COVER PAGE AND DECLARATION

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DATE: **September 29 2022**

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Introduction:

1. Legal status and operations

Inside the worksheet, I present the data of SAVOLA GROUP COMPANY (A Saudi Joint Stock Company), which was established in accordance with the laws of the Kingdom of Saudi Arabia, and it is a company with a commercial registry. The main activity of the company is the operation and establishment of restaurants, supplying institutions, bodies and others with cooked meals, as well as the production and sale of baked goods and pastries leading strategic investment holding group in the food and retail sectors in the Middle East and North Africa region. Praise be to God, it has achieved profits for shareholders and investors since 1979 through the optimal use of its diversified investment portfolio of operations and investments managed and not managed by the group. Indeed, it currently has about 205 operating markets and commercial centers other than the basic food products that we produce and are accepted by consumers in 50 countries, through its companies operating under the umbrella of our main sectors: avola Food Company and the retail sector in Savola. While other investments not managed by the group in complementary areas ensure diversification of investments, reduce risks and achieve significant returns.

2. Financial statements for the years (2018– 2019 – 2020 – 2021)

(2018 - 2019)

Balance sheet

	Note	December 31, 2019	December 31, 2018
ASSETS			
Property, plant and equipment	6	**6,512,256**	6,754,793
Right-of-use assets	7	**4,319,670**	--
Intangible assets and goodwill	8	**831,596**	905,556
Investment property	9	**29,881**	33,178
Equity-accounted investees	10	**8,625,047**	8,300,864
Investments at fair value through other comprehensive income	11	**347,590**	324,204
Long term receivables		**7,268**	7,443
Derivative	14	**1,999**	2,496
Deferred tax asset	23	**12,480**	17,793
Non-current assets		**20,687,787**	16,346,327
Inventories	12	**2,752,020**	2,630,764
Trade receivables	13	**1,190,657**	1,073,572
Prepayments and other receivables	14	**1,060,195**	1,269,327
Investments at fair value through profit or loss	11	**26,516**	30,888
Cash and cash equivalents	15	**940,536**	901,573
Current assets		**5,969,924**	5,906,124
TOTAL ASSETS		**26,657,711**	22,252,451
EQUITY			
Share capital	16	**5,339,807**	5,339,807
Share premium		**342,974**	342,974
Statutory reserve	17	**1,774,085**	1,774,085
General reserve		**4,000**	4,000
Fair value reserve	18	**(179,230)**	(198,084)
Effect of transactions with non-controlling interests without change in control		**(187,979)**	(187,979)
Foreign currency translation reserve		**(1,792,396)**	(1,744,616)
Retained earnings		**2,288,979**	1,797,256
Equity attributable to owners of the Company		**7,590,240**	7,127,443
Non-controlling interests		**948,830**	894,498
TOTAL EQUITY		**8,539,070**	8,021,941
LIABILITIES			
Loans and borrowings	20	**3,905,245**	4,265,996
Lease liabilities	21	**3,955,686**	--
Employee benefits	22	**747,201**	719,542
Long-term payables		**204,146**	207,268
Long term lease rentals		--	232,020
Derivative	14	**188,094**	197,131
Provision against asset restoration		**139,609**	90,716
Deferred tax liability	23	**114,745**	91,195
Non-current liabilities		**9,254,726**	5,803,868
Loans and borrowings	20	**3,639,250**	3,689,915
Lease liabilities	21	**676,840**	--
Trade payables	24	**2,304,872**	2,391,028
Current maturity of lease rentals		--	63,658
Accrued and other liabilities	25	**2,242,953**	2,282,041
Current liabilities		**8,863,915**	8,426,642
TOTAL LIABILITIES		**18,118,641**	14,230,510
TOTAL EQUITY AND LIABILITIES		**26,657,711**	22,252,451

(2018 - 2019)

Income statement

	Note	2019	2018
Revenues	31	**22,243,363**	21,814,563
Cost of revenues	32	**(17,739,059)**	(17,916,606)
Gross profit		**4,504,304**	3,897,957
Share of results of equity-accounted investees, net of zakat and tax	10	**639,357**	574,742
Selling and distribution expenses	33	**(2,941,686)**	(3,202,189)
Administrative expenses	34	**(820,280)**	(793,640)
Impairment loss	36	**(72,738)**	(199,550)
Results from operating activities		**1,308,957**	277,320
Finance income		**102,415**	70,463
Finance cost		**(789,077)**	(606,512)
Net finance cost	37	**(686,662)**	(536,049)
Reversal of accruals no longer required	26	**138,275**	--
Other expenses	27	--	(100,735)
Gain on disposal of investment	11	--	3,269
Profit / (loss) before zakat and income tax		**760,570**	(356,195)
Zakat and income tax expense	26	**(103,718)**	(102,074)
Profit / (loss) for the year		**656,852**	(458,269)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of defined benefit liability	22	**16,448**	(14,143)
Investments at fair value through other comprehensive income – net change in fair value	11	**23,386**	(122,550)
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**(61,712)**	(575,942)
Equity accounted investees - share of other comprehensive income	18	**(2,699)**	27,094
Cash flow hedges – effective portion of changes in fair value	18	**(1,833)**	6,021
Other comprehensive loss for the year, net of tax		**(26,410)**	(679,520)
Total comprehensive income / (loss) for the year		**630,442**	(1,137,789)

(2018 - 2019)

Cash flow statement

	Note	2019	2018
Cash flows from operating activities			
Profit / (loss) for the year		**656,852**	(458,269)
Adjustments for:			
Depreciation	6,7&9	**1,201,208**	762,138
Net finance cost	37	**686,662**	536,049
Share of results of equity accounted investees, net of zakat and tax and dividend income	10	**(639,357)**	(574,742)
Reversal of accruals no longer required		**(138,275)**	--
Gain on disposal of investment	11	--	(3,269)
Impairment loss	36	**72,738**	199,550
Provision against financial guarantee	27	--	100,735
Loss / (gain) on sale of property, plant and equipment		**1,971**	(7,301)
Provision for employee benefits	22	**125,397**	108,685
Zakat and income tax expense	26	**103,718**	102,074
		2,070,914	765,650
Changes in:			
Inventories		**(131,231)**	240,264
Trade receivables		**(138,263)**	(275,732)
Prepayments and other receivables		**(238,987)**	(121,981)
Trade payables		**(61,198)**	48,485
Accrued and other liabilities		**342,332**	438,356
Cash generated from operating activities		**1,843,567**	1,095,042
Finance cost paid		**(397,320)**	(440,027)
Zakat and income tax paid	26	**(111,959)**	(59,622)
Employee benefits paid	22	**(76,832)**	(76,185)
Net cash from operating activities		**1,257,456**	519,208
Cash flows from investing activities			
Acquisition of property, plant and equipment	6&9	**(374,295)**	(394,425)
Proceeds from sale of property, plant and equipment		**41,504**	36,249
Acquisition of subsidiary, net of cash acquired	1	--	(558,102)
Proceeds from sale of investment	11	--	28,022
Proceeds from investments		**41,138**	5,716
Net change in FVTPL investments	11	**4,372**	(30,888)
Net change in deferred tax asset		**6,356**	10,503
Dividends received	10	**306,098**	258,914
Net cash from / (used in) investing activities		**25,173**	(644,011)
Cash flows from financing activities			
Net change in loans and borrowings - current		**(1,068,495)**	(65,829)
Net change in loans and borrowings - non-current		**619,584**	740,351
Payment of lease liabilities		**(639,266)**	--
Dividends paid		**(2,406)**	(526,364)
Net change in deferred tax liability		**15,432**	25,215
Dividend paid to non-controlling interests		**(112,670)**	(113,750)
Net cash (used in) / from financing activities		**(1,187,821)**	59,623

(2020 - 2021)

Balance sheet

	Note	December 31, 2021	December 31, 2020
ASSETS			
Property, plant and equipment	4	**5,872,464**	6,227,862
Right-of-use assets	5	**3,313,227**	3,912,128
Intangible assets and goodwill	6	**1,857,836**	911,810
Investment property	8	**68,140**	68,794
Equity-accounted investees	9	**8,986,236**	9,054,136
Investments at fair value through other comprehensive income	10	**475,425**	387,196
Derivative	13	**2,493**	2,311
Deferred tax asset	23	**28,803**	29,800
Non-current assets		**20,604,624**	20,594,037
Inventories	11	**3,601,683**	3,067,033
Trade receivables	12	**1,606,635**	1,182,226
Prepayments and other receivables	13	**1,331,118**	1,118,918
Investments at fair value through profit or loss	10	**27,069**	2,792
Cash and bank balances	14	**1,374,790**	1,093,378
Current assets		**7,941,295**	6,464,347
TOTAL ASSETS		**28,545,919**	27,058,384
EQUITY			
Share capital	15	**5,339,807**	5,339,807
Shares held under employees' share based payment plan	18	**(30,433)**	(16,509)
Share premium		**342,974**	342,974
Statutory reserve	16	**1,774,085**	1,774,085
General reserve		**4,000**	4,000
Other reserves	17	**(104,866)**	(94,585)
Effect of transactions with non-controlling interests without change in control		**(187,979)**	(187,979)
Foreign currency translation reserve		**(1,899,084)**	(1,966,648)
Retained earnings		**2,840,089**	3,036,997
Equity attributable to owners of the Company		**8,078,593**	8,232,142
Non-controlling interests		**1,013,220**	932,412
TOTAL EQUITY		**9,091,813**	9,164,554
LIABILITIES			
Loans and borrowings	20	**5,136,640**	4,464,301
Lease liabilities	21	**3,288,518**	3,723,132
Employee benefits	22	**857,358**	803,870
Long-term payables		**256,895**	248,592
Derivative	13	**164,220**	190,562
Provision against asset restoration		**148,006**	146,466
Deferred tax liability	23	**144,349**	133,051
Non-current liabilities		**9,995,986**	9,709,974
Loans and borrowings	20	**3,324,513**	2,436,015
Lease liabilities	21	**568,480**	642,881
Trade payables	24	**2,907,854**	2,474,998
Accrued and other liabilities	25	**2,657,273**	2,629,962
Current liabilities		**9,458,120**	8,183,856
TOTAL LIABILITIES		**19,454,106**	17,893,830
TOTAL EQUITY AND LIABILITIES		**28,545,919**	27,058,384

(2020 - 2021)

Income statement

	Note	2021	2020
Revenues	31	**24,669,163**	21,701,941
Cost of revenues	32	**(20,190,449)**	(17,061,558)
Gross profit		**4,478,714**	4,640,383
Share of results of equity-accounted investees, net of zakat and tax	9	**557,066**	704,148
Selling and distribution expenses	33	**(2,726,360)**	(2,781,370)
Administrative expenses	34	**(871,259)**	(852,787)
Impairment loss, net	30 & 36	**(421,866)**	(49,550)
Results from operating activities		**1,016,295**	1,660,824
Finance income		**93,981**	79,423
Finance cost		**(585,424)**	(621,243)
Net finance cost	37	**(491,443)**	(541,820)
Reversal of accruals no longer required	26	--	21,003
Profit before zakat and income tax		**524,852**	1,140,007
Zakat and income tax expense	26	**(128,738)**	(118,711)
Profit for the year		**396,114**	1,021,296
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements of defined benefit liability	22	**(24,868)**	(13,640)
Investments at fair value through other comprehensive income – net change in fair value	10	**50,720**	39,606
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**84,933**	(206,378)
Equity accounted investees - share of other comprehensive income		**(60,408)**	39,430
Cash flow hedges – effective portion of changes in fair value		**(7,481)**	5,772
Other comprehensive income / (loss) for the year		**42,896**	(135,210)
Total comprehensive income for the year		**439,010**	886,086

(2020 - 2021)

Cash flow statement

	Note	2021	2020
Cash flows from operating activities			
Profit for the year		**396,114**	1,021,296
Adjustments for:			
Depreciation and amortisation		**1,065,945**	1,121,571
Net finance cost	37	**491,443**	541,820
Share of results of equity accounted investees, net of zakat and tax	9	**(557,066)**	(704,148)
Share based payment expense	18	**6,047**	1,411
Reversal of accruals no longer required		**--**	(21,003)
Impairment loss, net	30 & 36	**421,866**	49,550
Loss / (gain) on sale of property, plant and equipment		**21,060**	(1,373)
Provision for employee benefits	22	**115,566**	127,281
Zakat and income tax expense	26	**128,738**	118,711
		2,089,713	2,255,116
Changes in:			
Inventories		**(628,131)**	(485,152)
Trade receivables		**(519,334)**	(82,521)
Prepayments and other receivables		**(249,995)**	(167,890)
Trade payables		**427,970**	285,525
Accrued and other liabilities		**268,374**	543,408
Cash generated from operating activities		**1,388,597**	2,348,486
Finance cost paid		**(350,587)**	(340,796)
Zakat and income tax paid	26	**(78,657)**	(113,047)
Employee benefits paid	22	**(94,966)**	(69,389)
Net cash from operating activities		**864,387**	1,825,254
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	**(360,906)**	(394,600)
Acquisition of software	6	**(117,786)**	(68,868)
Acquisition of investment property	8	**(4,201)**	(331)
Proceeds from sale of property, plant and equipment		**23,019**	11,405
Capital distribution from equity accounted investee	9	**147,704**	14,097
Acquisition of investments	10	**(37,509)**	--
Acquisition of subsidiaries, net of cash acquired	7	**(977,544)**	--
Net change in FVTPL investments		**(24,277)**	23,724
Dividends received	9	**351,549**	306,098
Net cash used in investing activities		**(999,951)**	(108,475)
Cash flows from financing activities			
Net change in loans and borrowings – current		**748,159**	(1,103,514)
Net change in loans and borrowings - non-current		**695,375**	555,410
Net changes in bank deposits with maturity more than three months		**(115,164)**	(213,776)
Payment of lease liabilities	21	**(648,909)**	(664,035)
Dividends paid		**(402,315)**	(160,025)
Dividend paid to non-controlling interests		**(103,459)**	(85,310)
Purchase of shares held under employees' share based payment plan	18	**(13,924)**	(16,509)
Net cash generated from / (used in) financing activities		**159,763**	(1,687,759)

Financial analysis:

31/12/2018	31/12/2019	31/12/2020	31/12/2021	
21,701,941	22,243,363	21,701,941	24,669,163	Sales
17,061,558	17,739,059	17,061,558	20,190,449	Sales Cost
4,640,383	4,504,304	4,640,383	4,478,714	Total Income
725,151	777,632	725,151	557,066	Other Revenues
5,365,534	5,281,936	5,365,534	5,035,780	Total Revenues
3,322,406	3,384,326	3,322,406	3,314,374	Admin and Marketing Expenses
311,751	377,640	311,751	283,245	Depreciation
701,864	940,622	701,864	1,087,544	Other Expenses
4,336,021	4,702,588	4,336,021	4,685,163	Total Expenses
1,029,513	579,348	1,029,513	350,617	Net Income Before Zakat
118,711	103,718	118,711	128,738	Zakat
910,802	475,630	910,802	221,879	Net Income
2,288,979	1,797,256	2,288,979	3,036,997	Balance First Period
-	-	-	71	Reserves
160,194	-	160,194	400,486	Cash Dividends
2,590	16,093	2,590	18,372	Other Distributions
3,036,997	2,288,979	3,036,997	2,840,089	Balance End Period

31/12/2018	31/12/2019	31/12/2020	31/12/2021	BALANCE SHEET
3,386,975	3,217,904	3,386,975	4,312,543	Current Assets
3,067,033	2,752,020	3,067,033	3,601,683	Inventory
9,444,124	8,972,637	9,444,124	9,488,730	Investments
6,361,632	6,542,137	6,361,632	5,872,464	Fixed Assets
4,798,620	5,173,013	4,798,620	5,270,499	Other Assets
27,058,384	26,657,711	27,058,384	28,545,919	Total Assets
8,183,856	8,863,915	8,183,856	9,458,120	Current Liabilities
9,709,974	9,254,726	9,709,974	9,995,986	Non-Current Liabilities
-	-	-	-	Other Liabilities
8,232,142	7,590,240	8,232,142	8,078,593	Shareholders' Equity
27,058,384	26,657,711	27,058,384	28,545,919	Total Liabilities and Shareholder Equity
932,412	948,830	932,412	1,013,220	Minority Interests
Thousands	Thousands	Thousands	Thousands	All figures are in
SAR	SAR	SAR	SAR	Currency
17/03/2018	22/03/2020	17/03/2021	30/03/2022	Last Update Date

From here, I will analyze the sales turnover rate:

Sales Turnover (Sales Value vs. Volume Analysis):

The main driver of success within any business is the growth and progress of sales, but here I must distinguish between two types of growth:

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

Value analysis (nominal):

Through which the increase or decrease in sales is determined through the value reflected in the (income statement), but we find that this does not provide the percentages of increase or decrease in the company's share in the market, which is called real growth.

Volume analysis (real):

Through it, the work of tracking the changes that occurred in the real volume sold, from the perspective of increase or decrease, in order to reach the rate of spread of the company's products within the market.

When reviewing the performance of a sales among the company during the years from 2019 to 2020. The following was reached:

- When comparing the increase in sales during the specified period, we find that an increase of 6% was recorded in 2019 compared to 2018, and an increase of 5% was recorded in 2020 compared to 2019.
- When outbreak COVID-19Which the World Health Organization declared and considered an epidemic because of its rapid spread among all countries in the world. We find that the company recorded a significant decrease in the volume of sales in 2021 that reached 17%, compared to 2020. This epidemic did not affect the company only, as the Gulf Cooperation region, which includes the Kingdom of Saudi Arabia within it, has taken all available measures to work to curb the virus, we find that the Kingdom of Saudi Arabia has closed the borders, approved principles and guidelines for social distancing, and imposed curfews and closures throughout the country.

1. Profitability Analysis:

Profitability Ratios Analysis	2021	2020	20 19	2018
Gross Profit Margin	23.19%	30.48%	28.12%	**29.52%**
EBIT Margin	7.04%	22.46%	23.56%	**24.94%**
Net Profit Margin	4.91%	15.22%	16.64%	**17.28%**
Return on Assets (ROA)	2.65%	11.28%	14.41%	**14.64%**
Return on Equity (ROE)	**5.40%**	**20.31%**	**22.69%**	**23.96%**

31/12/2018	%	31/12/2019	%	31/12/2020	%	31/12/2021	%	STATEMENT OF INCOME
21,701,941	100	22,243,363	100	21,701,941	100	24,669,163	100	Sales
17,061,558	79	17,739,059	80	17,061,558	79	20,190,449	81.8448887	Sales Cost
4,640,383	21	4,504,304	20	4,640,383	21	4,478,714	18.1551113	Total Income
725,151	3	777,632	3	725,151	3	557,066	2.258147145	Other Revenues
5,365,534	25	5,281,936	24	5,365,534	25	5,035,780	20.41325845	Total Revenues
3,322,406	15	3,384,326	15	3,322,406	15	3,314,374	13.43529166	Admin and Marketing Expenses
311,751	1	377,640	2	311,751	1	283,245	1.148174342	Depreciation
701,864	3	940,622	4	701,864	3	1,087,544	4.408516008	Other Expenses
4,336,021	20	4,702,588	21	4,336,021	20	4,685,163	18.99198201	Total Expenses
1,029,513	5	579,348	3	1,029,513	5	350,617	1.421276433	Net Income Before Zakat
118,711	1	103,718	0	118,711	1	128,738	0.521857997	Zakat
910,802	4	475,630	2	910,802	4	221,879	0.899418436	Net Income
2,288,979	11	1,797,256	8	2,288,979	11	3,036,997	12.3109041	Balance First Period
-	#VALUE!	-	#VALUE!	-	#VALUE!	71	0.000287809	Reserves
160,194	1	-	#VALUE!	160,194	1	400,486	1.623427597	Cash Dividends
2,590	0	16,093	0	2,590	0	18,372	0.074473544	Other Distributions
3,036,997	14	2,288,979	10	3,036,997	14	2,840,089	11.51270921	Balance End Period

When looking at the above-mentioned ratios, we find that they show the extent of the company's profitability, because the ratios related to both revenues and profitability, as well as cash flows were encouraging and reasonable, but despite that, the numbers recorded a significant decrease during the year 2021 due to the burden of obligations incurred by the company due to operations Investing in a finance lease.

Gross profit: The Company recorded increasing total profits during the years from 2018 to 2020, we can note that it recorded an increase in profits by 14% during 2020 compared to 2019, as it achieved approximately 392 million Saudi riyals during 2020, compared to 345 million Saudi riyals In 2019. This was achieved based on an increase in revenues of 5% during 2020 when compared to 2019. Also due to the decrease in the cost of goods sold (GOGS), which represented 69% of sales during 2020, compared to 2018, which accounted for 71% of sales.

Gross profit margin: We find that the company's gross profit margin fluctuates around the same percentages during the years from 2018 to 2020. Based on what the percentages indicate, we find that the business is profitable enough, and that the executive teams are very good at managing the company's assets and achieving revenues in the form Which achieves satisfaction and confidence for the shareholders and that their money is in the right place for investment.

Operating profit: The Company recorded a clear increase in operating profits, amounting to 238 million Saudi riyals during 2020, compared to 220 million Saudi riyals during 2019. In 2020, compared to 136 million Saudi riyals in 2019, an increase of 25% was recorded. This matter urgently needs to be reviewed by senior management officials. It is noted that the huge increase in this percentage did not have a huge impact on the sales records, which recorded an increase of 5%, and continued to increase until 2021, when sales decreased by 17%, when compared to 2020.

Recommendations:

- Working on revising the pricing policy.
- Focus and work on increasing sales.
- Pay attention to the cost review process SG&A.

2. Efficiency Analysis:

Here, the efficiency in obtaining the maximum amount of the company's fixed assets will be tested:

	2021	2020	2019	2018
Return on Assets (ROA)	2.65%	11.28%	14.41%	**14.64%**
Return on Equity (ROE)	**5.40%**	**20.31%**	**22.69%**	**23.96%**

31/12/2018		31/12/2019		31/12/2020		31/12/2021		BALANCE SHEET
3,386,975	13	3,217,904	12	3,386,975	13	4,312,543	15.10738891	Current Assets
3,067,033	11	2,752,020	10	3,067,033	11	3,601,683	12.61715554	Inventory
9,444,124	35	8,972,637	34	9,444,124	35	9,488,730	33.24023304	Investments
6,361,632	24	6,542,137	25	6,361,632	24	5,872,464	20.57199139	Fixed Assets
4,798,620	18	5,173,013	19	4,798,620	18	5,270,499	18.46323112	Other Assets
27,058,384	100	26,657,711	100	27,058,384	100	28,545,919	100	Total Assets
8,183,856		8,863,915		8,183,856		9,458,120	33.1330023	Current Liabilities
9,709,974		9,254,726		9,709,974		9,995,986	35.0172156	Non-Current Liabilities
-		-		-		-		Other Liabilities
8,232,142	30	7,590,240	28	8,232,142	30	8,078,593	28.30034304	Shareholders's Equity
27,058,384	100	26,657,711	100	27,058,384	100	28,545,919	100	Total Liabilities and Shareholder Equity
932,412	3	948,830	4	932,412	3	1,013,220	3.549439063	Minority Interests
Thousands		Thousands		Thousands		Thousands		All figures are in
SAR		SAR		SAR		SAR		Currency
17/03/2018		22/03/2020		17/03/2021		30/03/2022		Last Update Date

- We note that the total asset turnover has decreased from 2018 to 2021, due to the large increase in fixed assets during 2020 and 2021. It is clear that this number is not illness In any case, during the year 2021. This is due to the decrease in net income as a result of the company's burden of current obligations due to the investment in the finance lease.

- During the years starting from 2018 to 2020, we find that the rate of stock turnover has been in an orderly fashion illness Which usually appears by about 21% as an average number for the three years, but we find that this value appeared during the year 2021 at an absolutely unsatisfactory rate, so we find it decreased to 5% and this is due to the decrease in net income.

3. short-term solvency analysis:

During this point, we will analyze the company's liquidity position and its ability to manage the receivables of daily operations, and this will be done through:

- Liquidity Ratios.
- Conversion Cash Cycle.

Liquidity Ratios

Liquidity Ratios Analysis	2021	2020	2019	2018
Working Capital	-34,684,842	-57,267,519	40,487,247	**36,513,139**
Current Ratio	0.91	0.86	1.14	**1.14**
Quick Ratio	**0.65**	**0.48**	**0.75**	**0.66**

We conclude from the table that the company is facing a problem with liquidity. It is noticeable that the ratios, whether current or quick, decrease on an annual basis, but not within the standard ratios. This directly affected the working capital negatively.

Even in the years 2020 and 2021, the working capital was negative, and this can happen in the event of a significant decrease in the company's current assets in the event of large one-time cash payments or in the event of an increase in current liabilities, which is the result of a large credit extension that in turn leads to a strike In accounts payable, this is what we find here as the company incurs an additional burden of obligations due to the investment in the finance lease. The presence of working capital may be insufficient to affect the effectiveness of long-term investment within the company and affect the company's financial stability when working to cover short-term obligations, as working capital serves to indicate what the company must finance from the immediate operational needs.

<u>Conversion Cash Cycle</u>

Activity Ratio Analysis	2021	2020	2019	2018
Inventory Turnover	6.32	6.58	7.28	**7.14**
Account Receivable Turnover	7.74	8.16	7.2	**7.92**
Account Payable Turnover	4.78	4.93	5.65	**7.04**
Cash Conversion Cycle (CCC)	65.65	63.31	65.19	**46.82**
Days Inventory Outstanding (DIO)	57.79	55.45	50.11	**51.13**
Days Sales Outstanding (DSO)	47.16	44.76	50.73	**46.06**
Days Payable Outstanding (DPO)	**76.29**	**74.01**	**64.57**	**51.88**

By reviewing the table above, it can be noted that the company has a cash transfer cycle that appears reasonably, if we compare it to the market standard:

- Inventory turnover recorded almost 7x per year.
- Average payable days are 60 day compared to average Sales days due and she is 50 day.

On the other hand, the company should focus on the following points in order to cover: CCC or, reduce it as much as you can:

- Work to reduce the days of inventory outstanding by enhancing the production process.
- Working to increase the payable days with negotiation in order to reach longer credit periods with suppliers.
- Setting credit limits that achieve acceleration of the collection of receivables, as well as monitoring unpaid receivables on fixed furniture.

Certainly, the presence of an additional burden on current liabilities made the company not enjoy a satisfactory liquidity ratio, but when we look at the cash flow statement, we can note the following:

Cash Flow	2021	2020	2019	2018
Cash Flow from Operating Activities	320,988,004	277,391,756	365,484,699	**237,931,957**
Cash Flow used in Investing Activities	-30,424,782	-79,671,456	-126,137,317	**-114,424,976**
Cash Flow used in Financing Activities	**-197,575,786**	**-188,800,369**	**-235,028,817**	**-184,028,198**

We find that during the years starting from 2018 to 2021, the cash generated from all the company's core business (operating activities) is recorded with positive and increasing values on an annual basis, and this means that these basic businesses provide the possibility to finance themselves, but represent the process of using credit facilities Available from banks is the primary source of financing.

Based on the positive numbers that were discussed, we infer from them that there are good indicators for:

- New investors: which in turn leads to an increase in new investors because of increasing the value of the company.
- Company's creditors: For example, if the company went to implement its expansion plans and was in need of long-term financing from the banks, then it could obtain facilities to increase the working capital.

Recommendations:

- Carry out the re-evaluation of the benefits resulting from the investment of the financial leasing
- Work more focused on achieving the reduction of current liabilities.

4. Long-term solvency analysis

During this point, we will discuss the process of measuring the efficiency of financing methods in covering financial obligations. Although the basic factors that we will look at include assets, equity and debt, there are many different ratios.

Solvency Ratios Analysis	2021	2020	2019	2018
Debt to Assets Ratio	0.51	0.51	0.35	**0.38**
Debt to Equity Ration	1.03	1.04	0.55	**0.6**
Interest Coverage Ratio	1.76	5.39	16.28	**17.28**
Total Debt to Equity	6.37%	19.57%	26.30%	**38.05%**
Total Debt to Total Assets	**3.13%**	**9.60%**	**17.01%**	**23.72%**

Through this table, we can clarify the following:

- The company's capital structure is improving during the period starting from 2018 to 2021, due to the reliance of the company's capital structure when financing the company's operations on loans obtained from banks, as well as the return on investment in leasing investment.

- When the company started investing in the finance lease and, in return, significantly reduced the number of borrowings from banks, it achieved a decrease in both total debt and equity over the period. This achieved both reducing the company's credit risk and giving confidence that the company's shareholders have a strong commitment to their business with the creditors.
- Time benefits are satisfactorily covered during the period (years of study).

- that Profits made For a company (earnings before interest and taxes) Appear in good shape That's when you do an operation Settlement the costs for Operations Finance, that Which who would that is being a positive sign I have the Company's financial creditors Like banks.

Recommendations:

We repeat it once again that the company must work to re-evaluate the investment of the finance lease contract or work to amend it in a way that achieves reducing the burden that the company faces in relation to current liabilities. And the company's increase the net margin to the benchmark. As this investment has a clear negative impact on net income during the year 2021.

5. Market based ratio analysis

We will analyze the market capitalization ratios that were used to evaluate the current share price

	2021	2020	2019	2018
Number of Shares	64,680,000	64,680,000	64,680,000	**64,680,000**
Earnings per Share	0.82	3.03	3.16	**3.09**
Dividends Per Share	1.1	2.13	2.13	**2.1**
Total Dividends	**71,148,000**	**137,561,330**	**137,678,000**	**135,780,000**

The figures shown above indicate that the company pays dividends on an annual basis as part of the net income and balance it keeps as retained earnings. Dividends from shares are important to investors because they are a source of confidence in the financial prosperity of the company. We usually find that during the past decades, trusted companies are the entities that have reliable paid profits, as any company that aims to achieve the process of attracting investors to its shares has to take care of settling its profits.

Recommendations to improve the company's business

From looking at the company's figures during the study period from 2018 to 2021, we find that all of them appear in the form of illness. We find that the company has achieved the same percentages and the same progress rates over the years. It seems that the company is following a policy aimed at maintaining the capital base effectively, allowing it to achieve the preservation of investors and gain the confidence of the market and creditors, all in an effort to maintain the future development of all its business. Accordingly, the company can continue to provide adequate returns to the shareholders. We can clearly note that GOGS It represents about 70% of the total revenue during the years from 2018 to 2020. At the same time, we can note the net margin, which is approximately 16% of the total revenue. Moreover, the operating profit was always positive during that period, and this is evidence that the company was able to cover its expenses. However, despite this, the company's investment in a finance lease made it bear additional burdens and obligations. These burdens negatively affected the operating profit and negatively affected the net profit, which in turn affects the profitability of the share. This coincided with the company taking measures to reduce reliance on borrowing from banks, but Financing cost strike to reach its maximum value the value was almost double during 2018 and 2019, so what I recommend is:

- The company should search for other investments in order to increase its net income.
- The company must also review the expenses of each of the S, G&A because it is noticeable that they increased during the past two years without having a positive return on revenues.
- It is necessary to review the pricing policy, because, starting from 2021, the cost of goods sold has increased without a positive return on sales.
- The emergence of a negative indicator during 2020 and 2021 through the working capital, which indicates that the company does not have sufficient funding to cover its needs an Immediate operational so the company must pay great attention to working capital. The importance of this is reflected in the impact on all the basic business of the company, especially in the long run, as well as the company's ability to meet its short-term obligations. The company must also urgently study the impact of its investment in the financial leasing and the resulting negative values, and the company identifies the possible ways to achieve compensation for this loss.

Investment project testator to the company

- ### Project Introduction

If we aim for the company to reduce the cost of the goods that are sold to the main business of the company in order to reach the positive effect of increasing the net income and also work to reduce the burdens of additional obligations incurred by the company due to the investment in the financial lease contract. We recommend that the company establish a poultry and livestock production project, through which it aims to provide the current branches of the company with their needs of meat and poultry products, and this will be greatly successful, especially for the company to provide various bodies and companies with cooked meals.

- ## Investment tools used

Both will be used NPV and WACC because there is a connection between them, it is often used WACC As a discount factor when calculating NPV. The net present value is NPVF or any investment project, it is the currently discounted value of the net cash flows of the project, from which the initial cash flow of the project is subtracted. The weighted average cost of capital (WACC) it is a phrase on the share used by the company with a goal Reducing cash flow in company-wide NPV estimates. NPV & WACC both are related inversely, max WACC is the minimum NPV and vice versa.

- ## Project details

The initial cost of implementing the project is 150 million Saudi riyals, in addition to 40 million Saudi riyals as working capital. will be considered In simplified straight-line depreciation over 6 years and estimated average salvage value based on market and equipment condition in year 6 It will be 70 million SR. When knowing that marginal tax rate inside Saudi Arabia 20%, as that Risk Free Rate inside The kingdom he 7%, and the bonus for Bond risk inside The kingdom reach 6%. so be Expected revenue achieved for This project is 80 million SAR annually As expected to be revenue cost expected ma over 41 million SR.

capital structure

From the data, own by company, we find that they are they always keep-retained earnings to a certain standard, as the account.Net profit. Every year they pay it as dividends to shareholders as that the required capital is 190 million SR It will be uploaded shape next one:

- 140 million Saudi riyals As a loan from the banks.
- 50 million Saudi riyals of retained earnings.

Calculations

- Annual Average Depreciation= 25 million SR.
- Average Salvage Value at year 6 = 70 million SR.
- Tax on gain= 70,000,000 * 20% = 14 million SR.
- Net Salvage Value= 56 million SR.

<u>WACC Calculations</u>

O/E “Retained Earnings” = 50 million SR

RRR = RF + Bond Risk Premium = 7% + 6% =

13% Debt= 140 million SR

Debt rate “Rd” = 7%

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

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

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

	Y0	Y1	Y2	Y3	Y4	Y5	Y6
Investment Cost	**-150,000,000**						
WC	**-40,000,000**						
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
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**	**3,400,000**	**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
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
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

NPV Calculations

Colum n1	C F	PVIF	PVCF
Y0	-190,000,000	1	**-190,000,000**
Y1	35,720,000	0.929800093	**33,212,459**
Y2	35,720,000	0.864528213	**30,880,948**
Y3	35,720,000	0.803838413	**28,713,108**
Y4	35,720,000	0.747409031	**26,697,451**
Y5	35,720,000	0.694940986	**24,823,292**
Y6	131,720,000	0.646156194	**85,111,694**
NPV			**39,438,952**

Based on the numbers of the net present value and the positive values that have been shown, this project will be successful and attractive.

Why a company should use retained earnings and not its own cash

Retained earnings are part of the total profits and it is allocated for the purpose of reinvestment within the company, and this part is not distributed to shareholders within the rest of the profits. We find that within this company, when distributing profits, a hybrid policy is followed, which combines the process of distributing the remaining and stable profits, which in turn provides a kind of financial confidence in the company. Retained earnings are a cheap source of financing, and when compared to loans, it is certainly true No one can deny Flexibility and short process to use retained earnings if Compared process of taking loans from creditors.

The process of retaining profits can lead to increased future profits. Where spending is made to achieve more profit, unlike when you borrow, you will not have interest payments that reduce your future profits and On the other side if has been issued More stocks to raise money This in turn leads to Double the equity of the current owners.

Company's Return Earnings

It is certain that any company with reasonably retained earnings has a strong support in growing its business or acquiring new assets and can pay more dividends to shareholders, or product launch new, Or it can be used to pay off any outstanding obligations.

No one can deny that any company that works to reinvest its money instead of distributing it as profits will achieve an increase in the value of the company in the long run. So the other options to avoid paying excess money as dividends are:

- The tendency to implement more projects.
- Repurchase of the company's shares.
- The trend towards owning profitable assets as well as new companies.
- The tendency to invest in a group of successful and diversified assets.

But there is no doubt that reasonable profit distributions attract many investors because they can make gains through their investments in the short term, and through the retained earnings that have been used in the growth business will bring them additional profits in the long run.

Conclusion

In conclusion, we reach the financial position of the company during the period from 2018 to 2021 Satisfactory as the gross profit, operating profit and net profit are on the side Positive. The company is keen annually to distribute dividends to shareholders, which makes it an attractive company for investors, and the company has retained earnings that represent a good amount. It is very important for the company to review the new investment it participates in, because it constitutes a huge burden and increases their current obligations and negatively affects the net income in 2021 as well. Causes negative working capital in 2020 and 2021. These risks must be taken something and from seriousness and access to practical and successful solutions that lead to mitigating these risks.

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