**FESH FASH SNACK FOOD PRODUCTION COMPANY**
**(SAUDI JOINT STOCK COMPANY)**
**FINANCIAL STATEMENTS TOGETHER WITH THE**
**INDEPENDENT AUDITOR'S REPORT**
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**FESH FASH SNACK FOOD PRODUCTION COMPANY**
**(SAUDI JOINT STOCK COMPANY)**
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**
**DECEMBER 31, 2022**


| **INDEX** | **Page** |
|---|---|
| Independent auditor's report | 1 – 4 |
| statement of financial position | 5 |
| statement of profit or loss and other comprehensive income | 6 |
| statement of changes in equity | 7 |
| statement of cash flows | 8 |
| Notes to the financial statements | 9 – 29 |

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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS**

**To the Shareholders of**
**Fesh Fash Snack Food Production Company**
**(A Saudi Joint Stock Company)**
**Riyadh – Kingdom of Saudi Arabia**

**Opinion**

We have audited the accompanying financial statements of **Fesh Fash Snack Food Production Company (A Saudi joint stock company)** (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Conduct and Ethics adopted in the Kingdom of Saudi Arabia. Also fulfilled the requirements of the conduct of other ethics in accordance with those rules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matter**

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current year. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

**Key Audit Matters (continued)**

| Key audit matter | How the matter was addressed in our audit |
|---|---|
| **Revenue recognition:**<br><br>During the fiscal year ending on December 31, 2022, the company's revenues amounted to 32.2 million SAR (2021: 30.5 million SAR).<br><br>There continues to be pressure on the company to achieve goals and expectations, which may lead to distortions in revenue recognition.<br><br>Revenue recognition is a key audit matter due to the risk that management may override controls to misrepresent revenue transactions. | We have performed the following procedures regarding revenue recognition:<br>- Evaluate the appropriateness of accounting policies related to the company's revenue realization by taking into account the requirements of International Financial Reporting Standard 15 "Revenue from Contracts with Customers".<br><br>- Implementing revenue analytical review procedures, by comparing sales for the current year with the previous year, and identifying the reasons for material fluctuations that require additional examination in light of our understanding of the operating conditions of the company, considering the market conditions as well.<br><br>- Examine sales transactions, on a sample basis, and perform cut-off tests for revenue to verify whether revenue has been recognized in the correct period.<br><br>- Evaluate the adequacy of the disclosures that management has included in the accompanying financial statements. |

**Other matter**

The financial statements for the year ended on 31 December 2021 were audited by another auditor, who expressed an unmodified opinion dated 30 March 2022.

**Other information included in the Company's annual report for the year ended 31 December 2022**

The other information consists of the information included in the annual report of the board of directors but does not include the financial statements and our report thereon, Management is responsible for the other information in its annual report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**
Management is responsible for the preparation and fair presentation for the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

**For Al-Kharashi & Co.**

**Abdullah S. Al Msned**
**License No. (456)**

الخراشي وشركاه
محاسبون و مراجعون قانونيون
C.R.: 1010327044 :س.ت
Certified Accountants
& Auditors
AL-Kharashi Co.

**Riyadh:**
March 30, 2023
Ramadan 08, 1444

**FESH FASH SNACK FOOD PRODUCTION COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**
**STATEMENT OF FINANCIAL POSITION**
**AS OF DECEMBER 31, 2022.**
**(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

| | Note | 2022 | 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment, net | 5 | 8,421,505 | 9,610,286 |
| Right-of-use assets, net | 6 | 377,029 | 440,142 |
| **Total non-current assets** | | **8,798,534** | **10,050,428** |
| **Current assets** | | | |
| Inventory | 7 | 6,078,010 | 5,642,057 |
| Trade receivables, net | 8 | 4,798,730 | 4,891,773 |
| Prepaid expenses and other debit balances | 9 | 1,794,221 | 895,237 |
| Cash and cash equivalents | 10 | 2,146,255 | 1,042,180 |
| **Total current assets** | | **14,817,216** | **12,471,247** |
| **Total assets** | | **23,615,750** | **22,521,675** |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 11 | 11,300,000 | 11,300,000 |
| Statutory reserve | 12 | 1,173,622 | 1,019,912 |
| Retained earnings | | 1,949,168 | 1,695,740 |
| Employee defined benefits remeasurement reserve | | (105,608) | (5,622) |
| **Total Equity** | | **14,317,182** | **14,010,030** |
| **Non-current liabilities** | | | |
| Employees' benefits obligations | 13 | 1,081,785 | 853,027 |
| Lease liabilities | 6 | 365,247 | 409,784 |
| Long-term loan- non-current portion | 14 | 1,488,024 | 1,141,789 |
| **Total non-current liabilities** | | **2,935,056** | **2,404,600** |
| **Current liabilities** | | | |
| Lease liabilities | 6 | 61,544 | 61,544 |
| Long-term loan - current portion | 14 | 400,000 | 200,000 |
| Trade payables | | 3,663,461 | 3,416,558 |
| Accruals and other credit balances | 15 | 1,994,169 | 2,251,471 |
| Zakat payable | 16 | 244,338 | 177,472 |
| **Total current liabilities** | | **6,363,512** | **6,107,045** |
| **Total liabilities** | | **9,298,568** | **8,511,645** |
| **Total liabilities and equity** | | **23,615,750** | **22,521,675** |

**Chairman** **CEO** **Finance Manager**

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

**FESH FASH SNACK FOOD PRODUCTION COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

| | Note | 2022 | 2021 |
|---|---|---|---|
| **Sales** | 17 | 31,454,765 | 29,819,143 |
| **Cost of sales** | 18 | (23,139,340) | (21,047,401) |
| **Gross profit** | | **8,315,425** | **8,771,742** |
| Selling and marketing expenses | 19 | (2,712,825) | (3,018,055) |
| General and administrative expenses | 20 | (3,871,039) | (4,186,957) |
| Other income | | 68,854 | 86,307 |
| Finance costs | | (17,007) | (74,629) |
| **Profit before Zakat** | | **1,783,408** | **1,578,408** |
| Zakat | 16 | (246,309) | (177,472) |
| **Net Profit for the year** | | **1,537,099** | **1,400,936** |
| **Other comprehensive income:** | | | |
| **An item that will not be reclassified subsequently to profit or loss:** | | | |
| Re-measurement (loss) on employees' benefits | 13 | (99,986) | (5,510) |
| **Total comprehensive income for the year** | | **1,437,113** | **1,395,426** |
| Basic and diluted earnings per share | 21 | **1,36** | **1,24** |

**Chairman** **CEO** **Finance Manager**

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

**FESH FASH SNACK FOOD PRODUCTION COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

| | Share Capital | Statutory Reserve | Retained Earnings | Employee defined benefits remeasurement reserve | Total |
|---|---|---|---|---|---|
| **As at 1 Jan 2021** | 11,300,000 | 879,818 | 3,824,786 | (112) | 16,004,604 |
| Transferred to statutory reserve during the year | - | 140,094 | (140,094) | - | - |
| Dividends | - | - | (3,390,000) | - | (3,390,000) |
| Net Profit for the year | - | - | 1,400,936 | - | 1,400,936 |
| Other comprehensive income | - | - | - | - | (5,510) |
| Total comprehensive income for the year | - | - | **1,400,936** | (5,510) | 1,395,426 |
| **Balance as of 31 Dec 2021** | **11,300,000** | **1,019,912** | **1,695,740** | **(5,622)** | **14,010,030** |
| **As at 1 Jan 2022** | 11,300,000 | 1,019,912 | 1,695,740 | (5,622) | 14,010,030 |
| Transferred to statutory reserve during the year | - | 153,710 | (153,710) | - | - |
| Dividends | - | - | (1,129,961) | - | (1,129,961) |
| Net profit for the year | - | - | 1,537,099 | - | 1,537,099 |
| Other comprehensive income | - | - | - | (99,986) | (99,986) |
| Total comprehensive income for the year | - | - | 1,537,099 | (99,986) | 1,437,113 |
| **Balance on 31 December 2022** | **11,300,000** | **1,173,622** | **1,949,168** | **(105,608)** | **14,317,182** |

**Chairman** **CEO** **Finance Manager**

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

**FESH FASH SNACK FOOD PRODUCTION COMPANY**
**(A SAUDI JOINT STOCK COMPANY)**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2022**
**(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

| | Note | 2022 | 2021 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before Zakat | | 1,783,408 | 1,578,408 |
| **Adjustments to reconcile net profit before Zakat to net cash provided from operating activities:** | | | |
| Depreciation - Property and equipment | 5 | 1,739,628 | 1,878,118 |
| Gain on disposal of property, plant, and equipment | 5 | - | (34,318) |
| Amortization - Right-of-use assets | 6 | 63,113 | 57,214 |
| Provision for expected credit losses | 8 | 356,929 | 1,150,000 |
| Provision of Employees defined benefits obligation | 13 | 220,497 | 329,905 |
| Finance costs | | 72,915 | 74,629 |
| | | **4,236,490** | **5,033,956** |
| **Working capital changes:** | | | |
| inventories | 7 | (435,953) | 1,235,193 |
| Trade receivables | 8 | (263,886) | (2,157,329) |
| Prepaid expenses and other debit balances | 9 | (898,984) | (270,967) |
| Trade payable | | 246,903 | 614,464 |
| Accrued expenses and other credit balances | 15 | (257,302) | (571,248) |
| **Cash provided by operating activities** | | **2,627,268** | **3,884,069** |
| Employees' benefits obligations paid during the year | 13 | (91,725) | (42,395) |
| Zakat paid during the year | 16 | (179,443) | (175,474) |
| **Net cash from operating activities** | | **2,356,100** | **3,666,200** |
| **Investing activities:** | | | |
| Addition to property, plant, and equipment | 5 | (217,613) | (1,134,673) |
| Proceeds from disposal of property, plant, and equipment | 5 | - | 164,750 |
| Addition to projects under progress | 5 | (333,234) | (37,900) |
| **Net cash flows (used in) investing activities** | | **(550,847)** | **(1,007,823)** |
| **Financing activities:** | | | |
| Dividends | | (1,129,961) | (3,390,000) |
| Payment of lease liabilities | 6 | (61,544) | (61,544) |
| Proceeds from loans during the year | 14 | 690,327 | 127,199 |
| payment of short-term loan | | (200,000) | - |
| **Net cash flows (used in) financing activities** | | **(701,178)** | **(3,324,345)** |
| Net increase/(decrease)cash and cash equivalents during the year | | 1,104,075 | (665,968) |
| Cash and cash equivalents at the beginning of the year | | 1,042,180 | 1,708,148 |
| **Cash and cash equivalents at the end of the year** | 10 | **2,146,255** | **1,042,180** |
| **Additional information about non-cash transactions** | | | |
| Written off bad debts | 8 | **216,866** | **194,333** |

**Chairman** **CEO** **Finance Manager**

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

## 1. ORGANISATION AND ACTIVITIES

### A. ESTABLISHMENT OF THE COMPANY:

FESH FASH SNACK FOOD PRODUCTION COMPANY (A Saudi Joint Stock Company) - registered in the Kingdom of Saudi Arabia under commercial registration No (1010044728) dated 19/07/1402 AH.

The main activity of the company is in the manufacture of food products manufactured from potatoes, including (potato chips), and the manufacture of cereal breakfast foods in the form of chips, including (corn flakes, chips, etc.).

Establishing, managing, operating, owning, and investing in industrial projects, especially food industries of all kinds, marketing their products and carrying out all works related to them, manufacturing foodstuffs of various kinds, importing raw materials, equipment and supplies, wholesale and retail trade, selling and buying in agricultural crops and foodstuffs, storage, cooling, food preservation and packaging, establishment, and operation of warehouses, tenders, undertakings, commercial services, marketing, import, export and agencies.

The main address of the company is in Riyadh, New Industrial Area, Al-Kharj Road 90621, 11623 Kingdom of Saudi Arabia.

The Capital Market Authority "CMA" Board has issued its resolution dated 18/08/1442H corresponding to 31/03/2021G approving Fesh Fash Snack Food Production Company's "the Company" application for the registration of its shares for a direct listing in the Parallel Market. Moreover, Saudi Tadawul Company announces the listing and trading shares of “Fesh Fash Snack Food Production Company” on Nomu – Parallel Market on Tuesday 04/05/2021, as a direct listing with the symbol 9515.

### B. SHARE CAPITAL:

The company's capital is set at SAR 11,300,000 divided into 1,130,000 nominal shares of equal value, the nominal value of each share is 10 Saudi Riyals, all of which are ordinary shares as of 31 December 2022 and 2021.

### C. FINANCIAL YEAR END:

The Company's twelve-month financial year starts from 1 January to 31 December in the same year.

## 2. BASIS OF PREPARATION

### 2.1 Applicable Accounting Standards

The financial statements have been prepared by International Financial Reporting Standards as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (“SOCPA”).

The Capital Market Authority issued the decision of the Board of Commissioners on (15) Muharram 1438H (16 October 2016) to require listed companies to apply the cost model when measuring the assets of property and equipment, investment properties, and intangible assets when adopting the IFRS for a period of 3 years beginning from the date of adoption of the International Financial Reporting Standards, On December 31, 2019, it issued a decision including the following:

-Requiring listed companies to continue using the cost model option to measure real estate and investment properties for the financial periods of the fiscal year that begin before 2022.
-Allowing listed companies to use the fair value or revaluation model to measure real estate and investment properties for the financial periods of the fiscal year starting during or after 2022.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1 Applicable Accounting Standards (Continued)

Listed companies will continue to be required to use the cost model option to measure machinery, equipment, and intangible assets for a period of five years, starting from 1/1/2020, and the authority will study the appropriateness of continuing to decide to use this model at the end of this period or the appropriateness to allow the use of the fair value model option or re-evaluation.

### 2.2 Preparation of the Financial Statements

The financial statements have been prepared on the historical cost basis except for the employee-defined benefit liability, which has been actuarially valued as explained in the accounting policies below.

### 2.3 Functional and Presentation Currency

The financial statements are presented in Saudi Riyals (SR), which is the Company's functional and presentation currency, and all values are rounded to the nearest Riyal, except where otherwise indicated.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements of the company ending on December 31, 2021, with the exception of the application of the new standards, amendments to the standards, and the interpretations set out below:

### 3.1 The effect of the new standards, interpretations, and amendments applied by the Company Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted; however, the company has not early adopted them in preparing these Financial Statements.

**Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities**
These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

**Amendments to IAS 1, Practice statement 2 and IAS 8**
The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

**Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction**
These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary difference.

### 3.2 Cash and Cash Equivalents

For the purpose of the cash flow statement, cash, and cash equivalents consist of cash in hand and deposits with banks, all of which are available for use by the company unless otherwise indicated, and mature within a period of 90 days or less, and are exposed to immaterial risks of changes in value.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 FINANCIAL INSTRUMENTS

**Financial assets**

IFRS 9 largely retains the previous requirements in IAS 39 for the classification and measurements of financial liabilities. The standard eliminates the categories of financial assets contained IAS 39 classified as held up to the maturity date, loans. Receivables and financial assets available for sale.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to Comprehensive Income on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to Comprehensive Income on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

Financial assets classified as amortized cost.
Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through Comprehensive Income on initial recognition):

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, it is measured at fair value. Either at fair value through profit or loss or at fair value through other comprehensive income based on the business model.

**De-recognition of financial assets**

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Company neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI such as deposit, trade receivables, and bank balances.
No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.
The Company applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**
**3.3 FINANCIAL INSTRUMENTS (CONTINUED)**

For all other financial instruments, the Company applies the general approach to calculating impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial.

recognition and 12-month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

**Offsetting**
Financial liabilities are set off against financial assets, and the net amount is shown in the financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

**3.4 Projects under Progress**

Capital projects in progress represent all costs that are directly or indirectly related to projects in progress and are capitalized as real estate, machinery and equipment upon completion of the work in progress. Capital projects still under construction are not depreciated.

**3.5 Inventory**

Inventory is stated at the lower of cost and net realizable value. Costs of inventory is determined on a weighted average basis. Net realizable value represents the estimated selling price for inventory less all estimated costs of completion and costs necessary to make the sale. In case of finished goods or work in progress if any, is the estimated sale price in the market less expected sales costs.

**3.6 Property, Plant and Equipment**

Property, Plant and equipment's are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, (if any) except for assets under construction which are stated at cost and are not depreciated. Assets under construction represent all costs relating directly to the projects in progress and are capitalized as property and equipment when the project is completed.

Costs include all expenditures directly attributable to the construction or purchase of the item of property, plant and equipment. Such costs include the cost of replacing parts of the property, Plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful life and depreciates them accordingly. All repair and maintenance costs are recognized in the statement of Profit or loss and Comprehensive Income as incurred. The present value of the expected cost for the decommissioning of the asset. after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met. Improvements that increase the value or materially extend the life of the related assets are capitalized.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Lease hold improvements are depreciated at the lower of its useful life or lease term.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
### 3.6 Property, Plant and Equipment (CONTINUED)

The annual depreciation rates used are as follows;

| | |
|---|---|
| Buildings, constructions, and leasehold improvements | 10-20 Years |
| Machines and equipment's | 7 Years |
| Furniture, furnishings, office supplies, tools and equipment | 5 Years |
| vehicles and air conditioners | 4 Years |

- No depreciation is charged on the projects under Progress.

An item of property, Plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of Comprehensive Income when the asset is derecognised.

The residual values, useful life and methods of depreciation of property, Plant and equipment are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

### 3.7 Impairment of Non-Financial Assets

The Company 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 Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its 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 Companys 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 specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement or loss and other comprehensive income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.8 Trade Receivables

Trade Receivables are amounts owed by customers for products sold in the ordinary business context. Commercial receivables are initially recognized at fair value and are subsequently measured at amortized cost using the actual interest method, less the provision for anticipated credit losses in value that are recognized in the comprehensive income statement.

### 3.9 Right-of-Use Assets and Lease Liabilities

The classification of a contract as to whether the arrangement is or contains a lease depends on the substance of the arrangement at its inception, whether the fulfilment of the arrangement is dependent on the use of an identified asset or assets or the transfer of a right of use even if that right is not expressly provided for in the arrangement, The Company recognizes the right-of-use assets on the lease commencement date (the date the asset has the right-of-use assets). Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, adjusted for the remeasurement of lease liabilities. The cost of right-of-use assets includes the value of lease liabilities recorded, initial direct costs incurred and payments, Rent paid on or before the contract start date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets.

If ownership of the leased asset passes to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are subject to impairment.

### 3.10 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of borrowing using the effective interest method.

### 3.11 Lease Liabilities

At the inception of the lease, the Company includes lease liabilities measured at the present value of the lease payments over the lease term. Lease payments include fixed payments (including immaterial fixed payments) less any lease incentives receivable, variable amount lease payments based on index or rate, and amounts expected to be paid against residual money guarantees. Lease payments also include the exercise price of a purchase option that is reasonably expected to be exercised by the Company and payments of penalties related to the termination of the lease if the terms of the lease give the Company the right to terminate the lease. Variable lease payments that do not depend on an index or fixed rate are recognized as an expense (unless incurred in the production of goods) in the period in which the payment event or condition occurs.

When calculating the present value of lease payments, the company uses the incremental borrowing rate at the start date of the contract if the interest rate implicit in the contract cannot be determined immediately. After the start of the contract, the amount of the lease liabilities is increased to reflect the increase in interest and the decrease in the amount when rents are paid. The carrying amount of lease liabilities is also remeasured if there is a modification, a change in the lease term, a change in lease payments (i.e., changes in future payments resulting from a change in the index or rate used to determine such lease payments) or a change in the valuation of a purchase option. Primary origin.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.12 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that the company will be required to pay the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial statement period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the current obligation, its carrying value is the present value of those cash flows (when the effect of the time value of money is material). When the discount is used, the increase in the provision due to the passage of time is recorded as a finance cost.

### 3.13 Zakat provision

Zakat is provided on an accruals basis and computed at the higher of adjusted net income for Zakat purposes for the year or Zakat base calculated per the Regulations. Any difference in the previously recorded estimate is recognized when the final assessment is approved by ZATCA.

### 3.14 Employees Benefits

**Short Term Obligations**

Liabilities for wages and salaries and any other short-term benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

**Post-Employment Obligations**

**Defined Contribution Plans**

Contributions to defined contribution superannuation plans are expensed when the employees have rendered service entitling them to the contributions.

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the GOSI. The Company recognizes contribution payable to the GOSI as an expense, when an employee renders the related service.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to Comprehensive Income in subsequent periods.

The discount rate for discounting the estimated future cash outflows is required to be based on the yield on corporate bonds of duration and currency consistent with the liabilities. Where there is no deep market in corporate bonds in the currency under consideration, the yields on government bonds are used.

Past service costs are recognized in the statement of Comprehensive Income on the earlier of the date of the plan amendment or curtailment and the date on which the Company recognizes related restructuring costs. Net interest is calculated by applying the discount rate to the net defined benefit liability. The Company recognizes the changes in the net defined benefit obligation under 'cost of revenue, 'general and administrative expenses' and 'selling and distribution expenses' in the statement of profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 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 Company recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

**Step 1:** The Company accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

**Step 2:** The Company identify all promised goods or services 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 both:

- The customer can benefit from the good or service 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:** The Company 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:** The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

**Step 5:** Revenue is recognized when control of the goods or services is transferred to the customer. The Company transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

**Sales Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The sales revenue generated is recognized by its sales benefit. Revenue can be reliably measured, regardless of when it is achieved. Revenue is measured at the previous rate. It should also contain criteria.
It represents the value of the services provided behind it. Revenue from the sale of goods is recognized when the significant benefits and risks associated with ownership of the goods have passed, usually when the goods are delivered.
Revenue from the sale of goods is measured at the fair value of the amount received or receivable, net of returns or provisions, discounts and trade discounts.

**Other income**

Other income is recognized as it accrues in the statement of profit or loss.

### 3.16 Transferring transactions in foreign currencies

Transactions in foreign currencies are converted into Saudi riyals at the exchange rates prevailing upon the transaction. Monetary assets and liabilities denominated in foreign currencies as at the date of the financial statements are converted into Saudi riyals at the rates prevailing on that date. Gains and losses arising from payments and foreign currency exchange transactions are included in the statement of profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 General and Administrative Expenses

The expenses incurred by the company consist of selling and marketing expenses, general and administrative expenses, and operating expenses. Production costs are charged with the full cost of materials, direct labor and industrial indirect costs. The expenses resulting from the company's efforts related to marketing, selling and distributing finished products are classified under a separate line item under the name of selling and marketing expenses. Other direct and indirect expenses related to management that are not related to the production function are classified as general and administrative expenses. And joint expenses, if necessary, are distributed between administrative and general expenses and operating expenses on a fixed basis. The accrual principle is applied in charging the financial period with general and administrative expenses and selling and marketing expenses.

### 3.18 Statutory reserve

As required by Saudi Arabian Regulations for Companies, 10% of the net income for the year should be transferred to the statutory reserve, The Company may resolve to discontinue such transfers when the total reserve equals 30% of the capital, the reserve is not available for dividend distribution.

### 3.19 Basic earnings per share

Basic earnings per share shall be calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period. For the purpose of calculating diluted earnings per share, an entity shall adjust profit or loss attributable to ordinary equity holders of the parent entity, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

### 3.20 Offsetting

Financial liabilities are set off against financial assets, and the net amount is shown in the financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

## 4. USE OF JUDGMENTS AND UNCERTAINTY OF ESTIMATES

In applying the company's accounting policies, as described in Note No. (3), the company's management must make judgments, estimates and assumptions about the book value of assets, liabilities and accompanying disclosures that do not appear easily from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

### Provision for expected credit losses

The company maintains provision for doubtful receivables. In assessing the adequacy of the provision, the company bases its estimates on the firm's past experience in collecting payments, and any increase in the number of late payments of receivables after the average credit period. If clients' financial condition deteriorates, actual write-offs may be higher than expected. An estimate of the collectible amount of trade receivable is made when collection of the full amount is not probable. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

### Useful lives of property, machinery and equipment

Depreciation expense is based on the estimated useful lives of each type of asset. Asset balances are evaluated annually, and their useful lives are evaluated and changed as necessary to reflect current conditions taking into account technological change and the physical conditions of the underlying assets.

### Employee benefit obligations

The facility operates a defined benefit plan that provides a total remuneration when an employee leaves service with the company, in line with the current labor law in the Kingdom of Saudi Arabia.

The amount of entitlement is calculated according to the labor laws in the Kingdom and is based on years of service and salary at the date of departure. Therefore, the plan and its obligations are more sensitive to changes in future salary increases, withdrawal rates and the discount rate used in assessing liability.

FESH FASH SNACK FOOD PRODUCTION COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

## 5. PROPERTY, PLANT AND EQUIPMENT

| | Buildings and constructions | Leasehold improvements | Machines and equipment's | Vehicles | Tools | Office equipmen t | Air conditioners | Furniture and fixture | Advertising board | Projects under progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | | |
| **Balance at January 1, 2022** | 11,378,996 | 922,291 | 23,345,143 | 2,133,571 | 2,461,160 | 467,661 | 484,272 | 543,918 | 18,571 | 37,900 | 41,793,483 |
| Transfer from project under progress | - | 32,500 | 106,524 | - | - | - | - | - | - | (139,024) | - |
| Additions | - | 81,860 | 8,597 | - | 87,938 | 32,786 | 1,217 | 5,215 | - | 333,234 | 550,847 |
| **Balance at December 31, 2022** | **11,378,996** | **1,036,651** | **23,460,264** | **2,133,571** | **2,549,098** | **500,447** | **485,489** | **549,133** | **18,571** | **232,110** | **42,344,330** |
| **Accumulated depreciation** | | | | | | | | | | | |
| Balance at January 1, 2022 | 6,735,217 | 293,013 | 20,747,753 | 1,741,564 | 1,540,408 | 336,254 | 324,390 | 457,510 | 7,088 | - | 32,183,197 |
| Depreciation | 277,629 | 96,494 | 689,546 | 200,366 | 320,380 | 54,842 | 63,483 | 32,245 | 4,643 | - | 1,739,628 |
| **Balance at December 31, 2022** | **7,012,846** | **389,507** | **21,437,299** | **1,941,930** | **1,860,788** | **391,096** | **387,873** | **489,755** | **11,731** | - | **33,922,825** |
| **Net book value** | | | | | | | | | | | |
| **December 31, 2022** | **4,366,150** | **647,144** | **2,022,965** | **191,641** | **688,310** | **109,351** | **97,616** | **59,378** | **6,840** | **232,110** | **8,421,505** |
| **December 31, 2021** | 4,643,779 | 629,278 | 2,597,390 | 392,007 | 920,752 | 131,407 | 159,882 | 86,408 | 11,483 | 37,900 | 9,610,286 |

**Distribute the depreciation premium for the year:**

| | 2022 | 2021 |
|---|---|---|
| Cost of sales | 1,564,460 | 1,751,877 |
| General and administrative expenses | 175,168 | 126,241 |
| | **1,739,628** | **1,878,118** |

(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

## 6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### 6.1 RIGHT-OF-USE ASSETS

| | 2022 | 2021 |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 612,130 | 612,130 |
| Balance at 31 December | **612,130** | **612,130** |
| **Accumulated Depreciation** | | |
| Balance at 1 January | 171,988 | 114,774 |
| Amortization | 63,113 | 57,214 |
| Balance at 31 December | **235,101** | **171,988** |
| | **377,029** | **440,142** |

### 6.2 LEASE LIABILITIES

| | 2021 | 2021 |
|---|---|---|
| Balance at 1 January | 471,328 | 514,152 |
| Finance costs | 17,007 | 18,720 |
| Payment of Lease liability | (61,544) | (61,544) |
| **Balance at 31 December** | **426,791** | **471,328** |

| | | |
|---|---|---|
| Current portion of lease liability | 61,544 | 61,544 |
| Non-current portion of lease liability | 365,247 | 409,784 |
| | **426,791** | **471,328** |

## 7. INVENTORY

| | 2022 | 2021 |
|---|---|---|
| Raw materials | 4,000,593 | 3,884,645 |
| Spare parts | 1,370,700 | 1,460,995 |
| Finished goods | 706,717 | 296,417 |
| | **6,078,010** | **5,642,057** |

## 8. TRADE RECEIVABLES, NET

| | 2022 | 2021 |
|---|---|---|
| Trade receivables | 6,573,095 | 6,526,075 |
| Less: | | |
| Provision of expected credit loss | (1,774,364) | (1,634,302) |
| | **4,798,731** | **4,891,773** |

(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

## 9. TRADE RECEIVABLES, NET (CONTINUED)

* The movement of Provision of expected credit loss is as follows:

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 1,634,302 | 678,635 |
| Additions during the year | 356,929 | 1,150,000 |
| Write off bad debt | (216,866) | (194,333) |
| **Balances at 31 December** | **1,774,365** | **1,634,302** |

-The aging of Trade receivables as follows:

| | 1-90 days | 91-120 days | 121-150 days | 151-180 days | 181-270 days | 271-365 days | More than 365 | Total |
|---|---|---|---|---|---|---|---|---|
| **2022** | 4,132,609 | 185,281 | 127,345 | 67,794 | 146,037 | 170,300 | 1,743,729 | 6,573,095 |
| **2021** | 4,398,551 | 278,611 | - | - | 334,239 | 189,029 | 1,325,645 | 6,526,075 |

## 10. PREPAID EXPENSES AND OTHER DEBIT BALANCES

| | 2022 | 2021 |
|---|---|---|
| Various receivables | 344,002 | 199,874 |
| Petty cash and loans to employees | 224,656 | 241,043 |
| Prepayments and others | 1,225,563 | 454,320 |
| | **1,794,221** | **895,237** |

## 11. CASH AND CASH EQUIVALENTS

| | 2022 | 2021 |
|---|---|---|
| Cash at banks | 2,074,223 | 999,915 |
| Cash on hand | 52,032 | 27,870 |
| Checks under collection | 20,000 | 14,395 |
| | **2,146,255** | **1,042,180** |

## 12. SHARE CAPITAL

The company's capital is set at SAR 11,300,000 divided into 1,130,000 nominal shares of equal value, the nominal value of each share is 10 Saudi Riyals, all of which are ordinary shares as of 31 December 2022 and 2021.

## 13. STATURY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Company has to set aside 10% of its net income each year until it has built a reserve equal to 30% of the share capital. The reserve is not available for dividend distribution.

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 1,019,912 | 879,818 |
| Transferred to statutory reserve | 153,710 | 140,094 |
| **Balance at 31 December** | **1,173,622** | **1,019,912** |

**(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

## 14. EMPLOYEES' BENEFITS OBLIGATIONS

| | 2022 | 2021 |
|---|---|---|
| Balances at 1 January | 853,027 | 560,007 |
| Current service cost | 196,282 | 308,600 |
| Interest cost | 24,215 | 21,305 |
| Paid during the year | (91,725) | (42,395) |
| Re measurement of employees' benefits obligations | 99,986 | 5,510 |
| **Balance at 31 December** | **1,081,785** | **853,027** |

The most recent actuarial valuation was performed by an independent qualified actuary, using the projected credit unit method.

| | 2022 | 2021 |
|---|---|---|
| Discount Rate | 5.15% | 3.5% |
| Salaries Increase Rate | 3.5% | 3% |
| Employees turnover rate | 15% | 15% |

## 15. LONG TERM LOAN

A. It has been agreed with the Saudi Industrial Development Fund to obtain a loan in the amount of SAR 4.5 million to finance the purchase of machinery and equipment on 25 Jumada Al- Awal 1440H. The loan must be repaid in twelve consecutive semi-annual installments of unequal value, where the first installment was paid in 15 Shawwal 1443H. About 690,327 SAR were received during 2022, and the company received 1,341,789 SAR until 2021, Which represents the existing balance as December 31, 2021.The factory was insured with an insurance policy worth 55,361,653 SAR, and the policy was granted as a guarantee for the loan of Saudi development fund in addition to personal from some shareholders, The company also has to repay the loan in unequal semi-annual payments. The loan agreement includes pledges that some financial ratios should be maintained and certain basis for capital expenses and some other requirements.

B. The long-term loan movement as on 31 December is summarized as follows:

| | 2022 | 2021 |
|---|---|---|
| Balances at 1 January | 1,341,789 | 1,214,590 |
| Proceeds from loans during the year | 690,327 | 127,199 |
| Interest expense during the year | 55,908 | - |
| payment of short-term loan | (200,000) | - |
| **Balances at 31 December** | **1,888,024** | **1,341,789** |
| Current Portions | 400,000 | 200,000 |
| Non-Current Portions | 1,488,024 | 1,141,789 |
| | **1,888,024** | **1,341,789** |

## 16. ACCRUED EXPENSES AND OTHER CREDIT BALANCES

| | 2022 | 2021 |
|---|---|---|
| Value added tax | 534,779 | 755,217 |
| Accrued bounces | 645,900 | 376,725 |
| Accrued expenses | 100,625 | 278,269 |
| Other credit balances | 712,865 | 841,260 |
| | **1,994,169** | **2,251,471** |

(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

## 17. ZAKAT PROVISION

**A) Zakat Assessments**

Zakat declaration was filed with General authority of Zakat, Tax, and Customs Authority for December 31, 2021 and the company still wait the final assessments.

**B) Zakat Provision movement**

The movement in Zakat provision is as follows:

| | 2022 | 2021 |
|---|---|---|
| Balances at 1 January | 177,472 | 175,474 |
| Additions during the year | 246,309 | 177,472 |
| Paid during the year | (179,443) | (175,474) |
| **Balances at 31 December** | **244,338** | **177,472** |

**C) Zakat base**

| | 2022 | 2021 |
|---|---|---|
| Net income before zakat | 1,783,408 | 1,578,408 |
| Adjustments | 577,426 | 1,480,530 |
| Adjusted net income | **2,360,834** | **3,058,938** |
| Addition | 19,901,334 | 15,429,635 |
| Rebates | (10,274,730) | (11,511,424) |
| Zakat base | **9,852,377** | **6,977,149** |
| Zakat charge at 2.5% | **246,309** | **177,472** |

**D) Adjusted net income for the year**

| | 2022 | 2021 |
|---|---|---|
| Net profit for the year | 1,783,408 | 1,578,408 |
| Provisions additions | 577,426 | 1,479,905 |
| The share of employees in statutory savings and social insurance funds | - | 625 |
| Adjusted net income for the year | **2,360,834** | **3,058,938** |

## 18. SALES

| | 2022 | 2021 |
|---|---|---|
| Sales | 32,286,410 | 30,557,168 |
| Deducted: | | |
| Sales returns | (288,043) | (81,607) |
| Discount | (543,602) | (656,418) |
| | **31,454,765** | **29,819,143** |

(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

## 19. COST OF SALES

| | 2022 | 2021 |
|---|---|---|
| Inventory at the 1 January (Note 7) | 4,181,062 | 5,416,255 |
| Net purchases | 15,459,714 | 11,242,473 |
| Operating costs * | 8,205,874 | 8,569,735 |
| Inventory at 31 December (Note 7) | (4,707,310) | (4,181,062) |
| | **23,139,340** | **21,047,401** |

### (*) Operating costs

| | 2022 | 2021 |
|---|---|---|
| Direct labor costs | 3,755,110 | 4,181,138 |
| Hired labor costs | 861,342 | 860,954 |
| Industrial expenses | 2,024,962 | 1,775,766 |
| Depreciation of property, plant and equipment | 1,564,460 | 1,751,877 |
| | **8,205,874** | **8,569,735** |

## 20. Selling and markting expenses

| | 2022 | 2021 |
|---|---|---|
| Salaries & Benefits | 1,348,319 | 1,408,382 |
| Collection and marketing commission | 55,176 | 277,360 |
| Advertising | 108,782 | 209,477 |
| Hired labor | 197,232 | 193,063 |
| Medical Expenses | 115,143 | 129,144 |
| Vehicles Expenses | 110,413 | 106,273 |
| Iqama expenses | 112,939 | 84,783 |
| GOSI | 82,570 | 84,352 |
| Transportation | 136,394 | 72.330 |
| Tickets | 49,976 | 50,729 |
| Bounces | - | 23,399 |
| Other | 395,881 | 378,763 |
| | **2,712,825** | **3,018,055** |

**(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)**

## 21. ADMINISTRATIVE AND GENERAL EXPENSES

| | 2022 | 2021 |
|---|---|---|
| Provision for expected credit losses | 356,929 | 1,150,000 |
| Salaries & Benefits | 581,561 | 605,695 |
| Advisory expenses | - | 440,000 |
| Managing partner bounce | 468,000 | 360,000 |
| End of Service | 220,497 | 329,905 |
| Bounces | 892,819 | 319,721 |
| Subscription | 261,669 | 163,777 |
| Depreciation | 175,169 | 126,241 |
| Medical Expenses | 158,299 | 119,671 |
| GOSI | 76,150 | 71,799 |
| Transportation | 50,519 | 68,860 |
| Vehicles Expenses | 45,459 | 58,245 |
| Government services | 9,018 | 43,986 |
| Hired labor | 17,774 | 34,100 |
| Phone | 32,807 | 30,933 |
| Bank Charge | 44,819 | 28,496 |
| Tickets | 6,733 | 22,334 |
| Stationery and printings | 27,454 | 7,118 |
| Other | 445,363 | 206,076 |
| | **3,871,039** | **4,186,957** |

The allowances and rewards of board directors and senior executives during the year:

| | 2022 | 2021 |
|---|---|---|
| Salaries and remunerations of the Board of Directors | **468,000** | **468,000** |
| | **468,000** | **468,000** |

## 22. BASIC AND DILUTED EARNINGS PER SHARE

Basic an earnings per share is calculated by dividing the following net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year.

| | 2022 | 2021 |
|---|---|---|
| Profit for the year attributable to the shareholders | 1,537,099 | 1,400,936 |
| Weighted average number of shares | 1,130,000 | 1,130,000 |
| **Earnings per share** | **1,36** | **1.24** |

## 23. FINANCIAL INSTRUMENTS

**Fair value measurement**

The fair value represents the amount that may be collected from the sale of an asset or a payment to transfer a liability between informed parties under the same terms and conditions as dealing with third parties. The fair value measurement depends on the following conditions:

1-The principal market for the assets or liabilities.

2-The most advantageous market for assets and liabilities, and in the absence of a major market, the company must be able to deal through the most beneficial market.

When measuring the fair value of assets and liabilities, the company uses observable market inputs as far as possible. The company determines fair value using valuation techniques.

The company also uses the following levels, which reflect the significance of the inputs used in determining the fair value:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs). If the inputs used to measure the fair value of an assets.

The company recognizes transfers between fair value levels at the end of the reporting period at the same time that the change occurs.

Management believes that its estimates and assumptions are reasonable and sufficient.

we believe that the book value of the financial assets and financial liabilities shown in the financial statements of the company approximate their fair value because the company's management believes that the book value is approximately equal to its fair value and this is due either to its short-term maturity or that its interest rates are re-priced within The year.

**Financial Risk Management**

The company has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk
- Foreign Currency risk

This note provides information about the company's exposure to each of the above risks, the company's objectives, policies and methods of measuring and managing risks and the company's management of capital.

(ALL AMOUNTS ARE IN SAUDI RIYALS UNLESS OTHERWISE STATED)

## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### General framework for risk management

The entire responsibility for setting up and monitoring risk management rests with the company's management.

The company's risk management policies are designed to identify and analyze the risks that the company faces, and to set appropriate controls and limits for the extent of exposure to those risks, and then monitor them to ensure that the set limits are not exceeded.

Risk management policies and systems are reviewed periodically to reflect changes in market conditions and the company's activities. The company's management aims, through training, standards and procedures set by the administration, to develop a constructive and organized control environment so that every employee understands his role and duties assigned to him.

The company's audit committee monitors the management's performance in monitoring the extent of compliance with the company's policies and procedures in risk management. It also reviews the adequacy of the risk management framework in relation to the risks facing the company.

Financial instruments included in the statement of financial position mainly include cash and cash equivalents, debtors and other assets, investments, creditors, accrued liabilities, loans and other non-current liabilities.

### Credit Risk

Credit risk represents the risk of the company being exposed to a financial loss due to the failure of the customer or the party dealing with the company with a financial instrument to fulfill its contractual obligations. This risk results mainly from its bank balances, trade and other receivables.

| | 2022 | 2021 |
|---|---|---|
| Trade receivables, net | 4,798,730 | 4,891,773 |
| Prepaid expenses and other debit balances | 1,794,221 | 895,237 |
| Cash and cash equivalents | 2,146,255 | 1,042,180 |
| | **8,739,20** | **6,829,190** |

### Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The company is keen to have enough cash to cover expected operational expenses, including covering financial obligations, but without including any potential impact of harsh conditions that are difficult to predict such as natural disasters.

## 25. FINANCIAL INSTRUMENTS (CONTINUED)

The following are the contracted maturities of financial liabilities, including estimated interest payments:

| **December 31, 2022**<br>**In Saudi Riyal** | **Carrying Amount** | **Contractual Cash Flows** | **Less than a year** | **More than a year** |
|---|---|---|---|---|
| Employees' defined benefits liabilities | 1,081,785 | (1,081,785) | - | (1,081,785) |
| Lease Liabilities | 426,791 | (426,791) | (61,544) | (365,247) |
| Long term loans | 1,888,024 | (1,888,024) | (400,000) | (1,488,024) |
| Zakat provision | 244,338 | (244,338) | (244,338) | - |
| Accrued expenses and other credit balances | 1,994,169 | (1,994,169) | (1,348,269) | - |
| Trade payables | 3,663,461 | (3,663,461) | (3,663,461) | - |
| | **9,298,568** | **(9,298,568)** | **(5,717,612)** | **(2,935,056)** |

| **December 31, 2021**<br>**In Saudi Riyal** | **Carrying Amount** | **Contractual Cash Flows** | **Less than a year** | **More than a year** |
|---|---|---|---|---|
| Employees' defined benefits liabilities | 853,027 | (853,027) | - | (853,027) |
| Lease Liabilities | 471,328 | (471,328) | (61,544) | (409,784) |
| Long term loans | 1,341,789 | (1,341,789) | (200,000) | (1,141,789) |
| Zakat provision | 177,472 | (177,472) | (177,472) | - |
| Accrued expenses and other credit balances | 2,251,471 | (2,251,471) | (2,251,471) | - |
| Trade payables | 3,416,558 | (3,416,558) | (3,416,558) | - |
| | 8,511,645 | (8,511,645) | (6,107,045) | (2,404,600) |

### Market risk

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

### Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.
Management monitors the fluctuation in currency exchange rates and believes that the currency risk is not significant. The Company's transaction are principally in Saudi Riyals.

### Capital management

The company's policy with regard to capital management is to maintain a strong capital base to maintain partners, creditors and market confidence, as well as the continued development of the company's activity in the future. Capital consists of ordinary shares, non-refundable preference shares, retained earnings and non-controlling interests of the company.
Management monitors the return on capital, which is determined by dividing the net operating profit by the shareholders' equity.
The company seeks to maintain a balance between the highest return that can be achieved in the event of borrowing to the highest possible extent and the preference and security of a strong capital position.

## 26. DIVIDENDS

The General Assembly in its meeting on 10 Shaban 1443H (corresponding to 19 May 2022) has approved to distribute cash dividends amounting to SR 1,129,961 million representing SR 1 per share, 10% from share capital.

## 27. Comparative figures

Certain comparative figures for the previous period have been reclassified to conform with the figures for the current period.

## 28. SUBSEQUENT EVENTS

There are no subsequent events after the year-end until the date of approval of these financial statements, which require disclosure or adjustment in these financial statements.

## 29. APPROVAL ON THE FINANCIAL STATEMENTS

The Financial Statements have been approved by the board of directors on 08 Ramadan 1444H (corresponding to 30 March 2023).