(3,286,230)	150,650	(3,135,580)
Dividends	-	-	-	-	-	(307,298)	(307,298)
Balance as of 31 December 2022	30,000,000	723,931	(423,141)	(1,023,365)	29,277,425	345,650	29,623,075

Salah Shahin

CFO

Hisham Abdelrahman Al Maqren

CEO

Ashry Saad Ashry

Chairman of Board of Directors

The accompanying notes are an integral part of these consolidated financial statements.

Development Works Food Company
(Saudi Joint Stock Company)
Statement of Consolidated Cash Flow For the year
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31	
		2022	2021
Cash flows from operating activities			
Loss / Profit before zakat		(2,766,057)	3,025,501
Adjustments to reconcile (loss) / profit for the year to			
Depreciation of property and equipment		9,775,664	9,578,532
(gain) from sale of property, plant & equipment		(199,792)	(160,124)
Amortization of intangible assets		91,700	125,179
Losses from disposal of intangible assets		-	3,000
Amortization of right of use		13,415,918	12,599,920
Impairment of associates		176,578	-
Expected Credit Loss		1,524,396	-
Written off trade receivables		-	6,190
Finance costs		1,359,087	1,325,010
Employee defined benefit obligation expenses		717,212	589,425
Adjustments from previous years on zakat provision		-	20,670
		24,094,706	27,113,303
Change in working capital			
Inventories		1,331,325	(1,241,448)
Prepayments and other debit balances		(10,450)	(2,512,306)
Trade receivables		(346,419)	(1,934,503)
Due from related Parties		65,740	(216,009)
Trade payables		8,378	(1,532,391)
Accrued expenses and other credit balances		(517,629)	(654,248)
Cash generated from operating		24,625,651	19,022,398
Post-employment benefits		(483,053)	(495,216)
Zakat paid		(323,121)	(292,672)
Net cash provided by operating activities		23,819,477	18,234,510
Cash flows from investing activities			
Additions to property, plant and equipment		(3,135,660)	(969,552)
Proceeds from sale of property, plant and equipment		996,854	1,096,804
Additions to Intangible assets		(8,040)	(197,658)
prepayments of Lease contract		(43,975)	-
Additions to capital work in progress		-	(176,578)
Additions to capital work in progress		(2,029,636)	(3,868,585)
Cash flow used in investing activities		(4,220,457)	(4,115,569)
Cash flows from financing activities			
Dividends paid to non-controlling interests		(307,298)	(212,491)
Adjustment to non-controlling interest		-	(6,201)
Proceeds from borrowings		5,338,251	-
Repayments of borrowings		(15,443,067)	(1,758,898)
Repayments finance lease obligation		(684,852)	(569,553)
Repayments of lease contract liabilities		(12,481,661)	(13,968,307)
Interest paid		(314,329)	(80,419)
Due to related parties		-	(479,585)
Cash flows used in financing activities		(23,892,956)	(17,075,454)
Net change in cash and cash equivalents		(4,293,936)	(2,956,513)
Cash and cash equivalents at the beginning of the year		7,042,690	9,999,203
Cash and cash equivalents at the end of the year		2,748,754	7,042,690

Transferred from capital work in progress to property, plant and equipment amounted to SAR 2022: (2021: 4,076,714).

Salah Shahin	Hisham Abdelrahman Al Maqren	Ashry Saad Ashry
CFO	CEO	Chairman of Board of Directors

The accompanying notes are an integral part of these consolidated financial statements.

**Development Works Food Company
Saudi Joint Stock Company**

**Notes to the consolidated financial statements for the year ended 31 December 2022
(All amounts are in Saudi Riyals unless otherwise stated)**

1. GENERAL INFORMATION

Development Works Food Company (the Company) was established as a Saudi joint stock company (a limited liability company previously), registered in Riyadh, Kingdom of Saudi Arabia with commercial registration No. 1010290779 dated 16 Rajab 1431 (27 June 2012). The partners decided on 24 Muharram 1438 (25 October 2016) to change the legal entity of the Company from a limited liability company to a joint stock company. The related statutory procedures were completed during the year.

Saudi Exchange (Tadawul) announced that Development Works Food Company's shares have been listed and started trading in the parallel market (Nomu) with code 9501, with a fluctuation rate of 20% per share, on 29 Jumada Al-Awal 1438 (26 February 2017).

Saudi Exchange (Tadawul) announced that the trading of the shares of Development Works Food Company has been listed and started on the main market (TASI) with the code 6013, with a fluctuation rate of 10% per share, on the date of 18 Rabii Thani 1443 (23 November 2021).

The Company's activity is represented in refrigerated and frozen goods stores (cold warehouses), restaurants with service, food preparation kiosks, beverage outlets (coffee shops), fresh juices and cold drinks, and other activities related to real estate activities in owned or leased properties, and import and export activities.

The accompanying consolidated financial statements include the above-mentioned activities and branches' commercial registrations as follows:

<u>Number</u>	<u>Branch location</u>	<u>Branch name</u>	<u>Commercial registration No.</u>	<u>Date</u>
1	Riyadh	Juice time restaurant	1010318984	24/11/1432 H
2	Riyadh	Juice time restaurant	1010377850	25/07/1434 H
3	Riyadh	Development Works Food Company Branch Restaurant	1010437862	24/12/1436 H
4	Riyadh	Juice time restaurant	1010553050	25/04/1437 H
5	Riyadh	Juice time restaurant	1010484571	06/10/1437 H
6	Riyadh	Juice time restaurant	1010484634	07/10/1437 H
7	Riyadh	Juice time restaurant	1010554453	01/01/1438 H
8	Riyadh	Juice time restaurant	1010554459	01/01/1438 H
9	Riyadh	Juice time restaurant	1010555307	10/01/1438 H
10	Riyadh	Juice time restaurant	1010555683	15/01/1438 H
11	Riyadh	Juice time restaurant	1010686736	28/06/1444 H
12	Riyadh	Development Works Food Company Branch	1010610222	10/11/1438 H
13	Jeddah	Development Works Food Company Branch	4030295880	10/11/1438 H
14	Jeddah	Development Works Food Company Branch	4030295881	10/11/1438 H
15	Jeddah	Development Works Food Company Branch	4030295883	10/11/1438 H
16	Jeddah	Development Works Food Company Branch	4030295885	10/11/1438 H
17	Khamis Mushait	Development Works Food Company Branch	5855346150	13/04/1441 H
18	Khamis Mushait	Development Works Food Company Branch	5855346149	13/04/1441 H
19	Ahad rafidah	Development Works Food Company Branch	5857528011	13/04/1441 H

**Development Works Food Company
Saudi Joint Stock Company**

Notes to the consolidated financial statements For the year ended 31 December 2022

(All amounts are in Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

The consolidated financial statements for the year ended December 31, 2022 include the activities of the parent company and the following subsidiary company (the company and its subsidiary company hereinafter referred to as the "Group").

<u>Name of subsidiary</u>	<u>Main activity</u>	<u>Commercial registration No.</u>	<u>Ownership percentage</u>
Al-Feddan Fruits and Vegetables Company	The Company is engaged in the sale of fruits, vegetables, dates and retail sale of fresh and preserved fruits and vegetables and dates	1010454082	70%

- Head office of the parent company is located in Riyadh - 2181 Dammam Road - Al Yarmouk District, Unit No. 69, Riyadh, Zip Code 13243, additional number 7830, Saudi Arabia.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2-1 Statement of compliances

The group's consolidated financial statements were prepared in accordance with the international standards of the financial report adopted in Saudi Arabia and other standards and issues issued by the Saudi Association of Chartered Accountants.

2-2 Accounting basis

These Consolidated financial statements have been prepared on a historical cost basis, using the going concern concept except for employees' benefits which are measured at present value using the projected unit credit method.

2-3 Functional currency

The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group, unless otherwise stated.

2-4 The basis for consolidating.

Subsidiaries are entities controlled by the Company. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are considered. Subsidiaries are consolidated from the date of acquisition (the date the company obtains control) and continue to be consolidated until the date control ceases.

All intra-company balances, transactions, expenses, profits, and losses arising from intra-company transactions and included in assets are eliminated in full. Also, any unrealized gains or losses arising from intra-company transactions are eliminated on consolidation. The accounting policies adopted in the subsidiaries are amended when necessary to ensure consistency with the policies adopted in the group. The Group and its subsidiary prepare their financial statements for the same reporting periods.

The non-controlling interest is measured in proportion to its share of the controlling company's net assets at the acquisition date. The share of non-controlling interests in net profit or loss as well as the share in net assets are presented as separate items in the consolidated statement of comprehensive income and the consolidated statement of changes in equity, respectively.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

Subsidiaries are consolidated from the date they begin to control and until they cease to exercise that control. The group accounts for the aggregation of the business using the acquisition method when the control of the group is transferred. The converted compensation in the acquisition is generally measured at fair value, as is the case with the net identifiable assets acquired. The increase in the cost of acquisition plus the fair value of non-controlling property rights is recorded over the fair value of the net identifiable assets acquired as a reputation in the consolidated financial position statement. Non-controlling equity is measured by its share of net assets identifiable to the company acquired at the date of acquisition. The share in profit or loss and net assets not controlled by the Group is listed as a separate item in the consolidated profit or loss and income statement and within the equity in the consolidated financial position statement. Both transactions as well as unrealized balances, profits and losses resulting from transactions between group companies are excluded. Accounting policies of subsidiaries are adjusted if necessary, to ensure that they comply with the policies of the Group.

3. SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below:

a) Impairment of trade receivable

The Company applies the expected credit loss model to determine the impairment losses in the value of trade receivables, and this requires the group to take some future factors into consideration while calculating the probability of default.

b) Useful lives and residual values of plant and equipment

The Group's management determines the estimated useful lives of plant and equipment for the purposes of calculating depreciation. These estimates are determined after considering the expected use of the assets or normal damage. Management reviews the residual values and useful lives annually and the future depreciation charge is adjusted when management believes that the useful lives differ from previous estimates.

c) Lease Discount Rate

The company's management uses estimates in determining the incremental borrowing rate in calculating the present value of the minimum lease payments, as well as the expected duration of the contract in the event of extension options.

d) Measuring defined benefit obligations for employees

The Group's liability relating to defined benefit plans is computed by estimating the amount of future benefits.

For employee defined benefit obligations in the current and prior periods, the value is deducted to arrive at the present value. It is calculated annually by an independent actuary using the expected unit credit method. Judgments were used in estimating the actuarial assumptions.

3. SIGNIFICANT JUDGEMENTS, ASSUMPTIONS AND ESTIMATES (CONTINUED)

e) Fair value of the assets and liabilities

Fair value is the selling 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 or, otherwise, the best available market at that date. The fair value of the liabilities reflects the risk of inability to perform.

When measuring the fair value of a financial asset or a financial liability, the Group uses market observable data to the extent possible. The fair values are categorized into a hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for an observable asset or liability at the measurement date. The Group does not have any assets or liabilities below this level as of 31 December 2022.
- Level 2: inputs other than quoted prices that are not included below Level 1 and that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices). The Group has no financial assets or financial liabilities below this level.
- 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 a liability fall into different levels of the fair value hierarchy, then the measurement is categorized as a whole within the lowest level input hierarchy.

f) Zakat

When calculating zakat, the company adjusts its net profit and applies a specific deduction to its zakat base to calculate the zakat expense. The Company makes its best estimates of these assumptions

4. New standards, amendments to standards and interpretations

New standards, interpretations and amendments not yet effective

The following is a statement of the new standards and amendments to the applicable standards for the years beginning on or after January 1, 2023 AD, with early application permitted, but the Company did not apply them when preparing these financial statements.

Amendments to International Accounting Standard No. 1, "Presentation of Financial Statements", on the classification of liabilities.

These amendments to IAS 1, Presentation of Financial Statements, clarify that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period. The rating is not affected by the entity's expectations or by events after the reporting date (eg, receipt of a waiver or breach of covenant). The amendments also clarify what IAS 1 means when it refers to the "settlement" of an obligation.

Amendments to IAS 1 and IAS 8

The amendments aim to improve accounting policy disclosures and help users of financial statements distinguish between changes in accounting estimates and changes in accounting policies.

5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

5-1 Transactions and balances:

Foreign currency transactions are initially recognized by applying to the foreign currency amount the spot exchange rate between Saudi Riyals and the foreign currency at the date of the transaction. Currency units held assets to be received and liabilities to be paid resulting from those transactions are re-measured at closing exchange rates at the end of each reporting period. Realized exchange gains or losses at date of payment as well as unrealized gains or losses deriving from re-measurement are recorded within income statement.

5-2 Financial instruments

Classification

The Company classified its financial assets into group loans and receivables. The classification of the financial asset depends on the purpose of its acquisition, and management performs this classification upon initial recognition of the financial assets.

Loans and debts

Loans and receivables are non-derivative financial assets with fixed or determinable repayment dates that are not quoted in an active market. The financial assets in that company are presented as current assets if they are expected to be recovered within 12 months at most from the end of the financial period. The company's loans and debts consist of "trade and other debit balances", "due from related parties" and "cash and cash equivalents" in the consolidated statement of financial position.

Recognition and Initial Measurement

A financial asset is recognized when the company becomes a part of the contractual of the financial asset.

The initial measurement of the acquisition of a financial asset at fair value in addition to other costs directly related to the execution of the transaction, except for financial assets that are classified at fair value through profit or loss, where they are initially measured at fair value only, and all other costs associated with executing the transaction are charged to the statement of profit or losses.

Subsequent measurement

Subsequent measurement of financial assets at fair value through profit or loss is carried out at fair value. The increase or decrease in the fair value during the year is recognized in the statement of profit or loss in other profits / (losses) - net.

The financial assets available for sale are subsequently measured at fair value. The increase or decrease in the fair value during the year is recognized in other comprehensive income.

Loans and receivables as well as held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest rate. The interest calculated in the statement of profit or loss is recognized within the finance income / (costs) - net.

5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

The financial asset is derecognised when the contractual contract to obtain cash flows from the financial asset has expired, or the company has substantially transferred the risks and rewards of ownership of the financial asset.

The financial asset is disposed of at its carrying amount on the date of disposal, and the gain (loss) on disposal is recognized in the statement of profit or loss.

The gain (loss) on disposal of a financial asset is the difference between the carrying amount at the date of disposal and the proceeds from disposal of a financial asset.

Offsetting between an asset and a financial liability

A financial asset and a financial liability are offset and the net set-off is presented in the statement of financial position when the company has the legally enforceable right to set off the recognized amounts and the company intends either to make a settlement on the basis of the net amounts or to recognize the asset and settle the liability at the same time. The company's legal right to set-off is enforceable. It must be when a future event occurs, which is often the failure of the other party, and it must reflect the company's normal practices, the requirements of financial markets, and other circumstances related to considerations of the risk and timing of the company's cash flows.

Impairment of financial assets

At the end of each financial period, the Company assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. The value of a financial asset or group of financial assets declines, and losses resulting from impairment are charged only if there is objective evidence of impairment as a result of the occurrence of one or more events after the initial recognition of the asset (a loss event) and this event or these events had an impact that can be reliably evaluated on expected financial flows from the financial asset or group of financial assets.

Objective evidence of impairment includes significant financial difficulties facing the debtors or a group of debtors, violation of contract terms such as non-payment of interest or principal, or the expectation of the debtor's bankruptcy or restructuring, or when there are clear data indicating a measurable decrease in future cash flows. Expected from a group of financial assets since the initial recognition or when national or local conditions are related to cases of non-payment of the company's assets.

With regard to loans and debts. The value of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows (excluding future credit losses that were not incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly and the loss is recognized in the statement of profit or loss. Debts that are not expected to be collected are canceled by deduction from the provision formed for them and any subsequent collections are recognized as revenue in the statement of profit and loss.

If the loan or investment held to maturity has a variable exchange rate, the rate of uncollected debts is canceled by deduction from the provision formed for it and any subsequent collections are recognized as income in the statement of profit and loss. If a loan or held-to-maturity investment has a variable exchange rate, the discount rate for measuring any impairment losses is the current effective interest rate determined under the contract. As an effective practice, the company may measure the impairment of a financial asset on the basis of the fair value of the asset using an observable market price. If in any subsequent period, the decrease in the impairment loss can be related objectively to an event occurring after the impairment loss was recognized (for example, an improvement in the creditworthiness of the debtor), the recognized impairment loss is reversed directly in the statement of profit or loss.

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Measurement of ECLs

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

5-3 Property, Plant and equipment

Property, plant and equipment appear at cost minus accumulated depreciation and losses, if any, accumulated depreciation. This cost includes the cost of replacing part of the property, facilities, equipment and borrowing costs related to long-term construction projects if the stability criteria are met and for assets that are established internally the cost of the asset includes the cost of the asset, the direct employment and other direct costs required by the processing to the situation in which it is operated on site and in the purpose for which it was acquired. If significant parts of property, plant and equipment are required to be replaced in stages, the Group consumes these parts independently over their productive life, and in turn, when a major examination is carried out, the cost of the book value of the equipment is proved as a replacement if the proof criteria are met.

All other repair and maintenance costs are fixed in the consolidated profit or loss statement and other consolidated comprehensive income when incurred. The current value of the projected cost of removing a post-use asset is included within the cost of the asset in question, if the stability criteria for proof of custom, owned land consumed, depreciation on the consolidated profit or loss statement and comprehensive income are consolidated in a fixed premium manner over the estimated productive life of the asset as follows:

• Plant and equipment	4-10 years
• Furniture and fixture	5-10 years
• Computers	4 Years
• Cars	4-10 years
• Lease hold improvement	5 Years or lease period, whichever is shorter
• Fridges	5 Years

The book value of fixed assets is reviewed to ensure that there is a decrease in their value when events or changes in circumstances indicate that the book value cannot be recovered. If such evidence exists and the book value is greater than the recoverable value, the value of the asset sits down to the recoverable value, which represents the greater value of the equity value of the asset, minus the sale costs or the present value of cash flows of the estimated future benefits of that asset. Decrease losses are included in the consolidated earnings or loss statement and other consolidated comprehensive income.

5-4 Intangible assets

The intangible assets acquired are independently measured at the initial proof of cost. The cost of intangible assets acquired in the process of assembling the facilities at fair value is represented by the date of acquisition. After initial proof, intangible assets are constrained by cost minus accumulated extinguishment and accumulated reduction losses, if any. Intangible assets developed internally, except for capitalized development costs, are not capitalized and charge expenses on the statement of profit or loss and other consolidated comprehensive income for the year in which you incurred. The productive ages of intangible assets are classified as "specified" or "indefinite" duration.

5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets with a specific lifetime

Intangible assets with a specific lifespan are extinguished over their estimated productive life and are reviewed for a decrease in their value when there is evidence of such a decline. The period and method of extinguishing intangible assets with a specified age is reviewed at least once at the end of each fiscal year. Changes in life expectancy or the method of depletion of future economic benefits guaranteed by the asset - processed accountable, by adjusting the period or method of extinguishing, as appropriate, and are considered as changes in accounting estimates. Extinguishing of intangible assets of a specified life is included in the consolidated profit or loss statement and other consolidated comprehensive income as an expense and in line with the function of intangible assets.

Intangible assets that do not have a specific lifetime.

Intangible assets that do not have a specific lifespan are not extinguished but are tested annually to ensure that there is no reduction in their value on their own or at the cash generating unit level. The undetermined production life calendar is reviewed annually to ascertain whether the calendar made for the unspecified productive life is still supported, otherwise the change from "specified age" to "unspecified age" is made on a future basis.

5-5 Capital works in progress

Capital work-in-progress includes purchase price, construction or development costs, and any costs directly attributable to the creation or acquisition of the asset by the company. Capital work in progress is measured at cost less any impairment losses recognized. Capital work under construction is depreciated only when the assets are able to function as intended by management after they have been drawn to the appropriate class of assets.

5-6 Leases

At inception of a contract, the Company 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 Company assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-use assets

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis 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.

Assets under finance lease contracts:

The company records the assets held under a finance lease contract in the financial position statement and presents them as receivables in an amount equal to the net investment in the lease contract at the start date of the lease contract.

Initial measurement of lease payments included in the net investment in the lease at the lease start date. The lease payments included in the measurement of the net investment in the lease consist of the following payments for the right to use the underlying assets during the lease term that are not received at the lease start date:

- Fixed payments include fixed payments less any lease incentives payable,
- Variable lease payments that depend on an index or rate, initially measured using an index or rate as at the start date of the lease,
- any residual value guarantees provided to the lessor by the lessee or a party related to the lessee or a third party unrelated to the lessor having the financial capacity to fulfill the obligations under the guarantee,
- the exercise price of the call option,
- Payments of penalties for terminating the lease, if the term of the lease reflects the tenant exercising the option to terminate the lease.

The assets are subsequently depreciated under the financial lease using the straight-line method from the beginning date of the lease contract until the nearest end of the useful life of the asset. The estimated useful lives of an asset are determined on the same basis as property, plant and equipment. In addition, these assets are periodically reduced from impairment losses, if any, and adjusted for certain re-measurements of lease liabilities.

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 Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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

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

The Company has presented separately the right-of-use assets and the lease liabilities in the statement of financial position.

Rent concessions.

Rent concessions granted as a direct consequence of COVID-19 is recognized as other income in the financial statements provided the following conditions are met:

- The rent concessions are a direct consequence of the COVID-19 pandemic;
- The change in lease payments result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- The reduction in lease payments relates to payments due on or before 31 June 2022; and

There is no substantive changes have been made to the terms of the lease.

Short-term leases and low-value leases:

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of short-term assets with a lease term of 12 months or less and leases of low-value assets. The company recognizes lease payments associated with lease contracts as an expense on a straight-line basis over the term of the lease.

Accounting as a lessor:

Leases in which the Company transfers nearly all of the significant risks and rewards related to ownership of the asset to the lessees are classified as finance leases. Finance lease contracts are recorded at the inception of the lease at the fair value of the leased asset and the present value of the minimum lease payments, whichever is lower.

Gross investment in finance leases includes total future lease payments from finance lease contracts (lease receivables) plus estimated remaining amounts due. The difference between lease receivables and the cost of the leased asset is recorded as unearned financing income from lease contracts, and is deducted from the total investment in finance lease contracts for the purposes of presentation in the financial statements. Any unsecured present value of the assets is reviewed periodically and any decrease in the residual value is recorded immediately.

The Company recognizes rental payments received under operating leases as income on a straight-line basis over the term of the lease as part of "other income".

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**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

5-7 Impairment of current non- assets

At the end of the fiscal year, an assessment is made to ensure that there is no objective evidence of a decrease in the value of any financial asset measured in cost or amortized cost. If there is such evidence of depreciation, the loss of depreciation is recognized by the profit or loss statement for that year. The value of the decline in value is determined as follows:

For fair-value assets, the depreciation represents the difference between cost and fair value, minus any loss of value previously demonstrated in the earnings or loss statement.

For cost-included assets, the depreciation represents the difference between the amount listed and the present value of future cash flows discounted by the current market rate of return from a similar financial asset line.

For assets listed at the amortized cost, the decrease in value represents the difference between the amount listed and the present value of future cash flows discounted by the original actual commission rate.

5-8 Investment in associate

The parent company's investment in the associate is accounted for using the equity method. An associate is an entity over which the parent company exercises significant influence.

Significant influence is the ability to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

For the equity method, the investment in the associate is recorded in the consolidated statement of financial position at cost plus the parent company's share of post-acquisition changes in the net assets of the associate. Goodwill relating to the associate is added to the carrying amount of the investment and is neither amortized nor tested on an individual basis for impairment.

The consolidated income statement reflects the parent company's share of the associate's results of operations. In the event of a change that has been recorded directly in the equity of the associate company, then the parent company records its share of any changes and disclosed it as appropriate, in the consolidated statement of other comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest held in the associate.

The financial statements of the associate are prepared for the same period as the financial statements of the parent company. When necessary, adjustments are made to match the accounting policies with the accounting policies of the parent company.

5-9 Inventories:

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs.

Provision is made, where necessary for slow moving inventories.

5-10 Cash and cash equivalents

For the purposes of preparing the cash flow statement, cash and equivalent cash consists of the Fund, banks and murabaha deposits, with a maturity period of three months or less from the date of acquisition.

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**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

5-11 Trade receivables

The amounts due from customers for goods sold or services performed in the normal business context are represented. Debtors are proven to be the value of the original invoice minus the amount of doubtful amounts. An estimate of doubtful debts is made when there are fundamental doubts that the full amount cannot be collected. Bad debts are written off when there is no possibility of recovery.

5-12 Share Capital

Capital is classified within the equity and consists of ordinary shares distributed among the shareholders of the company.

5-13 Statutory reserve

According to the requirements of the Saudi Arabian company's regulations, the Group is composing a Statutory reserve of 10% of net profit after covering accumulated losses until this reserve amounts to 30% of the capital.

5-14 Dividends

The Group will prove cash or non-cash distributions to shareholders as liabilities when the distribution is approved, and that the distribution is no longer at the group's disposal. According to Saudi Arabia's companies' regulation, final dividends are confirmed when approved by the General Assembly. Interim dividends are restricted upon approval by the Board of Directors and the corresponding amount is confirmed directly within the equity.

5-15 Financial liabilities

Classification:

The Group classifies its financial liabilities into other financial liabilities. With the exception of zakat and income tax obligations and employees' defined benefit obligations, the classification of the financial liability on initial recognition depends on the purpose of its acquisition.

The main purpose of the financial obligations is to finance the operations of the Group and to ensure financial support for the operation and opening of branches of the company.

Recognition and measurement:

The Group's financial liabilities include loans, bank facilities, finance lease liabilities, trade and other credit balances. These financial liabilities are initially recognized at fair value plus directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective rate of return method.

5-16 Loans and bank facilities:

Loans are initially recognized on the basis of the gross amounts received. After initial recognition, loans are measured at amortized cost using the effective interest rate method.

Loans are classified under current liabilities unless the company has an unconditional right to defer payment of the obligation for a period of not less than twelve months after the balance sheet date.

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**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

5-17 Borrowing costs

Direct borrowing costs attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the costs of that asset. Other borrowing costs are recognized as an expense in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with obtaining borrowings.

5-18 Accounts and accrued payables

Liabilities are recognized for amounts to be paid in the future for inventory or services received, whether or not billed to the company.

Derecognition Financial liabilities:

Financial liabilities are discontinued when the obligation specified in the contract is paid, canceled or its term is terminated. In the event that the current financial obligations are replaced by others from the same lender on completely different terms, or the terms of the current obligations are modified, then such exchange or modification shall be considered as cessation of the recognition of the original obligations and the establishment of new obligations, and the difference between the respective book values is recorded in the income statement.

5-19 Provisions:

Provisions are established when there are current or anticipated legal obligations to the group resulting from past events, and it is likely that an external flow of resources involving economic benefits will be necessary to settle the obligation and a reliable estimate of the amount of the obligation can be made. When the group expects that some or all of the provisions will be recovered, for example under an insurance contract, refunds are proven as a separate asset but only when these refunds are almost certain. The allocation is displayed in the profit or loss statement and comprehensive income after deducting any refunds.

If the effect of the time value of the money is substantial, the provisions are determined by deducting the expected future cash flows using the current pre-tax rate which, when appropriate, reflects current market valuations of the time value of the money and the specific risks of the liabilities. The increase in the discount is proven as a financing cost.

5-20 Employees defined benefit

a) Retirement benefits costs for the General Organization for Insurance

The company contributes to the costs of the employees' retirement benefits in accordance with the regulations of the General Organization for Social Insurance, and it is calculated as a percentage of the employees' salaries. Payments to government managed retirement benefit plans are treated as payments to defined benefit plans because the Group's obligation to the plans equals the liability arising from the defined benefit plans. Payments to retirement plans are recognized as an expense when due.

b) Short-term employee benefits

Liability for the benefits related to wages, salaries, annual leaves and sick leaves is recorded and measured in the period in which the service is provided on the undiscounted amounts of benefits expected to be paid for those services.

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

c) Employee Defined Benefit Obligations

General description of employee defined benefits plan - End of Service Benefits

The Company is required in accordance with the Labor and Workers Law in Saudi Arabia to pay end of service benefits (defined benefit obligations) and it is calculated based on half of the salary of the last month of each year of the first five years of service, including all fractions of the last year's salary in addition to the full year's salary. The following or remaining fractions of the year are included. The employee is entitled to the same benefits in the event of resignation. End of service benefits plan is not funded.

The employee job allowances are formed in accordance with the Saudi Labor and Workers Law. It is measured at the discounted present value and the adjustment is made if there are significant effects as a result of the measurement at the discounted present value, and the adjustment is not made if the effect is not significant.

Employee defined benefit plans (if any) are measured at the present value of future obligations using the unit estimation method, with adjustments determined using simplified actuarial techniques in accordance with the international standard for small and medium-sized enterprises.

5-21 Trade payables

Trade payables shall recognize the value of the goods and services received from third parties initially, whether invoices are received for them or not. When physical, the goods and services received and trade payables are stated at the present value of the expected cash outflows using the interest rate for similar loans. Trade payables are subsequently shown at amortized cost using the effective interest rate.

5-22 Zakat provision

The Company is subject to zakat at 2.5% of the zakat base under the regulations of the General Authority for Zakat and Income in force in Saudi Arabia on the basis of the approximate zakat base or the adjusted profit, whichever is higher, and it is charged to the profit or loss (regarding the Saudi partner), and the foreign partner is subject to income tax. On the share in the adjusted profit, the income tax provision is charged to the profit or loss, and any additional amounts, if any, are recognized on the basis of the final assessment when those amounts are determined.

5-23 Value added tax

Value added tax was applied in Saudi Arabia starting from January 1, 2018 (14 Rabii Al-Thani 1439), and it is a tax on the supply of goods and services that are incurred by the final consumer, but collected at each stage of the production and distribution chain as a general principle. So The treatment of VAT in the company's accounts should reflect its role as a tax collector, and VAT should not be included in income or in expenses, whether they are of a capital or revenue nature. However, there will be circumstances in which the company bears VAT, and in such cases where VAT is not refundable, it must be included in the cost of the product or service.

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

5-24 Related parties

A related party is a person or entity related to the Group, and the person is a related party if it has control or significant influence over the Group or is a member of the main management. A related party transaction is the transfer of resources, services or obligations between the Group and the related party, regardless of whether a price has been charged. And that the main management personnel are the persons authorized and responsible for planning and management, and they have direct or indirect control over the operational operations of the company, including the group manager.

5-25 Revenue recognition

IFRS 15 provides one included model for use in accounting for revenue arising from contracts with customers. Standard replaces the revenue recognition guidance in IAS 18 - Revenue and IAS 11 - Contracting Contracts and related interpretations.

The primary objective of IFRS 15 is that an entity should recognize revenue in exchange for transferring goods or services to customers in an amount that reflects the financial compensation that the entity expects in exchange for those goods or services.

The Group recognizes revenue when the customer obtains control of the goods and acknowledges receiving them in line with the requirements of IFRS 15. Standard defines a 5-step model for revenue recognition:

Step 1: Identify the contract or contracts with customers.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognize revenue when the entity implements performance requirements.

Under IFRS 15, revenue is recognized when the obligation is performed, ie when control of the goods or services required to perform a particular obligation is transferred to the customer.

5-26 Cost of revenue

The cost of revenue represents expenses directly related to the manufacture and production of products that generate revenue to the group and which include materials, supplies, utilities and other direct costs.

5-27 Expenses:

Selling and marketing expenses consist of costs incurred in the marketing and sale of the group's products and include other indirect costs related to sales. All other expenses are classified as general and administrative expenses.

General and administrative expenses consist of direct and indirect costs that are not related to the cost of revenue. The distribution between general and administrative expenses, sales and distribution expenses and the cost of sales if necessary, on a fixed basis. Expenses mainly include staff costs, other benefits, compensation, allowances for board members, pop-up committees, maintenance fees, rental, travel, insurance, professional fees, etc.

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**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

5-28 Segment Reporting

The Segment is an essential part of the group that provides certain products and services (business Segment) or service products in a particular economic environment (geographical Instruments), and the Instruments is usually exposed to risks and returns of a different nature from other Segments. Group management uses the operational Segments by distributing resources and evaluating performance. Operational Segments that show similar economic characteristics, products, services and customer categories are grouped as appropriate, and are shown as reporting Segments.

5-29 Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to the shareholders of the Group, and the weighted average number of ordinary shares outstanding during the financial period.

The Group has not issued any potential ordinary shares, and therefore the underlying share price is the same as the discounted share price.

5-30 Foreign exchange

The Group's consolidated financial statements appear in Saudi Riyals, which is also the company's functional currency. For each facility, the group determines the functional currency, and the items on the financial statements of each establishment are measured using that functional currency. The group uses the direct consolidation method and when the external process is excluded, the gains or losses reclassified into the consolidated profit or loss statement and other consolidated comprehensive income reflect the amount generated by using this method.

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6- Property, plant and equipment, Net

	Improvements of leased buildings	Furniture, fixtures and office equipment	Machinery and equipment	Cars	Computers	Total
Cost:						
Balance as of 1 January 2022	37,501,515	12,078,319	11,930,971	5,088,478	1,390,411	67,989,694
Additions during the year	1,509,017	2,161,445	2,207,451	40,627	88,216	6,006,756
Disposals	(110,252)	(1,410,598)	(626,873)	(288,062)	(6,677)	(2,442,462)
Balance as of 31 December 2022	38,900,280	12,829,166	13,511,549	4,841,043	1,471,950	71,553,988
Accumulated depreciation:						
Balance as of 1 January 2022	16,927,904	5,927,324	6,123,418	2,216,359	754,579	31,949,584
Charged during the year	5,533,569	1,786,573	1,618,021	586,915	250,586	9,775,664
Disposals	(24,359)	(1,035,377)	(433,772)	(147,730)	(4,163)	(1,645,401)
Balance as of 31 December 2022	22,437,114	6,678,520	7,307,667	2,655,544	1,001,002	40,079,847
Net book value as of 31 December 2022	16,463,166	6,150,646	6,203,882	2,185,499	470,948	31,474,141
Net book value as of 31 December 2020	20,573,611	6,150,995	5,807,553	2,872,119	635,832	36,040,110

The depreciation expense for the year has been distributed in the statement of comprehensive income as follows:

	2,022	2,021
Cost of Sales	8,769,259	8,369,944
General and administrative expenses	1,006,405	1,198,639
	9,775,664	9,568,583

The item of property, plant and equipment as on 31 December 2022 includes fully depreciated assets and still working at a cost of SAR 3,416,527 (31 December 2020: SAR 1,713,781)

- The Cars include leased cars that have a bargain purchase option, whose cost amounted to SAR 1,120,507 as of 31 December 2022 (December 31, 2020: SAR 1,690,060).

Development Works Food Company**(Saudi Joint Stock Company)****Notes to the consolidated financial statements For the year ended 31 December 2022****(All amounts are in Saudi Riyals unless otherwise stated)****7 -INTANGIBLE ASSETS, NET :**

	<u>2022</u>	<u>2021</u>
Cost		
Balance as of 1 January	673,457	484,075
Additions	8,040	197,658
Disposals	(153,996)	(8,276)
Balance as of 31 December	<u>527,501</u>	<u>673,457</u>
Accumulated amortization		
Balance as of 1 January	375,222	258,319
Charged for the year	91,700	125,179
Disposals	(153,996)	(8,276)
Balance as of 31 December	<u>312,926</u>	<u>375,222</u>
Net book value as the end of the year	<u>214,575</u>	<u>298,235</u>

- Intangible assets are represented in computer programs and are amortized over a period of five years.

8- CAPITAL WORK IN PROGRESS :

	<u>2022</u>	<u>2021</u>
Balance as of 1 January	2,171,896	2,380,025
Additions during the year	2,029,636	3,868,585
Transferred to property, plant and equipment	(2,871,096)	(4,076,714)
Balance at the end of the year*	<u>1,330,436</u>	<u>2,171,896</u>

* The capital work in progress represents the renovation of the leased buildings and the cost of installing the equipment, which was started and not completed at the end of the year. The expected cost of these works is SAR 3,036,132 and it is expected that these works will be completed during 2023, , according to the study submitted by the technical department to the board of directors.

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Notes to the consolidated financial statements For the year ended 31 December 2022

(All amounts are in Saudi Riyals unless otherwise stated)

9- RIGHT OF USE ASSETS, NET AND LEASE LIABILITIES

a) Right of use assets

	2022	2021
Cost:		
Balance at 1 January	59,531,017	65,313,442
Additions during the year	8,290,915	4,656,302
Disposals	(9,851,360)	(10,438,727)
Balance as of 31 December	57,970,572	59,531,017
Accumulated amortization		
Balance at 1 January	30,999,357	26,738,940
Charged during the year	13,415,918	12,599,920
Disposals	(6,201,105)	(8,339,503)
Balance as of 31 December	38,214,170	30,999,357
Net book value at the end of the year	19,756,402	28,531,660

a) Lease liabilities:

	2022	2021
Balance at 1 January	23,234,200	33,427,047
Additions during the year	8,246,941	4,656,302
finance cost for the year	989,250	1,218,382
Less:		
Disposals during the year	(3,650,255)	(2,100,918)
Rent concessions	(26,305)	(37,512)
Lease payment made during the year	(12,455,356)	(13,929,101)
Balance as of 31 December	16,338,475	23,234,200
Lease liabilities as at 31 December are as follow:		
Non current	5,829,706	11,452,250
Current	10,508,769	11,781,950
	16,338,475	23,234,200

10- INVESTMENT IN ASSOCIATE, NET

The investment in associate company in Ajdan Fruits and Vegetables Company (limited liability company) by 35% of its capital.

	2022	2021
Balance at 1 January	176,578	-
Additions during the year	-	175,000
Share of result of investment in associate	-	1,578
	176,578	176,578
Less:		
Impairment	(176,578)	-
Balance as of 31 December	-	176,578

* The value of the investment in Ajdan Fruits and Vegetables Company has been proven to be impaired by the company's management, as the company is under liquidation.

Development Works Food Company**(Saudi Joint Stock Company)****Notes to the consolidated financial statements For the year ended 31 December 2022****(All amounts are in Saudi Riyals unless otherwise stated)****11- INVENTORIES:**

	<u>2022</u>	<u>2021</u>
Raw Materials	2,189,141	3,549,591
Packing materials	2,208,845	2,297,613
Operating supplies	1,295,207	1,177,314
	<u>5,693,193</u>	<u>7,024,518</u>

12- PREPAYMENTS AND OTHER DEBIT BALANCES:

	<u>2022</u>	<u>2021</u>
Prepaid expenses	3,042,996	4,074,255
Advance payments to suppliers and others	7,672,424	6,426,435
Staff receivables	599,263	836,576
-Letters of guarantee insurance	161,383	128,350
Less:	11,476,066	11,465,616
Impairment losses allowance (Note 12-1)	(847,434)	-
	<u>10,628,632</u>	<u>11,465,616</u>

12-1 The movement in the impairment loss allowance in respect of prepayments and other debit balance during the year is as follow :

	<u>2022</u>	<u>2021</u>
Balance at 1 January	-	-
Additions during the year	847,434	-
Balance as of 31 December 2022	<u>847,434</u>	-

13- Trade Receivable:

	<u>2022</u>	<u>2021</u>
Trade Receivable	6,374,009	6,027,590
Less:		
Expected credit losses (Note 13-1)	(526,693)	-
	<u>5,847,316</u>	<u>6,027,590</u>

13-1 The movement in the expected credit loss allowance in respect of trade receivable during the year

	<u>2022</u>	<u>2021</u>
Balance at 1 January	-	-
Additions during the year	526,693	-
Balance as of 31 December 2022	<u>526,693</u>	-

Development Works Food Company**(Saudi Joint Stock Company)****Notes to the consolidated financial statements For the year ended 31 December 2022****(All amounts are in Saudi Riyals unless otherwise stated)****14 - CASH AND CASH EQUIVALENTS**

	<u>2022</u>	<u>2021</u>
Cash at banks- current account	2,240,371	6,539,920
Cash in hand	508,383	502,770
	<u>2,748,754</u>	<u>7,042,690</u>

15- SHARE CAPITAL:

The Company's capital was SAR 30,000,000, with 3,000,000 shares with nominal values, the value of each share being 10 Saudi riyals, all of which are ordinary cash shares

On September 9, 2020, a vote was taken based on the recommendation of the Board of Directors by the Company's Extraordinary General Assembly to increase the Company's capital (Development Works Food Company) from 12,500,000 Saudi riyals to 25,000,000 Saudi riyals by distributing a bonus share of the retained earnings for each share at a total of 12,500,000 Saudi riyals. The number of bonus shares is 1,250,000 shares. The eligibility of the shares is for the shareholders owning the shares on the due date who are registered in the shareholders register at the end of the second trading day following the date of the Extraordinary General Assembly.

On 16 September 2022, based on the recommendation of the Board of Directors by the Extraordinary General Assembly of the Company held to increase the company's capital (Development Works Food Company) from Saudi riyals to 30,000,000 Saudi riyals by distributing bonus shares from retained earnings and statutory reserves at a total of 5,000,000 Saudi riyals. The number of bonus shares is 500,000 shares. The eligibility of the shares is for the shareholders owning the shares on the due date who are registered in the shareholders register at the end of the second trading day following the date of the Extraordinary General Assembly.

16- STATUTORY RESERVE

According to the requirements of the Companies Law in the Kingdom of Saudi Arabia and the Company's Articles of Association, the Group sets aside 10% of the annual profit to form a statutory reserve, where this set-up continues whenever this reserve reaches 30% of the capital. And that this statutory reserve is not distributable as dividends to shareholders.

	<u>2022</u>	<u>2021</u>
Balance at 1 January	723,931	2,443,389
Transferred to increase share capital	-	(1,923,872)
Addition during the year	-	204,414
Balance at 31 December	<u>723,931</u>	<u>723,931</u>

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17- LOANS

	<u>2022</u>	<u>2021</u>
Balance at 1 January	28,641,342	30,400,240
Proceeds during the year	5,338,251	-
Paid during the year	(15,443,067)	(1,758,898)
Balance at 31 December	<u>18,536,526</u>	<u>28,641,342</u>
Non-current portion	7,397,857	14,734,897
Current portion	11,138,669	13,906,445
	<u>18,536,526</u>	<u>28,641,342</u>

- During 2016, the parent company (Development Works Food Company) entered into a bank facility agreement in the form of a long term loan with one of the local banks, Al Rajhi Bank, amounting to 10,000,000 Saudi riyals, guaranteed by personal guarantees, pledges and promissory notes issued by the main shareholders, in order to finance expansions in branches company. This loan is repayable over a period of sixty months.

- During 2017, the parent company (Development Works Food Company) entered into a bank facility agreement in the form of a long term loan with one of the local banks, Al Rajhi Bank, amounting to 10,000,000 Saudi riyals, guaranteed by personal guarantees, pledges and promissory notes issued by the main shareholders, in order to finance the expansions in the company's branches. This loan is repayable over a period of sixty-four months.

- During 2018, the parent company (Development Works Food Company) concluded a bank facility agreement in the form of a long term loan with one of the local banks, Al Rajhi Bank, amounting to 13,000,000 Saudi riyals and guaranteed by personal guarantees, pledges and promissory notes issued by the main shareholders, in order to finance the expansions in the company's branches. This loan is repayable over a period of forty-eight months.

- During the year 2020, the parent company (Development Works Food Company) entered into a bank facility agreement in the form of a short term loan with one of the local banks, Emirates National Bank of Dubai, amounting to 10,000,000 Saudi riyals and secured by personal guarantees, pledges and promissory notes issued by the main shareholders, in order to finance expansions In the company's branches, an amount of 1,678,479 Saudi riyals was used from the total loan, and the amount used was repaid during the year 2022.

- Facilities are charged financing costs according to the prevailing rates in the interbank market in the Kingdom of Saudi Arabia, plus the agreed margin. The average Murabaha margin is 4.27% annually.

- All loans are in accordance with Islamic law, according to the letter issued by the bank.

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Notes to the consolidated financial statements For the year ended 31 December 2022

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18- LEASES LIABILITIES

	<u>2022</u>	<u>2021</u>
Balance at 1 January	1,120,507	1,690,060
Additions during the year	-	16,624
Lease payment made during the year	(684,852)	(586,177)
Balance as of 31 December	<u>435,655</u>	<u>1,120,507</u>

Lease liabilities as at 31 December are as follow:

	<u>2022</u>	<u>2021</u>
Non current	-	475,615
Current	435,655	644,892
	<u>435,655</u>	<u>1,120,507</u>

The parent company (Development Works Food Company) has signed financing lease agreements with financing entities for leasing cars ended by owning, in accordance with Islamic law as follows:

	<u>Profit margin</u>	<u>Remaining amount</u>
Abdul Latif Jameel United Finance Company	4.30%	176,520
Saudi Orix Leasing Company	4.32%	259,135
		<u>435,655</u>

19- EMPLOYEES DEFINED BENEFIT OBLIGATIONS

The Company applies a defined benefit plan that complies with the requirements of the labor law in Saudi Arabia. The amounts paid at the end of service under the plan are calculated on the basis of the employees' last salaries and allowances and the number of their cumulative years of service as on the date of the end of their service, as shown in the labor law in Saudi Arabia. Employees' end of service benefit plans are unfunded plans and benefits are not when they are due.

	<u>2022</u>	<u>2021</u>
Total defined benefits obligation - employees' defined benefit obligations	<u>2,076,836</u>	<u>1,719,481</u>
a) Movement on employees' defined benefit obligations:		
Balance at the beginning of the year	1,719,481	1,294,542
Included in the statement of comprehensive income:		
Finance cost	55,508	26,209
Present value of employees' defined benefit obligations charged on profit or loss	717,212	589,425
Remeasurement charged on other comprehensive income	67,688	304,521
Total in statement of comprehensive income	<u>840,408</u>	<u>920,155</u>
Paid during the year	(483,053)	(495,216)
Balance at the end of the year	<u>2,076,836</u>	<u>1,719,481</u>

19- EMPLOYEES DEFINED BENEFIT OBLIGATIONS(CONTINUED)

b) Key actuarial assumptions:

Key actuarial assumptions used by management to evaluate the obligations relating to the calculation of employee end of service benefit obligations are as follows

	<u>2022</u>	<u>2021</u>
Discount rate used	%4.86	%3.68
Rate of salary increase	%4.36	%3.18
Normal retirement age	60 years	60 years

20- RELATED PARTIES TRANSACTIONS AND BALANCES

There are transactions during the year with related parties within the group's normal business and with the approval of the management, and the management believes that the terms of these transactions do not differ from any other transactions submitted to a third party.

A) TRANSACTION WITH RELATED PARTY:

<u>Name of related party:</u>	<u>Nature of relationship</u>	<u>Nature of transactions</u>	<u>2022</u>	<u>2021</u>
Nasser Al-Sayyari	Partner in a subsid	Purchase custody	204,222	149,259
		settlements	37,335	189,710
		Dividend	(307,298)	(370,622)
Ajdan Company for vegetables and fr Sister company		Buying an investme	-	175,000
		sales	-	406,984
		payments	-	(400,604)
		settlements	-	(31,111)

b) Due from related parties

	<u>2022</u>	<u>2021</u>
Nasser Al-Sayyari	-	65,740
Ajdan Company for vegetables and fruits	150,269	150,269
Less:	<u>150,269</u>	<u>216,009</u>
Impairment losses allowance*	(150,269)	-
	<u>-</u>	<u>216,009</u>

The value of the balance in the Ajdan Fruits and Vegetables Company has been proven to be impaired by the * company's management, as the company is under liquidation

c) Compensation and benefits of senior management:

	<u>2022</u>	<u>2021</u>
Meeting attendance fees and bonuses	51,000	228,000
Salaries and wages	1,547,875	1,195,751
	<u>1,598,875</u>	<u>1,423,751</u>

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21- ACCRUED EXPENSE AND OTHER CREDIT BALANCE:

	<u>2022</u>	<u>2021</u>
Accrued Expenses	1,680,210	1,423,477
Assets suppliers	460,912	253,410
Value added tax	377,855	769,064
Accrued Finance Cost	1,581,480	2,456,402
Others	1,164,299	880,032
	<u>5,264,756</u>	<u>5,782,385</u>

22- ZAKAT PROVISION

Zakat is calculated on the basis of the adjusted net profit or the zakat base, whichever is higher, according to the regulations of the Zakat, Tax and Customs Authority in Saudi Arabia. The Zakat provision was calculated based on the base for a period of 365 days.

a) Zakat base:

	<u>2022</u>	<u>2021</u>
(loss) / Profit for the year	(2,766,057)	3,025,501
Adjustment	2,443,372	1,821,712
Adjusted net profit for the year	<u>(322,685)</u>	<u>4,847,213</u>
Positive elements of the base	67,006,904	80,070,737
Negative elements of the base	<u>(54,984,399)</u>	<u>(71,865,434)</u>
Zakat base	<u>12,073,401</u>	<u>13,307,483</u>
Zakat	<u>301,835</u>	<u>348,155</u>

b) The movement in provision for zakat is as follow:

	<u>2022</u>	<u>2021</u>
Balance at 1 January	303,590	227,437
Charged for the year	301,835	348,155
Adjustments for prior years	-	20,670
Paid during the year	<u>(323,121)</u>	<u>(292,672)</u>
Balance at 31 December	<u>282,304</u>	<u>303,590</u>

c) Zakat status:

- Development Works Food Company:

The Group submitted the zakat returns and unconsolidated financial statements to the General Authority for Zakat, Tax and Customs until the year 2021, and paid the dues according to those returns and obtained the relevant certificates, and the examination and linkage were made until the year 2019. As for the year 2020, the zakat declaration was examined, and an objection was made to the evaluation of the Zakat, tax and customs. The objection was rejected by the authority, and the objection was escalated to the tax committees, case No.Z2022-89840, the amount of 448,481 Saudi riyals.

- Al Faddan Trading Company for Fruits & Vegetables:

The Company submitted the zakat returns and financial statements to the General Authority for Zakat, Tax and Customs until the year 2021, and paid the dues according to these returns and obtained the relevant certificates.

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23- Sales**Segment information**

The sector is considered an essential part of the group and provides certain products or services (business sector) or provides products or services in a specific economic environment (geographical sector), and its profits and losses differ from the profits and losses of other sectors. Whereas, the main activity of the group consists of one main sector It is represented in selling fruit products and juices using the "Juice Time" and "Cuznos" trademarks, and other activities that are not materially important, including food activities using the "Janrati" trademark. Separate as an operating segment in accordance with the requirements of International Financial Reporting Standard (8) "Operating Segments" to display operating segments, and all its activities are carried out in the Kingdom of Saudi Arabia, so the Group has prepared :segment information according to the geographical areas within the Kingdom of Saudi Arabia as follows

Total sales by region	2022	2021
Central Region - Riyadh	74,828,529	75,487,514
Western Region - Jeddah	15,782,946	16,823,581
Southern Region - Abha Khamis Mushait	8,038,965	8,547,648
	98,650,440	100,858,743

24- COST OF SALES

	2022	2021
Inventory at 1 January	7,024,518	5,783,070
Purchases during the year	38,051,837	43,225,907
Inventory at 31 December	(5,693,193)	(7,024,518)
*Other direct costs	56,306,281	49,389,485
	95,689,443	91,373,944

*** Other direct costs**

	2022	2021
Salaries, and employees related benefits	21,932,374	19,017,030
Depreciation on right to use assets (Note 9)	13,415,918	12,599,920
Depreciation of property, plant and equipment (Note 6)	8,769,259	8,369,944
Shipping and delivery expenses	2,998,686	1,359,441
Utilities	1,922,858	1,878,510
Provision for expected credit losses	1,700,974	-
Write off receivables	-	6,190
Car expenses	772,831	778,615
Maintenance and repair	698,478	789,800
Advertising expenses	644,909	539,915
Banking Charges	591,889	718,689
Fees and subscriptions	688,369	661,746
Cleaning expenses	532,263	379,187
Bonuses and commissions	342,925	234,952
other	250,416	924,587
Franchise expenses	215,463	158,387
Transportation	375,280	386,684
Fines and penalties	93,580	16,944
rents	321,504	558,436
Shipping and unloading expenses	38,305	10,508
	56,306,281	49,389,485

Development Works Food Company**(Saudi Joint Stock Company)****Notes to the consolidated financial statements For the year ended 31 December 2022****(All amounts are in Saudi Riyals unless otherwise stated)****25- SELLING, AND MARKETING:**

	<u>2022</u>	<u>2021</u>
Salaries, and employees related benefits	263,498	328,771
Bonuses and commissions	35,000	7,000
government expenses	8,620	10,240
	<u>307,118</u>	<u>346,011</u>

26- GENERAL AND ADMINISTRATIVE EXPENSES:

	<u>2022</u>	<u>2021</u>
Salaries, and employees related benefits	6,265,603	5,646,419
Depreciation of property, plant and equipment (Note 6)	1,006,405	1,198,639
Fees and subscriptions	565,343	417,182
Professional fees	530,555	661,500
other	213,553	229,301
Bonuses and commissions	179,374	229,821
Utilities	178,379	137,520
Car expenses	75,077	93,805
Banking expenses	74,606	242,549
Remuneration of members of the Board of Directors	51,000	228,000
Maintenance and repair	32,994	49,485
Shipping expenses	28,566	13,689
Cleaning expenses	25,716	8,179
Transportation	7,914	3,070
Fines and penalties	940	64,036
Amortization of intangible assets	91,700	125,179
rents	25,500	21,150
	<u>9,353,225</u>	<u>9,369,524</u>

27- FINANCE COST

	<u>2022</u>	<u>2021</u>
Leases- liabilities interests (Note 9-b)	989,250	1,218,382
Finance cost-employee benefits (Note 19)	55,508	26,209
Loans interests	314,329	80,419
	<u>1,359,087</u>	<u>1,325,010</u>

28- OTHER INCOME

	<u>2022</u>	<u>2021</u>
Rental income	3,829,147	3,319,410
Miscellaneous income	487,407	678,335
Franchise income	776,030	423,378
Capital gains	199,792	160,124
	<u>5,292,376</u>	<u>4,581,247</u>

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29- EARNINGS PER SHARE

Basic earnings per share are calculated from the net profit for the year/year by dividing the net profit for the year by the weighted average number of shares outstanding at the end of the year, which is 3,000,000 shares. Basic earnings per share from main operations for the year is calculated by dividing the net profit from main operations for the year by the weighted average number of shares outstanding at the end of the year, which is 3,000,000 shares. Also, the Group does not have any convertible shares (discounted shares).

	<u>2022</u>	<u>2021</u>
Net profit / (loss) for the year	(3,223,093)	2,348,659
Weighted average number of shares	3,000,000	3,000,000
Basic earnings per share from net (loss)/ profit for the year	<u>(1.07)</u>	<u>0.78</u>

30- Reclassification of Comparative Figures:

The comparative year figures have been reclassified to conform with the current year classification, as follows:

	<u>Balance before reclassification 2021</u>	<u>Reclassification</u>	<u>Balance after reclassification 2021</u>
loans	31,608,809	(2,967,467)	28,641,342
Accrued expenses and other credit balance	3,325,983	2,456,402	5,782,385
Prepayments and other debit balances	11,976,681	(511,065)	11,465,616
Cost of sales	89,532,863	1,841,081	91,373,944
selling, and marketing	-	346,011	346,011
General and administrative expenses	11,582,825	(2,213,301)	9,369,524
Finance cost	1,298,801	26,209	1,325,010

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

fair value:

The fair value of cash in hand and at banks, accounts receivable, inventory, payables and other assets and liabilities approximates their carrying value due to their short-term nature.

The Company does not use derivative financial instruments to manage the risk of commission rates and fluctuations in foreign exchange rates due to the factors described below:

Financial risk management

The Group's activities may be exposed primarily to financial risks arising from the following:

- Foreign exchange risk management

The Group is not exposed to significant foreign exchange risk and therefore there is no need to actively manage this exposure.

- Interest rate risk management

The financial instruments in the consolidated statement of position are not subject to interest rate risks.

Credit risk management

The Company manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposure arises principally from trade receivables, due from related parties and balances with banks.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	2,748,754	7,042,690
Trade receivables	5,847,316	6,027,590
due from related parties	-	-
Prepaid expenses and other debit balances	10,628,632	7,042,690
	<u>19,224,702</u>	<u>24,535,896</u>

Trade receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company has established a credit policy under which each new customer is analyzed individually for its creditworthiness. Purchase limits are established for each customer, which represent the maximum open amount without requiring the approval from the higher management; these limits are reviewed annually. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis.

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31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The ageing of total trade receivables that were not impaired at the reporting date are as follows:

	2022		2021	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
0-365 days	6.103.384	256.068	6.027.590	-
> 365days	270.625	270.625	-	-
	6.374.009	526.693	6.027.590	-

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, contingencies and commitments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Company limits its liquidity risk by monitoring its funding requirements and ensuring that support from shareholders is available.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2022 based on contractual cash flows. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

	Less than one Year	1 to 5 years	More than 5 years	Total
31 December 2022				
Loans	11.138.669	7.397.857	-	18.536.526
Finance leases liabilities	435.655	-	-	435.655
Lease liabilities on ROA	10.508.769	5.829.706	-	16.338.475
Trade payables	5.135.822	-	-	5.135.822
Accrued expenses and other current liabilities	5.264.456	-	-	5.264.756
	32.483.671	13.227.563	-	45.711.234
31 December 2021				
Loans	13.906.445	14.734.897	-	31.608.809
Finance leases liabilities	644.892	475.615	-	1.120.507
Lease liabilities on ROA	11.781.950	11.452.250	-	23.234.200
Trade payables	5.127.444	-	-	5.127.444
Accrued expenses and other current liabilities	5.782.385	-	-	5.782.385
	37.243.116	26.662.762	-	63.905.878

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31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk :

Market risk is the changes in market prices, such as foreign exchange rates and commission rates which will affect the Company's income or value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

- **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The management monitors foreign exchange rates and believes that the Company is not exposed to significant currency risk since the Company's main transactions are in Saudi Riyals.

- **Commission rate risk**

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Company has no liabilities bearing commission rates as at 31 December 2022.

32. CAPITAL MANAGEMENT

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The partners monitor the return on capital, which the company determines as a result of operating activities divided by total equity. Partners also monitor the level of dividends. There were no changes in the Company's approach to capital management during the year. The company is not subject to externally imposed capital requirements. The company's debt to equity ratio at the end of the reporting period was as follows:

	2022	2021
Total liabilities	48,070,374	65,928,949
Less cash and cash equivalents	2,748,754	7,042,690
debt Net	45,321,620	58,886,259
Total equity	29,623,075	33,065,953
Net of debt to equity ratio	%155	%181

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33. CONTINGENT COMMITMENTS AND LIST OF LEGAL CASES

a) Significant legal cases

- The Group, in its capacity as (the plaintiff), filed a case worth 2,401,010 Saudi riyals against one of the clients (the defendant). A final judgment in the amount of 1,785,875 and a preliminary judgment in the amount of 615,135 were issued by the court obliging the defendant to pay the amount.
- The Company, in its capacity as (the plaintiff), filed a lawsuit worth 237,916 Saudi riyals against employees of the Company (the defendants), and an executive decision was issued by the court obligating the defendants to pay the amount.
- The Company as (plaintiff), has filed a case worth 1.050.327 Saudi riyals against one of the clients (defendant). A judgment was issued in the amount of 794,700, and an execution request was filed in the amount and the amount of 255,627. The situation of the case is good for the company. The management believes that the possibility of collecting these amounts is high in the subsequent period issued to date. Management believes that the recoverability of these amounts is high in the subsequent period.

34. SUBSEQUENT EVENTS AND SIGNIFICANT MATTERS

Group management considers that there are no significant subsequent events after the date of the report that require their modification or disclosure in these consolidated financial statements.

35. APPROVED OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's Board of Directors after the recommendation of the members of the Audit Committee on 28 March 2023.

Salah Shabin

CFO

Hisham Abdelrahman Al Maqren

CEO

Ashry Saad Ashry

Chairman of Board of Directors