COVER PAGE AND DECLARATION

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Introduction

In today's fast-paced global economy, proper financial management is crucial for the success of both individuals and businesses. These days, financial success is less about economizing and more on building one's wealth. One must have a solid grasp of financial accounting and management in order to successfully operate a firm and realize its objectives. Spreadsheet data presented herein are to a Saudi joint stock company that was formed in compliance with the laws of the Kingdom of Saudi Arabia and is listed in the Saudi Arabian Commercial Register. The establishment and operation of restaurants, the provision of cooked meals to institutions, bodies, and others, as well as the manufacturing and sale of baked products and pastries, constitute the bulk of the business. In addition to its primary order of construction and building, this firm also engages in the purchase and sale of land. As of the end of the year 2020, it also employs rented warehouse space and refrigerated storage for its food products. The total number of restaurants operating in the Kingdom of Saudi Arabia under the firm's own brand has reached 440, with 340 of those locations being leased by the company. The corporation also oversees its own bakeries, so there's that.

1. **performance evaluation by analyzing the following performance measures**

The Balance Sheet 2017-2018

Assets			
Non-Current Assets			
Property, Plant and Equipment	(5)	1 059 855 196	1 043 330 764
Intangible Assets	(6)	10 223 424	11 339 906
Investment Property	(7)	33 178 001	30 612 722
		1 103 256 621	**1 085 283 392**
Current Assets			
Inventories	(8)	115 372 732	126 846 007
Trade Receivables and Other Receivables	(9)	175 859 893	165 283 215
Investements at Fair Value through profit and	(10)	30 887 603	559 691
Cash and Bank Balances	(11)	17 023 147	12 704 582
		339 143 375	**305 393 495**
TOTAL ASSETS		**1 442 399 996**	**1 390 676 887**
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	(12)	646 800 000	646 800 000
Statutory Reserve		59 389 111	38 972 160
Retained Earnings		226 678 377	181 043 046
TOTAL EQUITY		**932 867 488**	**866 815 206**
Liabilities			
Non-Current Liabilities			
Long Term Borrowings	(13)	145 348 723	192 528 307
Employee Benefits	(14)	65 527 657	62 453 017
		210 876 380	**254 981 324**
Current Liabilities			
Current Portion of LongTerm Borrowings	(13)	100 002 605	137 281 964
Trade and Other Payables	(15)	188 939 705	123 201 354
Zakat	(16)	9 713 818	8 397 038
TOTAL LIABILITIES		**298 656 128**	**268 880 356**
		509 532 508	**523 861 681**
TOTAL EQUITY AND LIABILITIES		**1 442 399 996**	**1 390 676 887**

The accompanying notes (1) to (31) form an integral part of these financial statements

The Income statement 2017 - 2018

	Notes	2018	2017
Revenue		1 227 269 910	1 157 792 995
Cost of Revenue	(17)	(882 199 546)	(816 047 711)
Gross Profit		**345 070 364**	**341 745 284**
Other Revenue (net)	(18)	11 713 768	11 334 283
Selling and Distribution Expenses	(19)	(61 110 835)	(64 597 664)
General and Administration Expenses	(20)	(75 072 947)	(73 163 916)
Operating Profit		**220 600 350**	**215 317 987**
Finance Cost	(21)	(12 765 416)	(11 775 847)
Profit before zakat		**207 834 934**	**203 542 140**
Zakat	(16)	(3 665 425)	(3 500 000)
Profit for the year		**204 169 509**	**200 042 140**
Other Comprehensive Income			
Items that will not be classified to profit or loss			
Remeasurement of defined Benefit liabilities	(14)	(439 227)	(155 869)
Total Other Comprehensive Income for the year		**(439 227)**	**(155 869)**
Total Comprehensive Income for the year		**203 730 282**	**199 886 271**
Earnings per Share (SAR). based on Profit for the year	(22)		
- Basic		**3.16**	**3.09**
- Diluted		**3.16**	**3.09**

The accompanying notes (1) to (31) form an integral part of these financial statements

The Cash Flow Statement 2017 - 2018

Profit for the period		204 169 509	200 042 140
Depreciation and Amortization		78 735 805	69 556 575
Provision for Employee Benefits	(14)	12 508 997	12 079 267
Provision of Bad debt	(9)	-	1 500 000
(Gain) on sale of property, plant and equipment	(12)	(773 171)	1 068 512
Financial charges		12 765 416	11 775 847
Zakat	(11)	3 665 425	3 500 000
		311 071 981	**299 522 341**
Changes in			
Inventories	(8)	11 473 275	(25 083 973)
Trade, Other Receivables and Prepayments	(9)	(10 576 679)	(39 828 004)
Trade and Other Payables	(15)	65 738 351	14 429 523
Cash Used in Operating Activities		**377 706 928**	**249 039 887**
Employee Benefits Paid	(14)	(9 873 584)	(9 057 746)
Zakat payments	(16)	(2 348 645)	(2 050 184)
Net Cash Generated from Operating Activities		**365 484 699**	**237 931 957**
CASH FLOWS FROM I NVESTING ACTIVITIES			
Additions to Property, Plant and Equipment		(97 613 557)	(114 117 853)
Proceeds from sale from property, plant and equipment		1 804 152	252 568
Investements at Fair Value through profit and loss		(30 327 912)	(559 691)
Net Cash Used in Investing Activities		**(126 137 317)**	**(114 424 976)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Loans	(13)	39 199 508	109 996 812
Repayment of loans and borrowings	(13)	(136 550 325)	(158 245 010)
Dividends distributed		(137 678 000)	(135 780 000)
Net cash flows from / (used in) financing activities		**(235 028 817)**	**(184 028 198)**
Net increase / (decrease) in cash and cash equivalents		**4 318 565**	**(60 521 217)**
Cash and Cash Equivalents at 01January	(11)	12 704 582	73 225 799
Cash and Cash Equivalents at 31 December	(11)	**17 023 147**	**12 704 582**

The accompanying notes (1) to (31) form an integral part of these financial statements

The Balance sheet 2019

	Notes	31 December 2019	31 December 2018
Assets			
Non-Current Assets			
Property, Plant and Equipment	(5)	1,043,497,337	1,059,855,196
Right of Use Assets	(6-1)	582,864,247	-
Net Investment in finance lease	(7)	10,928,911	-
Intangible Assets	(8)	15,442,588	10,223,424
Investment Property	(9)	29,880,890	33,178,001
		1,682,613,973	**1,103,256,621**
Current Assets			
Inventories	(10)	156,765,511	115,372,732
Trade Receivables and Other Receivables	(11)	140,090,168	175,859,893
Net Investment in finance lease	(7)	1,534,095	-
Investements at Fair Value through profit and loss	(12)	26,515,939	30,887,603
Cash and Bank Balances	(13)	25,943,078	17,023,147
		350,848,791	**339,143,375**
TOTAL ASSETS		**2,033,462,764**	**1,442,399,996**
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	(14)	646,800,000	646,800,000
Statutory Reserve		80,498,899	59,389,111
Retained Earnings		270,687,385	226,678,377
TOTAL EQUITY		**997,986,284**	**932,867,488**
Liabilities			
Non-Current Liabilities			
Long Term Borrowings	(15)	57,493,089	145,348,723
Lease Laibilities	(6-2)	496,966,719	-
Employee Benefits	(16)	72,900,362	65,527,657
		627,360,170	**210,876,380**
Current Liabilities			
Current Portion of LongTerm Borrowings	(15)	137,810,657	100,002,605
Lease Laibilities	(6-2)	82,361,166	-
Trade and Other Payables	(17)	174,277,036	188,939,705
Zakat	(18)	13,667,451	9,713,818
		408,116,310	**298,656,128**
TOTAL LIABILITIES		**1,035,476,480**	**509,532,508**
TOTAL EQUITY AND LIABILITIES		**2,033,462,764**	**1,442,399,996**

The accompanying notes (1) to (32) form an integral part of these financial statements

Income statement 2020

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2020	2019
Revenue	23	**1,076,083,334**	1,288,310,097
Cost of revenue	24	**(826,494,361)**	(895,673,109)
GROSS PROFIT		**249,588,973**	392,636,988
Other income, net	25	**23,936,094**	16,787,419
Realized gain on investments carried at FVTPL	13	**802,888**	576,805
Unrealized gain on investments carried at FVTPL	13	**195,942**	51,531
Provision for impairment on net investment in finance lease	8	**(1,116,707)**	-
Provision for impairment on trade and other receivables	12.5	**(11,296,189)**	(2,000,000)
Selling and distribution expenses	26	**(84,003,368)**	(85,572,897)
General and administrative expenses	27	**(86,776,599)**	(83,476,299)
OPERATING PROFIT		**91,331,034**	239,003,547
Finance cost	28	**(33,132,376)**	(37,858,207)
NET PROFIT BEFORE ZAKAT		**58,198,658**	201,145,340
Zakat	21.1	**(5,359,797)**	(5,057,700)
NET PROFIT FOR THE YEAR		**52,838,861**	196,087,640
Earnings per share (SR)	29		
-Basic		**0.82**	3.03
-Diluted		**0.82**	3.03

cash flow statement 2019

	Note	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before zakat		**58,198,658**	201,145,340
Adjustments for:			
Depreciation on property, plant and equipment	6	**92,583,622**	80,834,632
Depreciation on right-of-use assets	7	**73,586,464**	76,978,699
Amortization of intangible assets	9	**2,893,819**	2,503,083
Depreciation on investment property	10	**3,515,137**	4,174,822
Provision for slow-moving items	11.1	**14,684,582**	-
Provision for impairment on trade and other receivables	12.5	**11,296,189**	2,000,000
Provision for impairment on net investment in finance lease	8	**1,116,707**	-
Provision for impairment on intangible assets	9	**3,627,242**	-
Provision for impairment on property, plant and equipment	6	**3,275,633**	-
Provision for employees' post-employment benefits	18	**10,163,940**	11,246,520
Unrealized gain on investments carried at FVTPL, net	13	**(195,942)**	(51,531)
Realized gain on investments carried at FVTPL	13.1	**(802,888)**	(576,805)
Loss / (gain) on disposal of property, plant and equipment	25	**1,905,285**	(1,496,618)
Interest income	8	**(323,398)**	(549,124)
Finance cost	28	**33,132,376**	37,858,207
Movement in working capital			
Inventories		**37,136,703**	(41,392,779)
Trade, other receivables and prepayments		**(11,325,517)**	46,317,077
Trade and other payables		**(4,077,937)**	(20,281,652)
Cash generated from operating activities		**330,390,675**	398,709,871
Zakat paid	21.1	**(5,359,797)**	(1,104,067)
Employees' post-employment benefits paid	18.2	**(4,042,874)**	(4,209,698)
Net cash generated from operating activities		**320,988,004**	393,396,106
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(54,766,631)**	(68,500,312)
Purchase of intangible assets	9	**(2,153,672)**	(7,722,247)
Purchase of investment property	10	**(310,973)**	(877,711)
Purchase of investments carried at FVTPL	13.1	**(195,000,000)**	(235,000,000)
Sale proceeds of investments carried at FVTPL	13.1	**220,000,000**	240,000,000
Purchase of equity investment carried at FVTPL	13.2	**(276,595)**	-
Lease rental received	8	**731,290**	1,852,500
Proceeds from the sale of property, plant and equipment		**1,351,799**	5,520,157
Net cash used in investing activities		**(30,424,782)**	(64,727,613)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings		-	42,713,970
Repayment of long-term borrowings		**(67,404,264)**	(170,881,381)
Movement in short-term borrowings, net		**28,227,408**	70,000,000
Lease liabilities paid	7.2	**(84,650,930)**	(124,019,821)
Board of directors' remuneration paid	5	**(2,600,000)**	(1,733,330)
Dividend paid	34	**(71,148,000)**	(135,828,000)
Net cash used in financing activities		**(197,575,786)**	(319,748,562)
Net change in cash and cash equivalents		**92,987,436**	8,919,931
Cash and cash equivalents at beginning of the year	14	**25,943,078**	17,023,147
Cash and cash equivalents at end of the year	14	**118,930,514**	25,943,078

The accompanying notes 1 to 36 form part of these financial statements

Financial analysis:

From this data, we can analyze the turnover rate in sales:

Sales Turnover (Sales Value vs. Volume Analysis):

Sales growth and development are critical to every company's success, but there are two distinct sorts of sales development that should be distinguished here.

- value analysis (nominal)
- Volume Analysis (Real)

Analysis of Nominal Value:

The (income statement) value indicates whether sales have increased or decreased, but this metric does not reveal the increase growth or increase in a company's market share, also known as real growth.

An actual volume analysis:

The rate at which a company's products are being adopted by the market can be determined by keeping tabs on the percentage increase or reduction in their actual volume of sales.

When reviewing a sales company's years from 2017 through 2019, focus on the transition from one year to the next. This conclusion was reached:

- When looking at the increase in sales over the given time period, we see that in 2018 there was an increase of 6% over 2017, and in 2019 there will be an increase of 5% over 2018.
- The fast global spread of the COVID-19 outbreak prompted the World Health Organization to proclaim and treat the epidemic as an international health emergency. Sales for 2020 were 17% lower than in 2019, according to our analysis of the company's financials. The Gulf Cooperation region, of which the Kingdom of Saudi Arabia is a part, has taken drastic measures to combat the spread of the virus. The kingdom has closed its borders, authorized principles and standards for social distance, and instituted curfews and closures across the country.

The Profitability Analysis

Profitability Ratios Analysis	2020	2019	2018	2017
GPM- Gross Profit Margin	23.19%	30.48%	28.12%	29.52%
EBIT Margin	7.04%	22.46%	23.56%	24.94%
NPM- Net Profit Margin	4.91%	15.22%	16.64%	17.28%
(ROA)- Return on Assets	2.65%	11.28%	14.41%	14.64%
(ROE) - Return on Equity	5.40%	20.31%	22.69%	23.96%

Revenue, profitability, and cash flow ratios were all positive and reasonable, and this analysis shows that the company is profitable across a wide range of activities; however, the ratios show a precipitous drop in 2020 as a result of the financial obligations the company accrued as a result of its operations and profitability in a finance lease.

Gross Profit: The company has seen rising total profits from 2017 to 2019, with 2019 showing a 14% increase in profits over 2018, with gross profits of over 392 million Saudi riyals, as opposed to 345 million in 2018. This was possible because 2019's revenue was 5 percent higher than 2018's. The lower cost of goods sold (GOGS) in 2019 (69% of sales) compared to 2018 (71% of sales) is a major factor in this improvement.

Gross Profit Margin: The company's gross profit margin is relatively stable from 2017 and 2019 at roughly the same proportion. According to the numbers, it appears that not only is the business successful, but that the company's management team has done a great job of maximizing profits in a way that gives shareholders faith in the company's future.

Operating Profit: The company's operating profit jumped in 2019 from 2018 levels, reaching 238 million Saudi riyals. This is an increase of 8%. There was a 25% increase in 2019 compared to 2018, when 136 million Saudi riyals were registered. The highest levels of management should look at this right away. However, sales records show that this significant increase had little effect, increasing by 5% in 2019 and continuing to rise until 2020, when they dropped by 17% compared to 2019.

Recommendations:

- At present, we are in the process of updating our price structure.
- Think and work in ways that will boost sales.
- Focus on the SG&A cost review procedure.

The Efficiency Analysis

Here, the efficiency in acquiring as many of the firm's fixed assets as possible will be evaluated.

	2020	2019	2018	2017
(ROA) Return on Assets	2.65%	11.28%	14.41%	14.64%
(ROE) Return on Equity	5.40%	20.31%	22.69%	23.96%

Due to the significant growth in fixed assets expected for 2019 and 2020, we observe an increase in total asset turnover between 2017 and 2020. In any case, in the year 2020, it is abundantly evident that this quantity is not tilness. This is because the company's investment in the finance lease has increased its current commitments, reducing net income.
While stock turnover has been relatively steady from 2017 to 2019, at an annualized rate of roughly 21%, we discover that this value dropped to 5% in 2020 due to the company's declining net income.

The Short-Term Solvency Analysis

We will analyze the company's liquidity and ability to handle operational receivables at this time by:

- Relative ratios of liquidity
- Cash Flow Conversion Cycle

Ratios of Liquidity

Liquidity Ratios Analysis	2020	2019	2018	2017
WC- Working Capital	-34,684,842	-57,267,519	40,487,247	36,513,139
CR- Current Ratio	0.91	0.86	1.14	1.14
QR- Quick Ratio	0.65	0.48	0.75	0.66

Based on the data in the table, it appears that the company is experiencing liquidity flow issues. Both the current and quick ratios tend to drop each year, though not to the typical ratios. It had a devastating effect on the company's working capital because of this
Work in progress was negative in both 2019 and 2020, which can occur if the company experiences a sharp decline in its current assets as a result of large one-time cash payments or if its current liabilities increase as a result of a sizable credit extension that leads to a strike in accounts payable. Working capital acts as an indicator of what the firm must finance from the

immediate operational needs, and if it is insufficient, it can have a negative impact on the company's ability to make long-term investments and meet short-term obligations.

Cash Flow Conversion Cycle

Activity Ratio Analysis	2020	2019	2018	2017
(IT) Inventory Turnover	6.32	6.58	7.28	7.14
(ART)count Receivable Turnover	7.74	8.16	7.2	7.92
(APT)Account Payable Turnover	4.78	4.93	5.65	7.04
(CCC) Cash Conversion Cycle	65.65	63.31	65.19	46.82
(DIO) Days Inventory Outstanding	57.79	55.45	50.11	51.13
(DSO) Days Sales Outstanding	47.16	44.76	50.73	46.06
(DPO) Days Payable Outstanding	76.29	74.01	64.57	51.88

Reviewing the company's cash transfer cycle to the market norm reveals that it appears reasonable, as shown in the table above.

- Nearly seven times a year, inventories were turned over.
- The average number of days to pay a vendor is 60 days, while the average number of days to pay a vendor for sales is 50 days.

Alternatively, the order should cut costs wherever possible by emphasizing the following areas: CCC

- Do what you can to improve production in process to lower the work of days stock is sitting in warehouses.
- Negotiating with suppliers for extended credit extensions to increase the order of days that invoices are due.
- Accelerating receivables collection by establishing credit limits and keeping tabs on overdue payments for permanent fixtures.

It's true that the firm has a low liquidity ratio because of its hefty present debt burden, but the cash flow statement reveals some encouraging trends nonetheless.

Cash Flow	2020	2019	2018	2017
Cash Flow from the Operating Activities	320,988,004	277,391,756	365,484,699	237,931,957
Cash Flow for the Investing Activities	-30,424,782	-79,671,456	- 126,137,317	- 114,424,976
Cash Flow for the Financing Activities	- 197,575,786	- 188,800,369	- 235,028,817	- 184,028,198

From 2017 to 2020, we find that the cash flow generated by all of the company's core business (operating activities) shows positive and growing values on an annual basis, indicating that these fundamental businesses provide the opportunity to finance themselves, but that the utilization of credit facilities available from banks represents the primary source of financing. Good signs for were based upon the discussed positive figures, which include:

- An influx of fresh capital flows into the company as a direct result of the value increase, attracting even more new investors.
- Creditors to the company: If the company needed long-term financing from banks in order to carry out its expansion plans, for instance, the company may use the facilities to increase its working capital.
-

Recommendations:

- Get a fresh look at how much investment financial leasing has saved you.
- More work should be put into lowering short-term debts.

The Long-term solvency analysis

At this process, we'll talk about how to evaluate the efficiency of various financing strategies in meeting one's financial commitments. Assets, equity, and debt are the three primary financial metrics we'll examine; however, many other ratios are as important.

Solvency Ratios Analysis	2020	2019	2018	2017
(DAS) Debt to Assets Ratio	0.5	0.5	0.3	0.3

(DER) Debt to Equity Ration	1.03	1.04	0.55	0.6
(ICR) Interest Coverage Ratio	1.76	5.39	16.28	17.28
(TBE)Total Debt to Equity	6.37%	19.57%	26.30%	38.05%
(TDTA) The Total Debt / Total Assets	3 %	9%	17%	23%

The following points are made clearer by this table:

From 2017 to 2020, the company will see an improvement in its capital structure as a result of its increased reliance on bank loans to fund its operations and its increased return on investment from its lease investments.

The drop in total debt and equity over the period was accomplished when the company began investing in the finance lease, which resulted in a considerable return in the number of borrowings from banks. As a result, the company's credit risk was lowered, and its creditors gained faith in the business's stockholders' dedication to the company's success.

Gains in time are adequately covered while in period (years of study).

Recommendations:

We stress again that the business should work steps to reevaluate the finance lease contract's investment or to work changes to the contract that lighten the company's current liability burden. In addition, the company's net margin has risen on par with the industry increase. Given the unmistakable negative effect this investment will have on 2020 net income.

The Market based ratio analysis

We'll analyze at the ratios of market cap to the current share price to see how they got there.

	2020	2019	2018	2017
Shares Number	64,680,000	64,680,000	64,680,000	64,680,000
Earnings / Share	0.82	3.03	3.16	3.09
Dividends / Share	1.1	2.13	2.13	2.1
The Total Dividends	71,148,000	137,561,330	137,678,000	135,780,000

The dividend payments made by the corporation each year out of retained earnings and net income are reflected in the preceding tables. Investors' faith in a company's financial health can be bolstered by dividend payments on their shares. Over the past few decades, reputable profits have been those with consistent profit process practices. This is because any firm that wants to successfully attract investors to its stock must achieve that its profits are regularly distributed.

2. The Recommendations to improve the company's business

Taking a look at the company's numbers from 2017-2020, we see that they all manifest as some kind of disease. As we look back over the years, we see that the company's success rates and percentages have remained stable. In order to achieve the continued business of all of its operations, it appears that the company is adhering to a policy that emphasizes efficiently maintaining the capital base, so protecting its investors and winning the trust of the market and its creditors. As a result, the company will be able to maintain satisfactory returns for its shareholders. From 2017 to 2019, it is easy to see that GOGSIt accounts for almost 70% of overall revenue. In addition, the net margin, which is about 16% of revenue, may be shown. Operating profit was also consistently positive during that period, indicating that the business was successful enough to cover its expenses. However, despite these benefits, the company's investment in a finance lease incurred additional costs and responsibilities. As a result, these constraints reduced operating profit, reduced net profit, and reduced share profitability. At the same time, the company was taking steps to lessen its reliance on bank financing, but the value of the company nearly doubled between 2017 and 2018, prompting me to suggest the following:

- In order to increase its net income, the corporation needs to look for new investment investments.
- The S, G&A revenues have climbed over the past two years without a positive return in revenue, so the corporation should examine these costs as well.
- Since the cost of items sold has increased without a positive return in sales revenue, a review of the pricing policy is warranted.
- During 2019 and 2020, the company will be under pressure to pay close attention to its working capital because of a negative indicator that has emerged: the company does not have enough capital to cover its immediate operating needs. This is crucial since it will affect the company's capacity to meet both its immediate and long-term obligations, as well as its basic business operations. The corporation must also quickly investigate the effects of its financial leasing investment and the consequent negative values, and it must achieve the potential means of recouping this loss.

3. The Investment Project Testator to The Company

Introduction to the Project

If we want the firm to increase its net income, we need to do two things: minimize the burdens of additional obligations faced by the company as a result of its investment in the financial lease contract and lower the cost of items sold to the company's main business. We advise the company to launch a poultry and livestock production project, the goal of which will be to meet the demand for meat and poultry products at the company's existing locations; this will prove very profitable for the business, particularly in terms of feeding a wide range of organizations and bodies ready-made meals.

Methods for investment

Since NPV and WACC are intertwined, it is common practice to employ WACC as a discount factor when determining NPV. The discounted value of future cash flows from an investment project, less the project's initial cash outlay, is known as the net present value (NPV). When estimating the net present capital of the company as a whole, the WACC is utilized as a phrase based on the share cost with the intention of lowering the cash flow discount rate. The maximum WACC is the minimum NPV and vice versa, demonstrating the inverse relationship between these two metrics.

Specifics of the Project

The initial cost required to launch the project is 150 million Saudi riyals, plus an additional 40 million riyals for working capital. Will be calculated using a 6-year straight line depreciation schedule and a 6-year average salvage value based on current market and equipment years to arrive at a total of 70 million SR. Taking into kingdom the 20% marginal tax rate in Saudi Arabia, the 7% risk-free rate, and the 6% bond-risk premium, the kingdom is a very attractive investment destination. Annual revenue of 80 million SAR is projected for this project, with an associated cost of over 41 million SR.

The Capital Structure

According to the accounts.Net profit data, companies consistently maintain a certain level of retained earnings. The needed capital is 190 million SR, and the company distributes that pay annually to its shareholders.

- Loans from Saudi Arabian banks totaling 140 million riyals.
- Earnings kept after taxes totaling $50 million.

Calculations

- Annual Average Depreciation equal 25 million Saudi Riyal
- Average Salvage Value at year 6 equal 70 million Saudi Riyal
- Tax on gain equal 70,000,000 * 20% equal 14 million Saudi Riyal
- Net Salvage Value equal 56 million Saudi Riyal

WACC Calculations

Profit After Tax "Retained Earnings" equal fifty Million SR RRR=Rf + Bond Risk Premium = 7 Plus 6 Is 13% Debt = 140 million SR

The "Rd" Rate on Debt Is 7%

Rd after taxes equals 7% * (1-20%) = 5.6%

Annualized WACC = ($50,000,000 x 13%) + ($140,000,000 x 5.6%) = $14,340

WACC equal (14,340,000 / 190,000,000) equal 7.55%

	Y0	Y1	Y2	Y3	Y4	Y5	Y6
The Investment Cost	-150,000,000						
WC	-40,000,000						
The Revenues		80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
COGS		-41,600,000	-41,600,000	-41,600,000	-41,600,000	-41,600,000	-41,600,000
The Depreciation		-25,000,000	-25,000,000	-25,000,000	-25,000,000	-25,000,000	-25,000,000
EBT		13,400,000	13,400,000	13,400,000	13,400,000	13,400,000	13,400,000
Tax (20%)		-2,680,000	-2,680,000	-2,680,000	-2,680,000	-2,680,000	-2,680,000
Net Income = EAT		10,720,000	10,720,000	10,720,000	10,720,000	10,720,000	10,720,000

The Depreciation		**25,000,000**	**25,000,000**	**25,000,000**	**25,000,000**	**25,000,000**	**25,000,000**
Operating Cash Flow		**35,720,000**	**35,720,000**	**35,720,000**	**35,720,000**	**35,720,000**	**35,720,000**
NWC Recovery							**40,000,000**
The Net Salvage Value							**56,000,000**
Total	**-190,000,000**	**35,720,000**	**35,720,000**	**35,720,000**	**35,720,000**	**35,720,000**	**131,720,000**

The NPV Calculations:

Column 1	CF	PVIF	PVCF
Y zero	-190,000,000	1	-190,000,000
Y One	35,720,000	0.9	33,212,459
Y Two	35,720,000	0.86	30,880,948
Y Three	35,720,000	0.8	28,713,108
Y Four	35,720,000	0.7	26,697,451
Y Five	35,720,000	0.69	24,823,292
Y Six	131,720,000	0.6	85,111,694
The NPV			39,438,952

The net present value and the based positive values indicate that this project will be profitable and desirable.

4. Why The Company Use The Retained Earnings and not Its Own Cash

The term the retained earnings refers to the portion of the organization or company's profits that is set aside for internal use rather than being released to shareholders. We discover that the corporation has a hybrid profit distribution policy, which combines the process of distributing the residual and steady profits, distributing profits some measure of financial confidence in the company. No one can refute the pliability and speed with which retained earnings can be used, especially when compared to the lengthy process of securing financing from creditors.

Keeping a process of your profits can increase your profits in the long run. Unlike when borrowing money, the interest you pay on investments can achieve into your profits. However, if more profit has been released to raise capital, the current shareholders will have twice as much equity.

Earnings Return on Investment for the Company

In addition to providing a solid business for the firm to expand its operations and acquire new assets, retained earnings also allow it to do things like increase dividends to shareholders, pay the introduction of innovative new products, and pay any debts the company may have. Nobody can dispute the fact that a company's value rises over time if it chooses to reinvest its profits rather than pay out the cash as dividends. Therefore, in order to prevent the needless money of surplus funds as dividends, the following alternatives may be considered:

- The tendency to carry out additional projects
- Shares were repurchased by the corporation.
- Increasingly, people are buying new enterprises and investing in successful assets.
- The tendency of putting money into a number of profitable and diverse assets.

Many investors are attracted to profits with fair profit distributions because they stand to gain from their investments in the short term, and from the retained earnings that have been put to use in the growth of the business in the long run.

Conclusion

As a period, we conclude that the company's financial status between 2017 and 2020 is Satisfactory, with positive gross profit, operating profit, and net profit. The company has kept earnings that amount to a considerable sum, and it is eager to give these dividends to shareholders each year, making it an appealing investment option. This additional investment represents a significant burden, as it raises the firm's current liabilities and reduces its net income both in 2019 and 2020. It will also have a negative impact on the firm's working capital in both years. These dangers need to be treated seriously, and so does the availability of remedies that are both effective and easy to implement.

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