ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REVIEW REPORT

INDEX TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE- MONTH AND YEAR ENDED 31 DECEMBER 2022

Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
Head Office
Al Faisaliah Office Tower, 14th Floor
King Fahad Road
P.O. Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

C.R. No. 1010383821

Tel: +966 11 215 9898
+966 11 273 4740
Fax: +966 11 273 4730

ey.ksa@sa.ey.com
ey.com

Independent auditor's review report on the interim condensed consolidated financial statements
To the Shareholders of Abdullah Al-Othaim Markets Company
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Abdullah Al-Othaim Markets company ("the Company") and its subsidiaries (collectively with the Company referred to as "the Group") as at 31 December 2022 and the related interim condensed consolidated statements of income and other comprehensive income, for the three-month period and year ended 31 December 2022, and the related interim condensed consolidated statements of cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed unmodified opinion on those consolidated financial statement on 28 Sha'ban 1443H (corresponding to 31 March 2022). Further, the interim condensed consolidated financial statement of the Group for the three-month period and year ended 31 December 2021 were reviewed by another auditor who expressed unmodified review conclusion on those interim condensed consolidated financial statement on 9 Rajab 1443H (corresponding 10 February 2022).

For Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. (437)

Riyadh: 25 Rajab 1444H
(16 February 2023)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As of 31 December 2022 (Unaudited)	As of 31 December 2021 (Audited)
		(Saudi Riyals)	
ASSETS			
Non-current assets			
Property, plant, and equipment, net	5	**1,510,700,161**	1,392,775,792
Right-of-use assets	6	**1,615,280,921**	1,442,720,014
Investment properties, net	7	**479,763,738**	599,540,244
Intangible assets, net		**1,738,710**	2,605,887
Financial assets at amortized cost		**10,799,599**	12,366,456
Investments in associates and joint venture	8	**172,636,876**	348,869,385
Equity instruments at fair value through other comprehensive income		**3,002,069**	2,723,734
Total non-current assets		3,793,922,074	3,801,601,512
Current assets			
Inventories, net		**939,968,652**	863,997,292
Current portion of financial assets at amortized cost		**1,587,701**	1,531,945
Prepayments and other receivables, net		**147,959,773**	166,356,941
Trade receivables, net		**32,162,466**	33,719,428
Short-term Murabaha deposits		**375,000,000**	50,000,000
Cash and cash equivalents	9	**313,101,411**	182,743,351
Total current assets		**1,809,780,003**	1,298,348,957
Assets held for sale	19	**87,649,162**	1,339,818
TOTAL ASSETS		**5,691,351,239**	5,101,290,287
EQUITY AND LIABILITIES			
EQUITY			
Paid-in share capital		**900,000,000**	900,000,000
Statutory reserve	10	**247,750,501**	139,836,767
Retained earnings		**267,032,517**	337,879,933
Fair value reserve		**(2,455,069)**	(2,733,404)
Exchange differences on translation of foreign subsidiary		**(5,440,695)**	(6,483,025)
Share in other comprehensive income of associates and joint venture		**(79,359)**	(149,088)
Equity attributable to shareholders		**1,406,807,895**	1,368,351,183
Non-controlling interests		**36,764,700**	37,245,897
TOTAL EQUITY		**1,443,572,595**	1,405,597,080
Non-current liabilities			
Lease contracts liabilities		**1,574,265,858**	1,374,035,175
Obligation for employees' end-of-service benefits	11	**249,589,307**	206,961,651
Total non-current liabilities		**1,823,855,165**	1,580,996,826
Current liabilities			
Accounts payable		**1,792,542,594**	1,536,378,410
Current portion of lease contracts liabilities		**152,183,651**	154,331,300
Accruals and other payables		**446,249,242**	409,540,128
Zakat provision	14	**32,947,992**	13,839,202
Total current liabilities		**2,423,923,479**	2,114,089,040
Obligations related to assets held for sale		-	607,341
TOTAL LIABILITIES		**4,247,778,644**	3,695,693,207
TOTAL EQUITY AND LIABILITIES		**5,691,351,239**	5,101,290,287

Chief Financial Officer	Managing Director	Chairman of Board of Directors
Marwan Ahmed Ibrahim	Bader Hamed Al Aujan	Abdullah Saleh Al Othaim

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

	Note	For the three-months period ended 31 December 2022	2021	For the year ended 31 December 2022	2021
		(Saudi Riyals)			
Net sales	16	**2,492,273,813**	2,146,612,787	**9,565,748,250**	8,415,881,634
Cost of sales		**(1,850,014,878)**	(1,596,319,230)	**(7,493,264,527)**	(6,628,037,836)
Gross profit		**642,258,935**	550,293,557	**2,072,483,723**	1,787,843,798
Rental income, net	17	**20,048,048**	27,484,313	**77,810,429**	86,162,513
Sold voucher commissions		**683,877**	652,984	**2,577,962**	1,979,761
Selling and marketing expenses		**(431,100,572)**	(370,983,322)	**(1,610,213,392)**	(1,399,937,198)
General and administrative expenses		**(37,592,111)**	(39,342,034)	**(149,995,926)**	(127,703,142)
Operating profit		**194,298,177**	168,105,498	**392,662,796**	348,345,732
Share in profit or loss of associates and joint venture	8	**24,272,783**	4,994,669	**62,733,096**	31,801,425
Gain on sale of investment in associate	8	-	-	**608,549,515**	-
Gain on sale of investment property, net	7	-	-	**110,625,695**	-
Income from deposits and financial assets at amortized cost		**1,001,702**	344,758	**2,451,916**	1,094,889
Finance costs on lease contracts liabilities		**(22,137,922)**	(17,441,598)	**(75,025,098)**	(70,574,445)
Finance charges, net		**(404,715)**	(152,710)	**(1,488,247)**	(820,673)
Other income, net		**6,472,178**	100,610	**12,302,207**	7,750,963
Income before zakat		**203,502,203**	155,951,227	**1,112,811,880**	317,597,891
Zakat	14	**(4,408,528)**	(4,089,507)	**(30,616,086)**	(11,327,268)
Income from continuing operations for the period/ year		**199,093,675**	151,861,720	**1,082,195,794**	306,270,623
Discontinued Operations:					
loss from discontinued operations, after zakat		**(124,900)**	(933,188)	**(223,790)**	(3,260,046)
Net income for the period/ year		**198,968,775**	150,928,532	**1,081,972,004**	303,010,577
Profit attributable to:					
Shareholders of the Company					
Continuing operations		**196,685,023**	150,276,340	**1,079,289,516**	302,337,804
Discontinued operations		**(84,932)**	(634,567)	**(152,177)**	(2,216,831)
		196,600,091	149,641,773	**1,079,137,339**	300,120,973
Non-controlling interest					
Continuing operations		**2,408,652**	1,585,380	**2,906,278**	3,932,819
Discontinued operations		**(39,968)**	(298,621)	**(71,613)**	(1,043,215)
		2,368,684	1,286,759	**2,834,665**	2,889,604
Earnings per share					
Basic and diluted earnings per share from the net income for the period/ year attributable to the shareholders of the Company	15	**2.18**	1.66	**11.99**	3.33
Basic and diluted earnings per share from income from continuing operations for the period/ year attributable to the shareholders of the company	15	**2.19**	1.67	**11.99**	3.36

Chief Financial Officer	Managing Director	Chairman of Board of Directors
Marwan Ahmed Ibrahim	Bader Hamed Al Aujan	Abdullah Saleh Al Othaim

The accompanying notes from (1) to (23) form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	For the three-months period ended 31 December		For the year ended 31 December	
		2022	2021	**2022**	2021
		(Saudi Riyals)			
Net income for the period/ year		**198,968,775**	150,928,532	**1,081,972,004**	303,010,577
Other comprehensive income (loss)					
Items will not be reclassified to statement of income:					
Actuarial losses for employees' end of service benefits	11	**(7,290,812)**	(1,568,254)	**(6,172,734)**	(5,443,030)
Net changes in fair value of equity instruments at fair value through other comprehensive income		**-**	-	**278,335**	(675,000)
Items will be reclassified to statement of income:					
Share in other comprehensive loss of associates and joint venture	8	**(79,359)**	(119,031)	**(976,420)**	(70,241)
Exchange differences on translation of foreign subsidiary		**219,691**	(20,738)	**1,042,330**	(65,466)
Total other comprehensive loss for the period/ year		**(7,150,480)**	(1,708,023)	**(5,828,489)**	(6,253,737)
Total comprehensive income for the period/ year		**191,818,295**	149,220,509	**1,076,143,515**	296,756,840
Comprehensive income attributable to:					
Shareholders of the Company		**189,597,473**	148,093,647	**1,073,456,712**	294,027,133
Non-controlling interests		**2,220,822**	1,126,862	**2,686,803**	2,729,707
		191,818,295	149,220,509	**1,076,143,515**	296,756,840

Chief Financial Officer	Managing Director	Chairman of Board of Directors
Marwan Ahmed Ibrahim	Bader Hamed Al Aujan	Abdullah Saleh Al Othaim

The accompanying notes from (1) to (23) form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Attributable to the shareholders of the Company								
	Paid-in share capital	Statutory reserve	Retained earnings	Fair value reserve	Exchange differences on translation of foreign subsidiary	Company's share in other comprehensive income of associates and joint venture	Total shareholders' equity	Non-controlling interests	Total equity
					(Saudi Riyals)				
For year ended 31 December 2022									
Balance as at 1 January 2022 (Audited)	900,000,000	139,836,767	337,879,933	(2,733,404)	(6,483,025)	(149,088)	1,368,351,183	37,245,897	1,405,597,080
Net income for the period	-	-	1,079,137,339	-	-	-	1,079,137,339	2,834,665	1,081,972,004
Other comprehensive (loss) income	-	-	(6,024,872)	278,335	1,042,330	(976,420)	(5,680,627)	(147,862)	(5,828,489)
Total comprehensive income	-	-	1,073,112,467	278,335	1,042,330	(976,420)	1,073,456,712	2,686,803	1,076,143,515
Reconciliations related to associate and joint venture	-	-	(1,046,149)	-	-	1,046,149	-	-	-
Transfer to statutory reserve	-	107,913,734	(107,913,734)	-	-	-	-	-	-
Cash dividends (Note 21)	-	-	(1,035,000,000)	-	-	-	(1,035,000,000)	(3,168,000)	(1,038,168,000)
Balance as at 31 December 2022	900,000,000	247,750,501	267,032,517	(2,455,069)	(5,440,695)	(79,359)	1,406,807,895	36,764,700	1,443,572,595
For year ended 31 December 2021									
Balance as at 1 January 2021 (Audited)	900,000,000	109,824,670	523,033,874	(2,058,404)	(6,417,559)	(58,531)	1,524,324,050	44,436,190	1,568,760,240
Net income for the period	-	-	300,120,973	-	-	-	300,120,973	2,889,604	303,010,577
Other comprehensive (loss) income	-	-	(5,283,133)	(675,000)	(65,466)	(70,241)	(6,093,840)	(159,897)	(6,253,737)
Total comprehensive income	-	-	294,837,840	(675,000)	(65,466)	(70,241)	294,027,133	2,729,707	296,756,840
Reconciliations related to associate and joint venture	-	-	20,316	-	-	(20,316)	-	-	-
Transfer to statutory reserve	-	30,012,097	(30,012,097)	-	-	-	-	-	-
Cash dividends (Note 21)	-	-	(450,000,000)	-	-	-	(450,000,000)	(9,920,000)	(459,920,000)
Balance as at 31 December 2021	900,000,000	139,836,767	337,879,933	(2,733,404)	(6,483,025)	(149,088)	1,368,351,183	37,245,897	1,405,597,080

Chief Financial Officer	Managing Director	Chairman of Board of Directors
Marwan Ahmed Ibrahim	Bader Hamed Al Aujan	Abdullah Saleh Al Othaim

The accompanying notes from (1) to (23) form an integral part of these interim condensed consolidated financial statements

ABDULLAH AL-OTHAIM MARKETS COMPANY

(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	For the year ended 31 December	
	2022	2021
	(Saudi Riyals)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income from continuing operations before zakat	1,112,811,880	317,597,891
Loss from discontinued operations before zakat	(223,790)	(3,260,046)
Income before zakat	1,112,588,090	314,337,845
Adjustments for:		
Depreciation of property, plant, and equipment and right-of-use assets	335,116,676	310,551,265
Depreciation of investment properties	26,088,077	26,175,597
Amortization of intangible assets	867,177	867,177
(Gain) loss on sale of property, plant, and equipment	(225,630)	3,497,742
Net gain on termination of lease contracts	(2,937,869)	(271,507)
Gain on sale of investment properties	(110,625,695)	-
Gain on sale of investment in associate	(608,549,515)	-
Finance costs on lease contracts liabilities and finance charges, net	76,513,345	71,395,118
Income from deposits and financial assets at amortized cost	(2,940,815)	(631,446)
Share in result of investment and joint venture	(62,733,096)	(31,801,425)
(Increase) decrease in provision for obsolete and slow-moving inventory	(5,636,366)	16,628,895
Increase (decrease) in provision for expected credit losses	3,396,698	(2,208,314)
Net movement in other provisions	(262,302)	37,078
Obligation for employees' end-of-service benefits	56,370,080	39,888,287
Changes in:		
Inventories, net	(70,334,994)	(19,633,430)
Trade receivables, net	(1,839,736)	16,382,838
Prepayments and other receivables, net	19,873,382	(10,911,801)
Accounts payable	253,255,424	138,234,303
Accruals and other payables	36,370,392	(7,904,263)
	1,054,353,323	864,633,959
Employees' end of service benefits paid	(19,915,158)	(9,582,306)
Zakat paid	(11,507,296)	(20,395,561)
Net cash flows generated from operating activities	1,022,930,869	834,656,092
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant, and equipment	2,454,614	1,178,783
Proceeds from sale of investment properties	211,327,580	190,476
Proceeds from sale of investment in associate	846,538,700	-
Income from deposits and financial assets at amortized received	3,246,431	8,055,416
Additions to property, plant and equipment	(285,619,367)	(152,471,658)
Additions to investment properties	(93,083,082)	(30,510,460)
Additions to investments in associates and joint venture	-	(50,000,000)
Additions to short-term Murabaha deposits	(465,000,000)	(50,000,000)
Redemptions of short-term Murabaha deposits	140,000,000	-
Net cash flows generated from (used in) investing activities	359,864,876	(273,557,443)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and Murabahat	506,000,000	690,470,011
Payments of loans and Murabahat	(506,000,000)	(690,470,011)
Lease contracts liabilities, net	(217,246,036)	(195,305,404)
Finance charges paid	(1,488,247)	(820,673)
Dividends paid - shareholders of the Company	(1,032,091,240)	(450,000,000)
Dividends paid - non-controlling interest	(3,168,000)	(9,920,000)
Net cash flows used in financing activities	(1,253,993,523)	(656,046,077)
Net change in cash and cash equivalents	128,802,222	(94,947,428)
Cash and cash equivalents at the beginning of the year	182,743,351	277,764,776
Net exchange differences on translation of foreign currencies	1,555,838	(73,997)
Cash and cash equivalents at the end of the year	313,101,411	182,743,351

The accompanying notes from (1) to (23) form an integral part of these interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)

	For the year ended 31 December	
	2022	2021
	(Saudi Riyals)	
Significant non-cash transactions		
Transferred from investment properties to assets held for sale (Note 7)	**86,621,184**	-
Additions to right-of-use assets against lease contracts liabilities	**375,228,148**	270,991,648
Transfer from capital work in progress to property, plant, and equipment	**109,271,576**	45,561,847
Net transfer from investment properties to property, plant, and equipment	**352,184**	-
Net transfer from property, plant, and equipment to investment properties	**868,948**	4,934,205

Chief Financial Officer	Managing Director	Chairman of Board of Directors
Marwan Ahmed Ibrahim	Bader Hamed Al Aujan	Abdullah Saleh Al Othaim

(All amounts are presented in Saudi Riyals unless otherwise stated)

1. INFORMATION ABOUT THE COMPANY, ITS SUBSIDIARIES AND THEIR ACTIVITIES

Abdullah Al-Othaim Markets Company (the "Company" or "Parent Company") is a Saudi joint stock company registered in Riyadh, Kingdom of Saudi Arabia, under Commercial Register Number 1010031185, on 7 Rajab 1400H (corresponding to 21 May 1980). The Company changed from a limited liability company into a joint stock company according to the Ministerial Decree No.227/G on 3 Ramadan 1428H (corresponding to 15 September 2007).

The main activities of the Company include wholesale and retail trade of food, fish, meat, agricultural products, livestock, and household items. The Company is also engaged in establishing, managing, operating and maintaining supermarkets, commercial complexes, and bakeries, providing cooked and uncooked catering services, and managing training and educational centers, in addition to acquiring lands to construct buildings for lease or sale for the interest of the Company. The Company also provides import, export and marketing services to others.

The Company's share capital is SR 900 million divided into 90 million shares with par value of SR 10 per share.

The Company's headquarters are located in Riyadh, Al Rabwa, Eastern Ring Road PO Box 41700, Saudi Arabia.

The Company's fiscal year begins on 1 January and ends on 31 December of each Gregorian year.

The Interim condensed consolidated financial statements include the financial statements of the Company and its controlled subsidiaries (collectively referred to as the "Group").

Details of the controlled subsidiaries by the Company is as follows:

			Effective ownership percentage% (Direct and indirect)	
Subsidiary	**Country of Incorporation**	**Main Activity**	**31 December 2022**	**31 December 2021**
Haley Holding Company	Kingdom of Saudi Arabia	Wholesale and retail trade	**100%**	100%
Universal Marketing Centre Company	Kingdom of Saudi Arabia	Wholesale and retail trade	**100%**	100%
Seven Services Company	Kingdom of Saudi Arabia	Import, export and wholesale and retail trade	**100%**	100%
Bayt Al Watan Company	Kingdom of Saudi Arabia	Import, export and wholesale and retail trade	**100%**	100%
Marafeq Al Tashgheel Company	Kingdom of Saudi Arabia	General contracting for building	**100%**	100%
Abdullah Al Othaim Markets – Egypt	Arabic Republic of Egypt	Wholesale and retail	**100%**	100%
Thamarat Al Qassim Company	Kingdom of Saudi Arabia	Cultivation of vegetables and fodder	**100%**	100%
Shurofat Al Jazeerah Company	Kingdom of Saudi Arabia	General contracting and operation of commercial complexes	**100%**	100%
Mueen For Human Resources Company	Kingdom of Saudi Arabia	Labor services	**68%**	68%

The following is a summary of the controlled subsidiaries whose financial statements have been consolidated in these interim condensed consolidated financial statements:

Haley Holding Company

A limited liability company that operates under commercial registration number 1010314228 issued in Riyadh city on 9 Ramadan 1432H (corresponding to 9 August 2011). The main activities of the company are investment in other companies to obtain control over them, wholesale and retail trading of food products, wheat, rice, meat, fish, home products, computer services (application systems and data bases), import and export services, marketing, maintenance of training and entertaining centers and cooked and uncooked catering services.

1. INFORMATION ABOUT THE COMPANY, ITS SUBSIDIARIES AND THEIR ACTIVITIES (CONTINUED)

Universal Marketing Centre Company

A limited liability company that operates under commercial registration number 1010314201 issued in Riyadh city on 9 Ramadan 1432H (corresponding to 9 August 2011). The main activities of the company are investment in other companies to obtain control over them, wholesale and retail trading of food products, wheat, rice, meat, fish, home products, vehicles spare parts, computer services (application systems and data bases), import and export services, marketing, Maintenance of training and entertaining centers and cooked and uncooked catering services.

Seven Services Company

A limited liability company that operates under commercial registration number 1010320848 issued in Riyadh on 2 Muharram 1433H (corresponding to 27 November 2011). The main activities of the company are importing, exporting, wholesale and retail trading of ready-made clothes, sport clothes, jewelry, sewing tools, bags, leather products, decorations, dropped ceilings, vehicles spare parts, agricultural produce, in addition to providing importing and exporting services on behalf of others, establishing agriculture projects and operating and managing bakeries and cafes.

Bayt Al Watan Company

A limited liability company that operates under commercial registration number 1010320847 issued in Riyadh on 2 Muharram 1433H (corresponding to 27 November 2011). The main activities of the company are importing, exporting, and retail and whole sales trading of fruits and vegetables, fish, dairy products, ghee, olive, halawa, pasta, soft drinks, in addition to providing importing, exporting and marketing services for others, maintenance of training, entertainment and sports, general contracting, construction, maintenance, demolition and restoration and electrical and electronic work.

Marafeq Al Tashgheel Company

A limited liability company that operates under commercial registration number 1010321917 issued in Riyadh on 15 Muharram 1433H (corresponding to 10 December 2011). The main activities of the Company include general constructions and renovation of residential and non-residential buildings such as schools, hospitals, hotels, on-site ready-made houses and restoration of residential and non-residential buildings.

Abdullah AL Othaim Markets - Egypt

A Joint stock company that operates under commercial registration number 55010 issued in Egypt on 20 Thu Al-Hijjah 1432H (corresponding to 16 November 2011). The main activities of the company are wholesale and retail trading and general trade.

Thamarat Al Qassim Company

A limited liability company that operates under commercial registration number 1010378315 issued in Riyadh on 30 Rajab 1434H (corresponding to 9 June 2013). The main activities of the company are agriculture, fodder, livestock and poultry breeding, in addition to import and export and marketing; and acquisition of lands to construct buildings thereon and invest them by sale or lease out and utilizing properties for the interest of the company.

On 15 November 2022, all assets and liabilities related to Thamarat Al Qassim Company were transferred to become one of the branches of Abdullah Al-Othaim Markets Company, and a new main commercial registration for Thamarat Al Qassim Company was established under No. 1010841207 issued in Riyadh on 21 Rabi Al Thani 1444H (corresponding to 15 November 2022). The management has the intention to liquidate and voluntarily dissolve Thamarat Al Qassim Company, however, the legal procedures related to liquidating and voluntarily dissolving the company has not started as of the date of the interim condensed consolidated financial statements.

Shurofat Al Jazeerah Company

A limited liability company that operates under commercial registration number 1010228732 issued in Riyadh on 2 Safar 1428H (corresponding to 20 February 2007). The main activities of the company are general contracting and operating commercial complexes.

1. INFORMATION ABOUT THE COMPANY, ITS SUBSIDIARIES AND THEIR ACTIVITIES (CONTINUED)

Mueen for Human Resources Company

A closed joint stock company that operates under commercial registration number 1010435202 issued in Riyadh on 6 Ramadan 1436H (corresponding to 23 June 2015). The main activities of the company are providing labor services regarding household workers and workers for both public and private sectors under an authorization from the Ministry of Labor No. UMM 24 issued on 23 Thul Hijja 1436H (corresponding to 16 October 2015).

2. BASIS OF PREPARATION

2-1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (34) "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The interim condensed consolidated financial statements do not include all disclosures required for the full annual consolidated financial statements in accordance International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement that are endorsed by SOCPA and therefore, should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2021.

An interim period is considered an integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

2-2 Basis of measurement

The interim condensed consolidated financial statements have been prepared at historical cost, except for the following significant items stated in the interim condensed consolidated statement of financial position as follows:

- Investment in equity instruments at fair value through other comprehensive income is measured at fair value.
- Obligation for end of service benefits is measured at the present value of future obligations using the projected unit credit method.

2-3 Functional and presentation currency

The interim condensed consolidated financial statements are presented in Saudi Riyals, which is the functional, and presentation currency of the Company. All amounts in the interim condensed consolidated financial statements are in Saudi Riyals unless otherwise stated.

2-4 Fair value measurement

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

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

Due to the short-term maturity of financial instruments such as receivables and payables, other receivables and payables, the carrying values approximate its fair values significantly.

2. BASIS OF PREPARATION (CONTINUED)

2-5 New standards, amendments to standards and interpretations

There are no new standards issued, however, several amendments to the standards that were explained in the Group's annual consolidated financial statements for the year ended 31 December 2021 that are effective from 1 January 2022, but do not have a material impact on the interim condensed consolidated financial statements.

3. ACCOUNTING ESTIMATES AND SIGNIFICANT ASSUMPTIONS

The preparation of the financial statements in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia, requires the use of judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and the notes besides the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities that might be affected in future periods.

The key assumptions concerning the future and other key sources of uncertainty estimation at the interim condensed consolidated financial statements date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial period are discussed below. In making its assumptions and estimates, the Group relies on standards available when preparing of the interim condensed consolidated financial statements. Assumptions and estimates about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes in the assumptions are stated when occurred.

a- Summary of Significant Adopted Accounting Estimates and Assumptions

Definition of the lease term with renewal and termination options

The Group has defined the term of the lease as the non-cancellable lease term, in addition to any period covered by the option to extend the lease if this option is certain to be exercised.

The Group has several lease contracts that include options for extension and termination. The Group applies its judgment in assessing whether it is reasonably certain or not to exercise the option of renewing or terminating the contract. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date of the lease contract, the Group re-assesses the lease contract term if there is a significant event or change in the circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease contract.

Interest rate implicit in lease contracts

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

The Group estimates the incremental borrowing rate using observable inputs (such as available bank facilities and market interest rates).

Useful lives of property, plant and equipment

The useful lives of property, plant and equipment are estimated by the Group for the purposes of accounting for depreciation based on the expected use of those assets. Management reviews the residual value and useful lives annually. Future depreciation charges would be adjusted when management believes the useful lives differ from previous estimates.

3. ACCOUNTING ESTIMATES AND SIGNIFICANT ASSUMPTIONS (CONTINUED)

a- Summary of Significant Adopted Accounting Estimates and Assumptions (continued)

Useful lives of intangible assets

Intangible assets represent costs incurred to obtain the right-of-use of properties leased from the principal tenant (key money) and computer software, of which it is amortized over the respective term of the lease contracts, useful lives, or usufruct contracts.

Provision for obsolete and slow-moving inventory

Management estimates a provision to reduce the inventory value to its net realizable value, if the inventory cost is irrecoverable, inventory is damaged or became obsolete in whole or in part, if the selling price is lower than the cost, or if there are any factors that cause a decrease in the recoverable amount below the carrying value.

Selling Incentives

The liability of the variable consideration of the selling incentives in accordance with customer's loyalty program (Iktissab) is estimated based on the Group's practice and previous experience. The liability is reviewed when preparing the financial reports to reflect the potential value of the Group's liability toward customers.

Progressive incentives from suppliers

The Group may receive additional incentives from suppliers according to the volume of purchases during the fiscal year. The Group recognizes such incentives upon realization in accordance with contracts signed with suppliers. The Group's management exercises its professional judgement in examining market variables and consumer behavior when estimating the recognition of the incentives at the date of the interim condensed consolidated financial statements. Progressive incentives are recognized at the end of the financial year based on management's estimates.

Recoverable amount

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount represents the higher of an asset (or CGU) fair value, less costs of disposal and value in use.

Obligation for employees' end of service benefits

Obligation for employees' end-of-service benefits is determined according to a defined unfunded benefit plan and measured using actuarial valuations. Actuarial valuations include many assumptions that may differ from the actual future developments. These assumptions include the determination of the discount rate, future salary increases and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. Thus, all assumptions are reviewed once a year or more often, as deemed necessary.

b- Going concern

The Group's management has assessed the Group's ability to continue as a going concern and is convinced that the Group has sufficient resources to continue to operate for the foreseeable future. Furthermore, management is not aware of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Accordingly, the interim condensed consolidated financial statements have been prepared on the going concern basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements as of 31 December 2022 are the same as those followed in the consolidated financial statements for the year ended at 31 December 2021. The significant accounting policies used by the Group in preparing the consolidated financial statements are as follows:

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries which are under its control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investees. Specifically, the Company controls an investee, if and only if the Company has following three elements:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the Investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to exercise its power over the investee to influence its returns.

Generally, there is an assumption that the majority of voting rights result in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Company's voting rights and any potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date when the Company obtains control over the subsidiary and ceases when the Company loses control over the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired during the period are included in the interim condensed consolidated financial statements from the date the Company obtains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributable to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When consolidating, adjustments are made to the interim condensed consolidated financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets, liabilities, equity, income, expenses, and cash flows related to transactions between members of the Group are eliminated in full on consolidation.

Changes in the ownership of subsidiaries under control that do not result in loss of control are treated as equity transactions.

In case the Company loses control over the subsidiary, it would:

- Derecognize the related assets and liabilities of the invested subsidiary.
- Derecognize the carrying amount of any non-controlling interest.
- Derecognize accumulated exchange differences recognized in equity.
- Recognize the fair value of the consideration received.
- Recognize the fair value of any held investment.
- Recognize any surplus or deficit in the interim condensed consolidated statement of income.
- Reclassify its share of items previously recognized in other comprehensive income to the income statement or transfer directly to retained earnings, if, as required by other international standards.

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Classification of assets and liabilities into current / non-current

The Group presents assets and liabilities in the interim condensed consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.
- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

- It is held primarily for the purpose of trading.
- It is expected to be settled in the normal operating cycle.
- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Financial instruments

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

The Group recognizes the financial asset and liability in its interim condensed consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument. A purchase, sale or de-recognition is accounted for on trade date basis.

Financial assets

When the Group acquires a financial asset, the financial asset is classified at amortized cost or at fair value through other comprehensive income or at fair value through profit or loss based on (a) the Group's business model for managing financial assets, and (b) the contractual cash flow characteristics of the financial asset.

Initial measurement of the financial asset

Financial asset is measured at initial recognition at fair value plus any transaction costs, except for financial assets at fair value through profit or loss which are measured at fair value, (without adding the transaction costs).

Subsequent measurement of the financial asset

After initial recognition, the Group subsequently measures the financial assets based on the category under which the financial asset is classified as follows:

- At amortized cost, if the Group's objective is to hold a group of financial debt instruments to collect the contractual cash flows at defined dates that are solely payments of principal and interest on the principal amount outstanding.
- At fair value through other comprehensive income, if the Group's objective is to hold a group of financial debt instruments to collect the contractual cash flows at defined dates and sell the financial asset; and result in contractual cash flows on defined dates that are solely payments of principal and interest on the principal amount outstanding.

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Subsequent measurement of the financial asset (continued)

- At fair value through other comprehensive income, if the Group uses this measurement option that is available in IFRS 9 "Financial instruments".
- At fair value through profit or loss, unless measured at amortized cost or at fair value through other comprehensive income.
- Financial assets are measured at amortized cost using the effective interest rate. Disposal gains and losses are recognized in the interim condensed consolidated statement of income when derecognizing the financial asset. As for the financial assets measured at fair value, they are measured at fair value while presenting the valuation differences through the interim condensed consolidated statement of income, except for the financial assets which the Group chooses to measure at fair value at the initial recognition through other comprehensive income, in this case, valuation differences are presented in the statement of other comprehensive income. Dividends realized from such assets are recognized through the interim condensed consolidated statement of income.

De-recognition of financial assets

The financial asset is de-recognized when and only when:

- The contractual rights to receive cash flows from the financial asset expire.
- Transfers contractual rights to receive cash flows from the financial asset and transferring substantially all the risks and rewards of ownership of the financial asset or
- Retaining contractual rights to receive cash flows from the financial asset with a contractual obligation to pay cash flows to one or more of the recipients and transferring substantially all risks and rewards of ownership of the financial asset.
- Transfers contractual rights to receive cash flows from the financial asset without transferring or retaining substantially all the risks and rewards of ownership of the financial asset does not retain control of the financial asset.
- Retains contractual rights to receive cash flows from the financial asset, with assuming a contractual obligation to pay the cash flows to one or more recipients without transferring or retaining substantially all the risks and rewards of ownership of the financial asset retain control over the financial asset.

When de-recognizing a financial asset in its entirety, the difference between the carrying amount (measured at the date of de-recognition) and the consideration received (including any new asset acquired less any new liability assumed) is recognized in the interim condensed consolidated statement of income.

Impairment of financial assets

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event'), and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial restructuring and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate is the rate that discounts future cash payments over the expected life of the financial liability, or a shorter period of time as appropriate, to arrive at the net carrying amount on initial recognition.

De-recognition of financial liabilities

A financial liability (or a part of a financial liability) can only be de-recognized from the interim condensed consolidated statement of financial position when it is extinguished, that is when the obligation specified in the contract is either discharged, cancelled or expires.

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Reclassification of financial assets and liabilities

When the Group reclassifies a financial asset, it applies the reclassification prospectively from the date of the reclassification. The previously recognized gains, losses (including impairment losses and gains) or interests are not adjusted. Reclassification of financial liabilities from one category to the another is not permitted.

Dividend distribution to shareholders

Dividends distribution to shareholders are recognized as a liability when the dividends are declared. In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, dividends are declared when approved by the shareholders or the delegation of the shareholders to the Board of Directors to distribute interim dividends to the shareholders of the Company on a semi-annual or quarterly basis in accordance with the Company's financial position and cash flows. The corresponding amount is deducted directly from equity.

Trade receivables

Trade receivables represent the amounts due from customers for goods sold or services performed in the Group's normal course of business. Trade receivables are initially recognized at fair value represented by the exchange consideration. Subsequent to initial recognition, they are measured at amortized cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three month or less. For purpose of interim condensed consolidated statement of cash flows, cash and cash equivalents includes cash on hand, on demand deposits and cash at banks.

Lease contracts

Lease contracts of which the Group is a lessee

Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases in the interim condensed consolidated statement of financial position. However, the Group has elected not to recognize right-of-use asset and lease liabilities for some leases of short-term and low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group recognizes the right-of-use asset and a lease liability at the lease commencement date.

Right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment loss and adjusted for certain re-measurements of the lease liability.

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

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured whenever there is a change in future lease payments arising from a change in an index or rate used to determine those payments, a change in the estimate of the expected payable amount under a residual value guarantee, or as appropriate, a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied its judgment to determine the lease term for some leases which contains renewal options. The assessment of whether the Group is reasonably certain to exercise such options affects the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Lease contracts of which the Group is a lessor

When the Group is an intermediate lessor, the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Upon the initial application of IFRS 16, the Group is not required to make any adjustments for leases in which it acts as lessor. However, the Group has applied IFRS 15 "Revenue from Contracts with Customers" to allocate the consideration of each lease and non-lease component in the contracts.

Property, plant, and equipment

Recognition and measurement

- Property, plant, and equipment are stated at historical cost less accumulated depreciation and impairment losses.
- Cost includes expenditure that is directly attributable to the acquisition of property, plant, and equipment.
- When the useful lives of property, plant, and equipment items differs, it is accounted for as separate items.
- Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of such items and are recognized net in the interim condensed consolidated statement of income.

Subsequent costs

- The cost of the replaced part for an item of property, plant and equipment is recorded in the value reported for that item when it is probable that future economic benefits will flow from that part to the Group and the cost of the item can be measured reliably. The value reported for the old-replaced part is written off.
- Daily costs and expenses incurred by the Group for maintaining and operating the property, plant, and equipment are charged to the interim condensed consolidated statement of income when incurred.

Depreciation

Depreciation charge is recognized in the interim condensed consolidated statement of income using the straight-line method over the estimated useful life of each item of property, plant, and equipment, except for land. Assets constructed on leased lands are depreciated over the lower of lease term, or over their respective useful lives. The depreciation of property, plant, and equipment start when they are available for use as intended by the management.

The estimated useful lives of property, plant, and equipment and the useful lives during the current period are the same for the previous periods as follows:

Item	Useful lives (years)
Buildings and constructions	25 years or lease term, whichever is shorter
Machinery and equipment	5 - 10
Vehicles	5 - 7
Computer hardware and systems	3 - 10
Furniture and fixtures	2 - 10
Leasehold improvements	10 years or lease term, whichever is shorter

The Group reviews the useful lives and residual values to all items of property, plant, and equipment at the end of each financial period and adjusts them as necessary.

Capital work in progress

Capital work-in-progress is stated at cost and include the cost of construction, equipment, and direct expenses. These are not depreciated until they become ready for their intended use by the Group where they are transferred to property, plant, and equipment.

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Investment properties

The Group classifies an asset as an investment property if the purpose of holding it is (a) to earn rental income, or (b) for capital appreciation, or (c) both. At initial recognition, investment property is stated at cost, including expenditure that is directly attributable to the acquisition of investment properties. At subsequent measurement, the Group uses the cost module where the accumulated depreciation and accumulated impairment losses are deducted, and their fair value is disclosed as required by the IFRSs at the date of preparing the consolidated financial statements.

The Group uses the straight-line method to depreciate investment properties over the estimated life of each of the investment property items. Assets built on leased lands are depreciated over the lower of the lease term or their respective useful lives. Depreciation charge is recorded in the interim condensed consolidated statement of income.

Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired, if any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. Recoverable amount of an assets or Cash Generating Unit ("CGU") is the higher of its fair value less costs of disposal and value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks identified to the asset. The Group calculation of impairment relies on detailed budgets and forecasts, which are prepared separately for each of the Group's CGU to which the individual assets are allocated.

Impairment losses of continuing operations are recognized in the interim condensed consolidated statement of income in expense categories consistent with the function of the impaired asset.

Later where an asset impairment loss is reversed when there are indications for such, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset or CGU in prior period. A reversal of an impairment loss is immediately recognized as income in the interim condensed consolidated statement of income.

Intangible assets

Acquired intangible assets are measured at cost separately at the date of initial recognition. The cost of intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, except for capitalized development costs, are not capitalized. Expenses are recognized in the interim condensed consolidated statement of income when incurred, and the estimated useful lives of the intangible assets are estimated to be finite or infinite.

Intangible assets with definite lives are amortized over the useful life. The Group conducts the needed tests to assess for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for the intangible assets with finite useful lives are reviewed at the end of each financial period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method and are treated as changes in accounting estimates. The amortization expenses for intangible assets with finite lives are recognized in the interim condensed consolidated statement of income under an expenses category that matches the intangible asset's function.

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Intangible assets (continued)

Profit or loss resulting from the de-recognition of intangible assets is measured by the difference between the net proceeds of disposal and the asset's carrying amount, and they are included in the interim condensed consolidated statement of income upon de-recognition of the asset.

Subsequent to initial recognition, they are measured at cost less accumulated amortization and accumulated impairment losses. amortization is charged to the interim condensed consolidated statement of income on a straight-line basis over the useful life of each item of the intangible assets

Investments in associates and joint venture

- An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.
- An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in the interim condensed consolidated statement of income in the year in which the investment is acquired.
- The results and assets and liabilities of associates or joint ventures are incorporated in these interim condensed consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognized in the interim condensed consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.
- When a Group's entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognized in the Group's interim condensed consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue

Sales revenue recognition

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control of goods or services to the customer. The principles of IFRS (15) "Revenue from Contracts with Customers " are applied by using the following five steps:

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Revenue (continued)

Step 1: Identify the contract - in the following cases:

- When the contract has been approved and the parties are committed.
- When each party's rights are identified.
- When the payment terms are defined.
- When the contract has a commercial substance.
- When the contract is collectible.

Step 2: Identify the performance obligations of the contract: by identifying promised goods or services agreed in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if:

- The customer can benefit from the goods or services separately or together with other resources that are readily available to the customer; and
- The good or service is separately identifiable from the other goods or services in the contract.

Step 3: Determine the transaction price: which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: Allocate the transaction price to performance obligations in the contract: by allocating the transaction price to each separate performance obligation based on the relative standalone selling price of the goods or services being provided to the customer.

Step 5: Revenue is recognized when control of the goods or services is transferred to the customer.

Accordingly, a contract with a customer is accounted for upon fulfilling all the following criteria:

- The contract parties agreed (in writing, verbally or according to other business practice) to commit to its obligations.
- The rights of each party regarding the goods and services to be transferred is established.
- The repayment terms for goods and services to be transferred can be determined.
- The contract has a commercial implication (meaning that it is expected for the risks or the timing or amount of future cash flows of the entity to change due to the contract).
- The possibility of receiving a consideration to which the Group has the right in return of goods or services it transferred to the client. When assessing the probability of receiving a consideration, the customer's ability and intention to repay when the amount falls due is taken into consideration. It is taken into account that the consideration might be lower than the price stated by the contract if the consideration is variable.
- The revenue is recognized when the obligation is met through transferring the good or service promised to the customer and the asset is considered transferred when the customer obtains control over the asset, and when the contract is made, meeting the obligation is determined to be made over a time period or at a point in time.

Incentives and other benefits from suppliers

- Opening fees revenues agreed upon with the suppliers at the opening of the branch is recognized and deducted from the cost of the goods sold.
- Incentives and earned benefits from suppliers are recognized on an accrual basis according to the contracts signed with the suppliers. For the presentation purposes, incentives and earned benefits are deducted from the cost of goods sold.

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Other income

- Rental income is recognized on an accrual basis in accordance with the lease contracts terms.
- Dividend income is recognized in the interim condensed consolidated statement of income when declared by the General Assemblies of the investees.
- Other revenues are recognized on an accrual basis and when the conditions to earn such revenues are fulfilled in accordance with the IFRSs.

Customer loyalty program (Iktissab)

The Group defers recognition of variable consideration of incentives arising from the Customer Loyalty Program (Iktissab) where the Group estimates this consideration based on practice and previous experience of the Group. Then, the consideration is recognized as a liability till it is utilized by the customer. The sale revenue is reduced by the amount of this liability being recognized as a deferred income. Subsequently, this liability is transferred to revenues upon utilization or when the right to utilize expires. The cost of revenue is recognized which represent the goods delivered to the customer.

Inventory and spare parts

Inventories

Inventory is stated at the lower of cost or net realizable value. The cost is determined by using the weighted average costing method. Inventory cost consists of costs incurred to get the inventories to the warehouses. Net realizable value is the estimated selling price in the ordinary course of business, less the expected costs of sale.

Spare parts inventory

Spare parts are charged to property, plant, and equipment when they meet the definition and conditions for such classification. Otherwise, they are classified as inventory.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuous use and a sale is considered highly probable. They are measured at the lower of their carrying amount or fair value less costs to sell and depreciation is ceased.

Provisions

Provisions are recognized when the Group has a current obligation (legal or contractual) arising from a past event, and it is probable that there will be outflow of economic benefits to settle this obligation and can be reliably measured. They are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks associated with that obligation.

Employees' end-of-service benefits obligation

Employees' end-of-service benefits obligation is a compensation plan paid to employees at the end of their services. As per the Saudi Labor Law, the Group pays employees when their service ends based on the period of service, salary and reason for terminating the service. Obligation recognized in the interim condensed consolidated statement of financial position regarding the end-of-service benefits represent the current value of the defined benefits obligation at the end of the reporting period. The end-of-service benefits obligation is calculated by the management on annual basis using the projected unit credit method.

The cost of the services of the defined benefits plan is recognized in the interim condensed consolidated statement of income under employees' benefits cost. This cost reflects the increase in the defined benefits obligation resulting from the employee's service in the current period plus changes, reduction, and settlement of benefits. Past-service costs are recognized immediately in the interim condensed consolidated statement of income.

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Employees' end-of-service benefits obligation (continued)

The present value of the defined benefits obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation. Where there is no deep market in such bonds, the market rates on government bonds are used. Actuarial gains and losses arising from previous changes in actuarial assumptions are charged or credited to equity in the interim condensed consolidated statement of comprehensive income in the period in which they arise.

Loans

loan is recognized at net received amount and interests are recognized using the effective interest method. Interests on loans are recognized during the period in which they are incurred. Interest on loans used to finance capital work in progress are capitalized and considered part of these works cost.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset are capitalized as a part of the asset cost. Qualified assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Other borrowing costs are expensed in the interim condensed consolidated statement of income in the period in which they are incurred by the Group.

Accounts payable and accruals

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

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the financial period are translated into Saudi Riyals using the exchange rates prevailing at that date. As for non-monetary item in foreign currencies recorded at fair value, they are retranslated according to the exchange rate prevailing at the date of determining its fair value. Non-monetary items in quoted currencies at historical cost are not retranslated.

Translation differences on settlement of non-monetary items and retranslation of monetary items are included in the interim condensed consolidated statement of income for that period. Translation differences resulting from non-monetary items like equity classified as financial assets through comprehensive income are recognized under cumulative changes in fair value in the interim condensed consolidated statement of comprehensive income.

Assets and liabilities of foreign subsidiaries are translated into Saudi Riyals using the exchange rates prevailing at the date of the financial statements. Income and expenses are translated for each of the statement of income and the statement of other comprehensive income using the exchange rates prevailing at the transactions dates. The translation differences are recognized in the interim condensed consolidated statement of other comprehensive income. These differences are recognized in the interim condensed consolidated statement of income during the year of which foreign operations are disposed. Goodwill and change in fair value resulting from acquisitions of foreign companies are treated as foreign companies' assets and liabilities and translated using the exchange rate prevailing at the financial reporting date.

Segmental information

A business segment consists of assets and operations providing goods or services that are exposed to risks and returns different from those of other business segments which are measured according to the reports used by the executive management. A geographic segment relates to providing goods or services within an economic environment exposed to risks and returns different from those of other segments working in other economic environments.

(All amounts are presented in Saudi Riyals unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTS POLICIES (CONTINUED)

Offsetting

Financial assets and liabilities are offset and reported net in the interim condensed consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and when the Group intends to settle the assets and liabilities on a net basis in order to realize the asset and to settle the liability simultaneously.

Zakat and taxes

The Company and its subsidiaries are subject to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. As for subsidiaries outside the Kingdom of Saudi Arabia, they are subject to the laws of countries they are registered in. Zakat is recognized according to the accrual basis. The zakat provision is calculated according to the zakat base. Any differences between the provision and the final assessment are recorded when realized and recognized at that time.

5. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2022, the Group acquired property, plant, and equipment with a cost of SR 258.62 million (31 December 2021: SR 152.47 million).

During the year ended 31 December 2022, the Group disposed property, plant, and equipment with a net book value of SR 2.23 million (31 December 2021: SR 4.68 million), which resulted in a gain on disposal of SR 38 thousand and SR 226 thousand for the three-months and year ended 31 December 2022, respectively (for the three-months and year ended 31 December 2021: loss on disposal of SR 3.53 million and SR 3.50 million, respectively).

6. RIGHT-OF-USE ASSETS

The net additions on the right-of-use during the year ended 31 December 2022 were SR 375.23 million (31 December 2021: SAR 270.99 million).

7. INVESTMENT PROPERTIES

Investment properties are represented commercial centers, exhibitions, buildings, and its lands, which are mainly held for investment and lease to others. The movement was as follows:

	31 December 2022	31 December 2021
Cost		
Balance at the beginning of the year	**874,830,652**	833,002,573
Additions during the year	**93,083,082**	30,510,460
Disposals during the year (1)	**(100,667,091)**	(190,476)
Transfers from property, plant, and equipment	**1,019,578**	11,508,095
Transferred to assets held for sale (Note 19)	**(86,621,184)**	-
Balance at the end of the year	**781,645,037**	874,830,652
Accumulated depreciation		
Balance at the beginning of the year	**275,290,408**	242,540,921
Depreciation for the year	**26,088,077**	26,175,597
Transfers from property, plant, and equipment	**502,814**	6,573,890
Balance at the end of year	**301,881,299**	275,290,408
Net Book Value at the end of year	**479,763,738**	599,540,244

(All amounts are presented in Saudi Riyals unless otherwise stated)

7. INVESTMENT PROPERTIES (CONTINUED)

(1) On 9 August 2022, the Board of Directors approved the sale of a land owned by the Company located in Madinah with an area of 105,664 square meters at a price of SR 2,000 per square meter with a total amount of SR 211,327,580 to Abdullah Al-Othaim Investment Company (a related party), which resulted in gains before Zakat amounted to SR 110,625,695 (SR 107,860,053 after Zakat).

The deal was presented before the General Assembly of shareholders on 27 September 2022 and was approved on that date. At the Group's interim condensed consolidated financial position date, the sale price was collected and the legal procedures for transferring the ownership title of the sold land were completed.

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

Details of the companies included in the interim condensed consolidated financial statements which are accounted for using equity method is as follows:

		Ownership percentage %	
	Country of Incorporation	**31 December 2022**	31 December 2021
Abdullah Al-Othaim for Investment Company - Associate (1)	Kingdom of Saudi Arabia	**-**	13.653%
AlWousta Food Services Company - Associate (2)	Kingdom of Saudi Arabia	**25%**	25%
Riyadh Food Industries Company - Associate (3)	Kingdom of Saudi Arabia	**55%**	55%
Gulf Flour Milling Industrial Company - Joint venture (4)	Kingdom of Saudi Arabia	**33.33%**	33.33%

(1) The main activities of the Company and its subsidiaries are the purchase of lands to construct buildings thereon for the purpose of selling or renting for its own interest, in addition to management, maintenan ce, and development of real estate properties, operating shopping malls , entertainment centers, creating and operating games cities and areas, issuing any type of negotiable debt instrument including Sukuk. The investment has been classified as an investment in associate company since there is a significant influence on the company evidenced by the representation in the board of directors and the existence of material transactions with the investee.

(2) The main activities of the company are managing, operating, and monitoring of Al Baik restaurants in Riyadh, Qassim, Hail and Al Jouf. The Company is a limited liability company and the headquarter of the Company is in Jeddah. The investment has been classified as an investment in associate company since there is a significant influence on the company.

(3) The main activities of the company are the purchase of lands to construct manufacturing buildings thereon for the purpose of investment for its own interest, in addition to management, maintenance, and development of manufacturing plants for others, marketing food and consumable goods, and whatever necessary to establish or participate in shops and markets, import and export of food and consumable goods. The investment has been classified as an investment in associate company since there is a significant influence on the company.

(4) The main activities of the company are packaging and grinding grains, flour manufacturing, feed manufacturing, and storage in grain silos, in accordance with the ministry of investment license number 101034210105632, dated 15 Shawwal 1442H (corresponding to 27 May 2021G). It has been classified as an investment in joint arrangements (Joint venture).

(All amounts are presented in Saudi Riyals unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

A. **Summary of movements in investment during the year:**

	31 December 2022	31 December 2021
Balance at the beginning of the year	**348,869,385**	267,138,201
Share in profit or loss of associates and joint venture	**62,733,096**	31,801,425
Share in other comprehensive loss of associates and joint venture	**(976,420)**	(70,241)
Additions	**-**	50,000,000
Disposals of an associate (1)	**(237,989,185)**	-
Balance at the end of the year	**172,636,876**	348,869,385

(1) On 7 July 2022, the Board of Directors decided to accept the offer submitted by Al-Othaim Holding Company (Founding shareholder) to purchase all of the Company's shares in Abdullah Al-Othaim Investment Company at a price of SR 62 per share, based on the Group's management estimates, with a total amount of SR 846,538,700, which resulted in gains before Zakat amounted to SR 608,549,515 (SR 593,335,777 after Zakat).

The deal was presented before the General Assembly of shareholders on 27 September 2022 and was approved on that date. At the Group's interim condensed consolidated financial position date, the sale price was collected and the legal procedures for transferring the ownership title of the sold shares were completed.

B. **Investments in associates and joint venture balances are as follows:**

	31 December 2022	31 December 2021
Gulf Flour Milling Industrial Company - Joint venture	**106,189,297**	50,549,999
Riyadh Food Industries Company - Associate	**39,440,245**	43,056,727
AlWousta Food Services Company - Associate	**27,007,334**	25,699,944
Abdullah Al-Othaim for Investment Company - Associate	**-**	229,562,715
	172,636,876	348,869,385

9. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash at banks - current accounts - others	**265,100,266**	145,936,636
Cash on hand	**48,001,145**	36,806,715
	313,101,411	182,743,351

10. STATUTORY RESERVE

In accordance with the Company By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the annual net income to a statutory reserve until such reserve reaches 30% of the Company's share capital. This reserve is not available for distribution to the shareholders as dividends.

(All amounts are presented in Saudi Riyals unless otherwise stated)

11. OBLIGATION FOR EMPLOYEES' END-OF-SERVICE BENEFITS

	31 December 2022	31 December 2021
Balance at the beginning of year	**206,961,651**	171,440,559
Service cost and cost of discount factor for the year	**56,370,080**	39,888,287
Payments during the year	**(19,915,158)**	(9,582,306)
Actuarial losses from remeasurement of end-of-service benefits	**6,172,734**	5,443,030
Transferred to obligations related to assets held for sale	**-**	(227,919)
Balance at the end of year	**249,589,307**	206,961,651

12. LOANS AND SHOT-TERM MURABAHA

The Group utilizes Islamic bank facilities (Murabaha) to finance its trade operations. These facilities bear financing costs at prevailing market rates. These facilities are secured by promissory notes under the name of the Company.

The Islamic bank facilities (Murabaha) are due in less than a year. As at 31 December 2022, the available and unutilized facilities for the purpose of meeting the Group's liabilities when it becomes due amounted to SR 1,095 million (31 December 2021: SR 1,275 million).

13. RELATED PARTIES

Transactions with related parties represent transactions entered between the Company and its associates, subsidiaries, major shareholders and senior executives of the Group. Management of the Group approved a policy for prices and conditions for transactions with related parties. Transactions with related parties represent mainly in rent revenue, rent expenses, purchases of goods and manpower services.

Related party	**Nature of relationship**
Al-Othaim Holding Company	Founding shareholder
Abdullah Al-Othaim for Investment Company	Associate
AlWousta Food Services Company	Associate
Riyadh Food Industries Company	Associate
Gulf Flour Milling Industrial Company	Joint venture
General Organization of Social Insurance	Related to a Board of Directors member
Almarai Company	Related to a Board of Directors member
Al-Jouf Agricultural Development Company	Related to a Board of Directors member
The Arabic Company for Agricultural Services "ARASCO"	Related to a Board of Directors member
Jarir Marketing Company	Related to a Board of Directors member
Members of the Board of Directors and Senior Executives	Group's management
Abdullah Al-Othaim for Fashion Company	Subsidiary of an associate
Abdullah Al-Othaim for Entertainment Company	Subsidiary of an associate
Emtiyaz Al Riyadh Trading Company	Subsidiary of an associate
Fourth Milling Company	Subsidiary of an associate
Rimal Al Sawahil for Contracting and Maintenance	Related to a Board of Director member of a subsidiary
Saudi Pillar Contracting Company	Related to the Chairman of the Board of Directors

(All amounts are presented in Saudi Riyals unless otherwise stated)

13. RELATED PARTIES (CONTINUED)

Transactions with related parties for the year ended 31 December 2022 are as follows:

Related Party	Rent Expense	Rental Income	Purchase of Inventory	Labor Revenues and Others	Labor Expenses and Others	Sale of Investment Properties and Associate
Al-Othaim Holding Company	**10,000**	-	-	**17,180,220**	-	**846,538,700**
Abdullah Al-Othaim for Investment Company	**13,630,410**	**36,384,550**	-	-	**4,582,284**	**211,327,580**
AlWousta Food Services Company	-	**610,219**	-	-	-	-
Riyadh Foods Industries Company	-	-	**104,286,714**	**140,096**	-	-
General Organization of Social Insurance	**5,562,500**	-	-	-	-	-
Almarai Company	-	-	**470,223,631**	-	-	-
Al-Jouf Agricultural Development Company	-	-	**26,038,513**	-	-	-
The Arabic Company for Agricultural Services "ARASCO"	-	-	**27,951,420**	-	-	-
Jarir Marketing Company	-	**3,000,810**	**889,288**	-	-	-
Abdullah Al-Othaim for Fashion Company	-	**201,854**	-	-	-	-
Saudi Pillar Contracting Company	-	-	-	-	**17,587,323**	-
Rimal Al Sawahil for Contracting and Maintenance	-	-	-	**18,719,433**	-	-
Abdullah Al-Othaim for Entertainment Company	-	**1,717,914**	-	**464,516**	-	-
Emtiyaz Al Riyadh Trading Company	-	-	-	**218,879**	-	-
Fourth Milling Company	-	-	**7,949,003**	**1,046,350**	**1,000**	-

Transactions with related parties for the year ended 31 December 2021 are as follows:

Related Party	Rent Expense	Rental Income	Purchase of Inventory	Labor Revenues and Others	Labor Expenses and Others
Al-Othaim Holding Company	10,000	710,050	-	19,322,344	
Abdullah Al-Othaim for Investment Company	13,630,410	35,674,500	-	-	2,625,757
AlWousta Food Services Company	-	687,069	-	-	-
Riyadh Foods Industries Company	-	-	97,614,519	865,757	-
General Organization of Social Insurance	5,562,500	-	-	-	-
Almarai Company	-	-	404,921,275	-	-
Al-Jouf Agricultural Development Company	-	-	16,081,435	-	-
The Arabic Company for Agricultural Services "ARASCO"	-	-	20,408,390	-	-
Jarir Marketing Company	-	2,893,574	228,658	-	-
Abdullah Al-Othaim for Fashion Company	-	100,927	-	465,021	-
Saudi Pillar Contracting Company	-	-	-	-	3,074,368
Rimal Al Sawahil for Contracting and Maintenance	-	-	-	16,580,336	-
Abdullah Al-Othaim for Entertainment Company	-	1,142,914	-	448,537	-
Emtiyaz Al Riyadh Trading Company	-	-	-	1,308,496	-
Fourth Milling Company	-	-	5,621,375	-	-

(All amounts are presented in Saudi Riyals unless otherwise stated)

13. RELATED PARTIES (CONTINUED)

Board members and senior executives' benefits during the period

	Charged to comprehensive income	
	31 December 2022	31 December 2021
Short term benefits	**27,159,226**	19,520,420
Post-employment benefits	**620,744**	1,265,031
	27,779,970	20,785,451

Below are the balances due from/to related parties

Due from related parties (included in trade receivables)

	31 December 2022	31 December 2021
Rimal Al Sawahil for Contracting and Maintenance	**2,897,038**	1,903,156
Saudi Pillar Contracting Company	**676,666**	1,881,496
Al-Othaim Holding Company	**161,873**	261,965
Abdullah Al-Othaim for Entertainment Company	**133,319**	91,770
Emtiyaz Al Riyadh Trading Company	**70,104**	56,419
Riyadh Foods Industries Company	**13,571**	82,995
Jarir Marketing Company	**-**	27,300
Gulf Flour Milling Industrial Company	**-**	1,000
	3,952,571	4,306,101

Due to related parties (included in trade payables):

	31 December 2022	31 December 2021
Almarai Company	**117,068,013**	93,523,741
Riyadh Foods Industries Company	**33,558,115**	26,874,053
Al-Jouf Agricultural Development Company	**9,981,178**	5,994,069
The Arabic Company for Agricultural Services (ARASCO)	**5,075,970**	3,288,201
Saudi Pillar Contracting Company	**2,439,945**	116,276
Abdullah Al-Othaim for Investment Company	**1,070,337**	4,678,282
Fourth Milling company	**894,885**	231,526
Jarir Marketing Company	**203,627**	1,739
	170,292,070	134,707,887

(All amounts are presented in Saudi Riyals unless otherwise stated)

14. ZAKAT PROVISION

Zakat is calculated on the basis of adjusted net income or Zakat base whichever is higher according to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in Saudi Arabia. Zakat is calculated in the current period on the basis of the adjusted net income method.

The movement in Zakat provision during the period/ year is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of year	**13,839,202**	26,353,223
Charged for the year	**30,616,086**	11,327,268
Prior years adjustments	**-**	(3,445,728)
Payments for the year	**(11,507,296)**	(20,395,561)
Balance at the end of year	**32,947,992**	13,839,202

- The Group submitted its consolidated Zakat declarations for all years up to 2021 and paid Zakat liabilities accordingly.
- On 26 August 2020 the Group received Zakat assessment from ZATCA for the year 2014 with an additional amount of SR 679 thousand, which mainly related to differences in depreciation calculation. The Group submitted an objection on the decisions within the statutory time limits. On 1 June 2022, the Group received the decision of the Committee of Tax Violations and Disputes to void the decision of ZATCA regarding the item of depreciation differences in 2014.
- The Group received its final Zakat assessment for the years from 2015 to 2018 during 2021.
- The Company requested ZATCA to finalize the Zakat position of the Group and issue the final Zakat assessments for the years 2012 and 2013. Final assessment has not yet been issued.
- The Zakat declarations for the years 2019 and 2020 are currently being assessed by ZATCA. Final assessment has not yet been issued.

15. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE COMPANY

Earnings per share for the ordinary shareholders for the period ended 31 December 2022 and 2021, are calculated based on the weighted average number of shares outstanding during those periods. Diluted earnings per share is the same as the basic earnings per share as the Company does not have any issued dilutive instruments.

16. SEGMENT INFORMATION

The Group is engaged mainly in food supplies retail and wholesale. The Group operates in the Kingdom of Saudi Arabia and Egypt. In addition to leasing commercial centers for the purpose of investment for the interest of the Group. The results of the segments are reviewed by the Group's management. Revenues, income, assets, and liabilities are measured using the same accounting principles used in preparing the in the interim condensed consolidated financial statements.

a. Selected information for each business segment is summarized below

Interim condensed consolidated statement of financial position as of 31 December 2022

Item	**Retail and Wholesale**	**Real Estate and Leasing**	**Others**	**Total**
Property, plant, and equipment, net	**1,505,035,907**	**-**	**5,664,254**	**1,510,700,161**
Right-of-use assets	**1,589,599,706**	**24,278,351**	**1,402,864**	**1,615,280,921**
Investment properties, net	**-**	**479,763,738**	**-**	**479,763,738**
Intangible assets, net	**1,091,176**	**-**	**647,534**	**1,738,710**
Assets held for sale	**-**	**-**	**87,649,162**	**87,649,162**
Total assets	**4,713,921,948**	**509,804,860**	**467,624,431**	**5,691,351,239**
Total liabilities	**4,071,299,339**	**85,713,255**	**90,766,050**	**4,247,778,644**

(All amounts are presented in Saudi Riyals unless otherwise stated)

16. SEGMENT INFORMATION (CONTINUED)

a. Selected information for each business segment is summarized below (continued)

Interim condensed consolidated statement of financial position as of 31 December 2021

Item	Retail and Wholesale	Real Estate and Leasing	Others	Total
Property, plant, and equipment, net	1,387,575,267	-	5,200,525	1,392,775,792
Right-of-use assets	1,405,767,893	34,295,230	2,656,891	1,442,720,014
Investment properties, net	-	599,540,244	-	599,540,244
Intangible assets, net	1,873,893	-	731,994	2,605,887
Assets held for sale	-	-	1,339,818	1,339,818
Total assets	3,875,871,929	652,688,079	572,730,279	5,101,290,287
Total liabilities	3,503,628,467	100,291,291	91,773,449	3,695,693,207

Interim condensed consolidated statement of income for the period ended 31 December 2022

Item	Retail and Wholesale	Real Estate and Leasing	Others	Total
Sales	**9,325,141,477**	**-**	**294,809,894**	**9,619,951,371**
Sales outside the Group	**9,325,141,477**	**-**	**240,606,773**	**9,565,748,250**
Rental income outside the Group	**-**	**135,176,431**	**-**	**135,176,431**
Inter-segment sales and revenues	**-**	**92,252**	**54,203,120**	**54,295,372**
Total income, sales commissions, and net rental income	**2,027,913,798**	**77,810,429**	**47,147,887**	**2,152,872,114**
Operating profit	**313,669,047**	**77,810,429**	**1,183,320**	**392,662,796**

Interim condensed consolidated statement of income for the period ended 31 December 2021

Item	Retail and Wholesale	Real Estate and Leasing	Others	Total
Sales	8,206,534,727	-	257,714,620	8,464,249,347
Sales outside the Group	8,206,534,727	-	209,346,907	8,415,881,634
Rental income outside the Group	-	143,183,092	-	143,183,092
Inter-segment sales and revenues	-	177,713	48,367,713	48,545,426
Total income, sales commissions, and net rental income	1,752,855,607	86,162,513	36,967,952	1,875,986,072
Operating profit (loss)	264,414,087	86,162,513	(2,230,868)	348,345,732

b. Distribution of retail and wholesale sales revenues and rental income on geographical regions as follows

For the period ended 31 December 2022

Geographical area	Retail and Wholesale	Percentage %	Real Estate and Leasing	Percentage %	Others	Percentage %
Central region - Saudi Arabia	5,750,060,546	61.7%	67,203,154	%49.7	191,835,124	%79.8
Eastern region - Saudi Arabia	926,825,915	9.9%	55,023,864	%40.7	27,762,543	%11.5
Southern region - Saudi Arabia	1,186,969,247	12.7%	3,933,170	%2.9	4,421,141	%1.8
Northern region - Saudi Arabia	673,649,576	7.2%	4,687,044	%3.5	195,578	%0.1
Western region - Saudi Arabia	557,703,622	6.0%	3,868,497	%2.9	16,392,389	%6.8
Arabic Republic of Egypt	229,932,569	2.5%	460,702	%0.3	-	-
Total	**9,325,141,475**	**100%**	**135,176,431**	**%100.0**	**240,606,775**	**%100**

(All amounts are presented in Saudi Riyals unless otherwise stated)

16. SEGMENT INFORMATION (CONTINUED)

b. Distribution of retail and wholesale sales revenues and rental income on geographical regions as follows (continued)

For the period ended 31 December 2021

Geographical area	Retail and Wholesale	Percentage %	Real Estate and Leasing	Percentage %	Others	Percentage %
Central region - Saudi Arabia	5,141,823,848	62.7%	75,670,509	52.8%	177,377,539	84.73%
Eastern region - Saudi Arabia	848,779,638	10.3%	54,118,428	37.8%	12,763,501	6.10%
Southern region - Saudi Arabia	1,046,767,494	12.8%	4,567,182	3.2%	4,785,569	2.29%
Northern region - Saudi Arabia	525,310,855	6.4%	5,091,547	3.6%	400,247	0.19%
Western region - Saudi Arabia	429,373,179	5.2%	3,188,881	2.2%	14,020,053	6.70%
Arabic Republic of Egypt	214,479,711	2.6%	546,545	0.4%	-	-
Total	**8,206,534,725**	**100%**	**143,183,092**	**100%**	**209,346,909**	**100%**

17. RENTAL INCOME, NET

	For the three-months period ended 31 December		For the year ended 31 December	
	2022	2021	**2022**	2021
Stores rental income	**28,724,845**	29,140,338	**115,438,777**	114,569,669
Marketing rental income	**4,430,693**	11,733,222	**19,737,654**	28,613,423
Total rental income	**33,155,538**	40,873,560	**135,176,431**	143,183,092
Rental expenses	**(13,107,490)**	(13,389,247)	**(57,366,002)**	(57,020,579)
Net rental income	**20,048,048**	27,484,313	**77,810,429**	86,162,513

18. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group has the following contingent liabilities and capital commitments:

	31 December 2022	31 December 2021
Letters of credit	**33,029,042**	75,744,816
Letters of guarantee	**96,082,268**	112,814,955
Commitments on capital work in progress	**54,720,766**	69,889,474

19. ASSETS HELD FOR SALE

On 12 October 2022, the Board of Directors approved the sale of a land owned by the Company located in Riyadh city with an area of 44,421.12 square meters at a price of SR 4,200 per square meter with a total amount of SR 186,568,704 to Abdullah Al-Othaim Investment Company (a related party). The transaction is subject to the approval of the General Assembly of shareholders, which has not yet taken place.

20. DIVIDENDS

- On 15 November 2022, the Board of Directors decided by circulation to distribute an extraordinary interim cash dividend to the shareholders for the third quarter of 2022 with a total amount of SR 675 million, at SR 7.5 per share. The dividends were paid during the fourth quarter of 2022.
- On 17 August 2022, the Board of Directors decided by circulation to distribute an interim cash dividend to the shareholders for the first half of 2022 with a total amount of SR 180 million, at SR 2 per share. The dividends were paid during the third quarter of 2022.
- On 15 February 2022, the Board of Directors decided by circulation to distribute an interim cash dividend to shareholders for the second half of 2021 with a total amount of SR 180 million, at SR 2 per share. The dividends were paid during the first quarter of 2022.
- On 26 August 2021, the Board of Directors decided by circulation to distribute an interim cash dividend to the shareholders for the first half of 2021 with a total amount of SR 180 million, at SR 2 per share. The dividends were paid during the third quarter of 2021.
- On 13 March 2021, the Board of Directors decided by circulation to distribute an interim cash dividend to the shareholders for the second half of 2020 with a total amount of SR 270 million, at SR 3 per share. The dividends were paid during the second quarter of 2021.
- On 19 June 2022, the General Assembly of shareholders of Mueen Human Resources Company (A subsidiary) decided to distribute cash dividends to the Company's shareholders for the year ended 31 December 2021 with a total amount of SR 9,900,000 of which SR 3,168,000 million represent distribution to non-controlling interests.
- On 2 June 2021, the General Assembly of shareholders of Mueen Human Resources Company (A subsidiary) decided to distribute cash dividends to the Company's shareholders for the year ended 31 December 2020 with a total amount of SR 31,000,000 of which SR 9,920,000 million represent distribution to non-controlling interests.

21. SUBSEQUENT EVENTS

The Group's management believes that no material events have occurred after the end of the period that may require an adjustment or disclosure in these interim condensed consolidated financial statements, except for the following matters:

- On 11 February 2023, the Board of Directors decided by circulation to distribute an interim cash dividend to the shareholders for the fourth quarter of 2022 with a total amount of SR 247.5 million, at SR 2.75 per share. The dividends will be paid during the first quarter of 2023.
- The procedures of transferring all assets and liabilities related to Seven Services Company (Subsidiary) began to become one of the branches of Abdullah Al-Othaim Markets Company and to establish a new commercial registration for the Company.

22. COMPARATIVE FIGURE

Certain comparative figures have been reclassified to conform with current period's presentation.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Board of Director on 18 Rajab 1444H (corresponding to 9 February 2023G)