

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025**

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INDEPENDENT AUDITOR'S REPORT**TO THE SHAREHOLDERS OF
ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia****Opinion**

We have audited the financial statements of Arabian Food and Dairy Factories Company (FADECO) ("the Company"), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other 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 material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (hereinafter collectively referred to as "IFRS as endorsed in KSA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia ("ISAs"). 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 International Code of Ethics for Professional Accountants that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT (Continued)

**TO THE SHAREHOLDERS OF
ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia**

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Inventory valuation	
<p>As at 31 December 2025, inventory amounted to SR 12.4 million (31 December 2024: SR 11.3 million). Inventory is stated at the lower of cost and net realizable value.</p> <p>At each reporting date, management reviews the valuation of inventories and writes down the cost of the inventories to the net realizable value.</p> <p>Inventory valuation is considered as a key audit matter due to size of the balance and the significant judgements made by the management in the valuation of inventories.</p> <p>Refer to note 32 for the accounting policy and note 10 for related disclosures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the appropriateness of accounting policy used by the Company for measurement of inventory. • We attended the year end physical count of inventory and observed the condition of damaged and slow-moving inventories. • We inquired management personnel for the rationale of recording inventory provision/reversal and their assessment of inventory valuation. • We tested on a sample basis for net realizable value of the inventory by comparing the net realizable value with the cost and provision recorded to conclude whether the inventory is recorded at lower of cost and net realizable value. • Assessed the adequacy of the disclosures in the financial statements.

Other information

Other information consists of the information included in the Company's annual report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Company's annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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. When we read the Company's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO) (A Saudi Joint Stock Company) Dammam, Kingdom of Saudi Arabia

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS as endorsed in the KSA and the provisions of Companies' Regulations and the Company's Bylaws 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, i.e. the Board of Directors, 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 the 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 judgement and maintain professional skepticism throughout the audit. We 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

**TO THE SHAREHOLDERS OF
ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Joint Stock Company)
Dammam, Kingdom of Saudi Arabia**

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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.

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, actions taken to eliminate threats or safeguards applied.

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 Company 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.

Baker Tilly Professional Services
Al Khobar, Kingdom of Saudi Arabia

Bader Hatim Al Tamimi
License No. 489
10 Shawwal 1447H
29 March 2026



ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

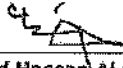
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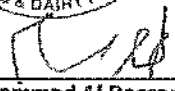
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2025	31 December 2024
ASSETS			
Non-current assets			
Property, plant and equipment	5	22,725,136	21,184,973
Intangible assets	6	543,884	378,798
Right of use assets	7	6,701,619	4,934,654
Investment in equity instruments at FVOCI	8	1,754,400	1,595,741
Prepayments and other receivables - non current portion	12	50,500	121,505
Total non-current assets		31,775,539	28,215,671
Current assets			
Investment in equity instruments at FVTPL	9	3,138,711	2,959,115
Inventories	10	12,420,673	11,304,569
Accounts receivable	11	7,521,105	7,435,091
Prepayments and other receivables - current portion	12	3,092,890	2,819,453
Cash and cash equivalents	13	6,932,329	10,167,898
Total current assets		33,105,708	34,686,126
TOTAL ASSETS		64,881,247	62,901,797
EQUITY AND LIABILITIES			
Equity			
Share capital	1	14,100,000	14,100,000
Discretionary reserve	32	4,230,000	4,230,000
Fair value reserve of financial assets at FVOCI	8	754,400	595,741
Retained earnings		14,050,526	15,388,714
Total equity		33,134,926	34,314,455
Non-current liabilities			
Decommissioning liability	5	1,044,608	1,006,856
Employee benefits obligations	16	6,898,010	5,557,331
Term loan - non current portion	18	6,745,237	6,718,884
Lease liabilities - non current portion	7	5,109,698	3,798,209
Total non-current liabilities		19,797,553	17,081,280
Current liabilities			
Accounts payable		1,742,966	3,077,498
Due to a related party	27	-	654,419
Accrued expenses and other payables	17	4,633,668	5,019,291
Term loan - current portion	18	2,375,000	140,116
Lease liabilities - current portion	7	1,681,022	1,085,599
Zakat payable	19	1,516,112	1,529,139
Total current liabilities		11,948,768	11,506,062
Total liabilities		31,746,321	28,587,342
TOTAL EQUITY AND LIABILITIES		64,881,247	62,901,797


Khaled Hassan Al Qahtani
Chairman


Mohammad Al Rassam
Chief Executive Officer


Fadel Fawaz
Chief Financial Officer

The accompanying notes from 1 to 35 form an integral part of these financial statements

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)


STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2025	2024
Revenue from contracts with customers	20	64,052,019	61,147,536
Cost of revenue	21	(35,039,040)	(31,065,902)
Gross profit		29,012,979	30,081,634
Selling and distribution expenses	22	(18,250,708)	(18,506,662)
General and administrative expenses	23	(6,942,424)	(7,124,028)
Provision against advance to employees	12	(90,909)	-
(Charge) / reversal of provision for expected credit losses	11	(570,819)	1,447,597
Operating profit		3,158,119	5,898,541
Finance costs	24	(1,465,914)	(822,112)
Other Income	25	573,640	959,933
Profit before zakat		2,265,845	6,036,362
Zakat	19	(651,854)	(818,889)
PROFIT FOR THE YEAR		1,613,991	5,217,473
Other comprehensive Income (OCI):			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement loss on employee benefit obligation	16	(837,179)	(505,738)
Change in fair value of equity instruments at FVOCI	8	158,659	-
Other comprehensive loss for the year, net of zakat		(678,520)	(505,738)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		935,471	4,711,735
Earnings per share			
Basic and diluted earnings per share	30	1.14	3.70




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Chairman


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Chief Executive Officer


Fadel Fawaz
Chief Financial Officer

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ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2025
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Discretionary reserve	Fair value reserve of financial assets at FVOCI	Retained earnings	Total
For the year ended 31 December 2025:					
As at 1 January 2025	14,100,000	4,230,000	595,741	15,388,714	34,314,455
Profit for the year	-	-	-	1,613,991	1,613,991
Other comprehensive income / (loss)	-	-	158,659	(837,179)	(678,520)
Total comprehensive income	-	-	158,659	776,812	938,471
Dividend (note 14)	-	-	-	(2,115,000)	(2,115,000)
As at 31 December 2025	14,100,000	4,230,000	754,400	14,050,526	33,134,926
For the year ended 31 December 2024:					
As at 1 January 2024	14,100,000	4,230,000	595,741	12,791,979	31,717,720
Profit for the year	-	-	-	5,217,473	5,217,473
Other comprehensive loss	-	-	-	(505,738)	(505,738)
Total comprehensive income	-	-	-	4,711,735	4,711,735
Dividend (note 14)	-	-	-	(2,115,000)	(2,115,000)
As at 31 December 2024	14,100,000	4,230,000	595,741	15,388,714	34,314,455




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ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)


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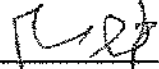
STATEMENT OF CASH FLOWS


FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Saudi Riyals unless otherwise stated)

	Note	2025	2024
OPERATING ACTIVITIES			
Profit before zakat		2,265,845	6,036,362
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	5	2,826,907	3,376,459
Amortization of intangible assets	6	47,950	29,231
Depreciation of right of use assets	7	1,514,828	1,008,547
Gain on disposal of property, plant and equipment	25	(41,000)	(138,000)
Charge / (reversal of provision) for expected credit losses	11	570,819	(1,447,597)
Provision against advance to employees	12	90,909	-
Employee benefits obligations	16	442,873	490,695
Finance costs	24	1,465,914	822,112
Provision for slow moving items	10	9,753	35,703
Dividend income	8	-	(30,000)
Change in fair value of investment in equity instruments at FVTPL	9	(179,596)	(181,262)
		<u>9,015,202</u>	<u>9,999,250</u>
Changes in working capital:			
Inventories		(1,125,857)	(2,108,275)
Accounts receivable		(656,833)	(371,795)
Prepayments and other receivables		(343,841)	17,088
Accounts payable		(1,334,532)	876,543
Due to related parties		(703,500)	(1,407,000)
Accrued expenses and other payables		(385,623)	358,875
Cash generated from operations		<u>4,465,016</u>	<u>7,364,686</u>
Employee benefits obligation paid	16	(201,292)	(251,172)
Zakat paid	19	(664,881)	(517,843)
Finance cost paid		<u>(1,107,508)</u>	<u>(639,471)</u>
Net cash flows from operating activities		<u>2,491,335</u>	<u>5,956,200</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(4,367,070)	(5,038,366)
Dividend received from investment in equity instruments at FVOCI	8	-	30,000
Purchase of intangible assets	6	(213,036)	(182,846)
Proceeds from disposal of property, plant and equipment	25	41,000	138,000
Net cash flows used in investing activities		<u>(4,539,106)</u>	<u>(5,053,212)</u>
FINANCING ACTIVITIES			
Dividend paid	14	(2,115,000)	(2,115,000)
Loan received	18	2,500,000	7,000,000
Loan paid	18	(197,917)	-
Transaction costs paid	18	-	(430,000)
Lease payments of principle portion	7	(1,374,881)	(922,092)
Net cash flows (used in) / generated from financing activity		<u>(1,187,798)</u>	<u>3,532,908</u>
Net change in cash and cash equivalents		<u>(3,235,569)</u>	<u>4,435,896</u>
Cash and cash equivalents at the beginning of the year		<u>10,167,898</u>	<u>5,732,002</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<u>6,932,329</u>	<u>10,167,898</u>
NON-CASH TRANSACTIONS:			
Transaction costs transferred (from) / to prepayments and other receivables	18	(50,500)	299,000


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Chairman


Mohammad Al Rassam
Chief Executive Officer


Fadel Fawaz
Chief Financial Officer

The accompanying notes from 1 to 35 form an integral part of these financial statements



ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Saudi Riyals unless otherwise stated)

1 - COMPANY INFORMATION

Arabian Food and Dairy Factories Company (FADECO) (the "Company") was previously registered as a Limited Liability Company in Saudi Arabia under commercial registration number 2050033520 on 25 Dhu Al-Qadah 1418H corresponding to 24 March 1998. On 11 Muharram 1442H corresponding to 30 August 2020, the shareholders of the Company resolved to convert it to a Closed Joint Stock Company. The ministerial decision (No 5) announcing the conversion of the Company was obtained on 29 Muharram 1442 corresponding to 17 September 2020.

As of 25 Sha'ban 1443H (corresponding to 28 March 2022), the Company obtained approval from the Capital Market Authority's (CMA) to offer 282,000 shares, representing 20% of the Company's share capital, in the parallel market. On 13 Dhu al-Qi'dah 1443 (corresponding to 12 June 2022) the Company obtained approval of listing from the CMA to trade the shares in the parallel market.

The registered address of the Company is P.O. Box 195, Dammam/Industrial City 31952, Kingdom of Saudi Arabia.

The principal activities of the Company are to produce ice cream and marketing of the Company's products and trading.

The share capital of the Company comprises of 1,410,000 shares (2024: 1,410,000 shares) stated at SR 10 per share.

The Company has the following branches, which are registered under separate commercial registration number:

<u>Location of Branches</u>	<u>Commercial registration number</u>
Dammam	2050100527
Riyadh	1010246408
Jeddah	4030516507
Hasa	2250062831
Arar	3450015259
Narriaya	2056103924
Narriaya	2056102672
Buraydah	1131307418
Dammam	2050182713

The assets, liabilities and operations of these branches are included in these financial statements.

2 - BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS Accounting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements as adopted by the Saudi Organization for Chartered and Professional Accountants (SOCPA). Details of the Company's material accounting policies are disclosed in note 32.

These financial statements have been prepared on historical cost basis, except as otherwise stated and are presented in Saudi Riyal (SR) which is also the functional currency of the Company.

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Company's exposure to risk and uncertainties' include:

- Financial instruments risk management Note 31
- Sensitivity analysis disclosures Notes 16 and 31

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Saudi Riyals unless otherwise stated)

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.1 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a material risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Revenue from contracts with customers

The Company applied the following judgements that materially affect the determination of the amount and timing of revenue from contracts with customers:

- Determining method to estimate variable consideration and assessing the constraint

Few of the contracts for the sale of goods include volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Company determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of ice cream, given the large number of customer contracts that have similar characteristics and each customer has annual targets of sale and other key performance indicators like location and presence of the customers.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions.

(b) Lease payments discount

Rental payments are discounted using the Company's incremental borrowing rate (IBR). The Company's management has applied judgments and estimates to determine the incremental borrowing rate at the inception of the lease.

(c) Uncertain zakat positions

The Company's current zakat payable of SR 1,516,112 (2024 : SR 1,529,139) relates to management's assessment of the amount of zakat and payable on open zakat positions where the liabilities remain to be agreed with the Zakat, Tax and Customs Authority (ZATCA). Due to the uncertainty associated with such zakat items, it is possible that, on finalization of open zakat assessments at a future date, the final outcome may differ materially. Note 19 describes the status of zakat assessments.

(d) Impairment of accounts receivables

The Company uses a provision matrix to calculate Expected Credit Losses "ECLs" for accounts receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by guarantees and other forms of credit insurance). The information about the ECLs on the accounts receivables is disclosed in note 11.

The provision matrix is initially based on the Company's historical observed default rates. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Saudi Riyals unless otherwise stated)

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.1 Estimates and assumptions (Continued)

(e) Employee termination benefits

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, or
- The date on which the Company recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation under 'contract costs', 'general and administration expenses' and 'selling and distribution expenses' in profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income.

(f) Economic useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives when necessary and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

(g) Allowance for slow moving inventories

Inventories are stated at the lower of cost and net realizable value. Adjustments to reduce the cost of inventories to their net realizable value, if required, are made at the product level for estimated excess, obsolescence or damages. Factors influencing these adjustments include change in demand, product pricing, physical deterioration and quality issues.

(h) Provision for decommissioning costs

The provision for decommissioning costs represents the present value of the management's best estimate of the future outflow of economic benefits that will be required to remove property from leased land. The estimate has been made on the basis of company's technical team. The unexpired term of the lease is 1.5 years.

(i) Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

(All amounts in Saudi Riyals unless otherwise stated)

3 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.2 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

(a) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Liabilities which are probable, they are recorded in the statement of financial position under accounts payable, accruals and other liabilities. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

4 - CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the financial statements for the year ended 31 December 2025 are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2024, except for the adoption of one amendment which became effective for annual periods starting on or after 1 January 2025. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, the following amendment:

- Amendments to IAS 21: Lack of exchangeability.

This new amendment had no material impact on the financial statements of the Company.

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5 - PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and equipment	Motor vehicles	Computer appliances and fixtures	Furniture and fixtures	Capital work in progress	Total
Cost:								
At 1 January 2024	6,417,475	13,564,749	81,235,425	12,709,472	2,856,848	4,015,343	-	120,799,312
Additions	-	15,000	3,696,221	-	74,850	52,800	1,199,495	5,038,366
Disposals	-	-	-	(357,900)	-	-	-	(357,900)
At 31 December 2024	6,417,475	13,579,749	84,931,646	12,351,572	2,931,698	4,068,143	1,199,495	125,479,778
Additions	-	-	2,561,375	17,000	7,500	-	1,781,195	4,367,070
Disposals	-	-	-	(148,007)	-	-	-	(148,007)
Transfer	-	-	382,822	-	-	-	(382,822)	-
At 31 December 2025	6,417,475	13,579,749	87,875,843	12,220,565	2,939,198	4,068,143	2,597,868	129,698,841
Accumulated depreciation:								
At 1 January 2024	-	11,308,014	71,386,808	12,095,734	2,577,649	3,908,041	-	101,276,246
Charge for the year	-	220,418	2,476,780	523,540	116,689	39,032	-	3,376,459
Disposals	-	-	-	(357,900)	-	-	-	(357,900)
At 31 December 2024	-	11,528,432	73,863,588	12,261,374	2,694,338	3,947,073	-	104,294,805
Charge for the year	-	217,375	2,408,104	69,706	97,492	34,230	-	2,826,907
Disposals	-	-	-	(148,007)	-	-	-	(148,007)
At 31 December 2025	-	11,745,807	76,271,692	12,183,073	2,791,830	3,981,303	-	106,973,705
Net book values:								
At 31 December 2024	6,417,475	2,051,317	11,068,058	90,198	237,360	121,070	1,199,495	21,184,973
At 31 December 2025	6,417,475	1,833,942	11,604,151	37,492	147,368	86,840	2,597,868	22,725,136

- Buildings are situated on land in the first industrial city of Dammam leased from Modon (note 7).

- As at December 31, 2025, capital work in progress represents the advance paid for purchases of ice cream machine and construction of cold store in Riyadh.

- Included within the property, plant and equipment fully depreciated assets with total cost amounting to SR 94.9 million (2024: SR 92.8 million).

- Decommissioning liability represents the Company's obligation to restore the land after its lease agreement of factory is ended.

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6 - INTANGIBLE ASSETS

	Software		Capital work in progress		Total	
	2025	2024	2025	2024	2025	2024
Cost:						
At 1 January	241,909	133,610	250,517	175,970	492,426	309,580
Additions	-	108,299	213,036	74,547	213,036	182,846
Transfers	31,920	-	(31,920)	-	-	-
At 31 December	273,829	241,909	431,633	250,517	705,462	492,426
Accumulated amortization:						
At 1 January	113,628	84,397	-	-	113,628	84,397
Charge for the year	47,950	29,231	-	-	47,950	29,231
At 31 December	161,578	113,628	-	-	161,578	113,628
Net book values:						
At 31 December	112,251	128,281	431,633	250,517	543,884	378,798

- Intangible assets are amortised over a useful life of 2 to 4 years.
- Capital work in progress relates to the advance paid for software which is expected to be implemented in 2026.

7 - LEASES
7.1 RIGHT-OF-USE ASSETS

	<i>Land</i>	<i>Buildings</i>	<i>Vehicles</i>	<i>Total</i>
Cost:				
At 1 January 2024	259,975	571,412	-	831,387
Additions	-	-	5,628,494	5,628,494
At 31 December 2024	259,975	571,412	5,628,494	6,459,881
Additions	-	824,627	2,457,166	3,281,793
At 31 December 2025	259,975	1,396,039	8,085,660	9,741,674
Accumulated depreciation:				
At 1 January 2024	135,198	381,482	-	516,680
Charge for the year	33,800	151,778	822,969	1,008,547
At 31 December 2024	168,998	533,260	822,969	1,525,227
Charge for the year	33,800	97,743	1,383,285	1,514,828
At 31 December 2025	202,798	631,003	2,206,254	3,040,055
Net book values:				
At 31 December 2024	90,977	38,152	4,805,525	4,934,654
At 31 December 2025	57,177	765,036	5,879,406	6,701,619

The Company's leases the land where the factory and head office has been constructed. The leases term is 7 year.

The Company leases cold stores for storage of finished goods. The leases term are 5 and 13 years.

The Company leases motor vehicles. The leases term are 4 and 5 years.

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(All amounts in Saudi Riyals unless otherwise stated)

7 - LEASES (Continued)**7.2 LEASE LIABILITIES**

The movement of lease liabilities for the years ended 31 December were as follows:

	<u>2025</u>	<u>2024</u>
1 January	4,883,808	177,406
Additions	3,281,793	5,628,494
Unwinding the discount	493,204	349,883
Paid	<u>(1,868,085)</u>	<u>(1,271,975)</u>
31 December	<u>6,790,720</u>	<u>4,883,808</u>

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate applicable at the lease inception date, which ranged from 3.75% to 10%.

The information related to the maturity of lease liabilities is disclosed in note 31.

8 - INVESTMENT IN EQUITY INSTRUMENTS AT FVOCI

Represent an investment made by the Company in a private equity fund managed by MEFIC capital in Kingdom of Saudi Arabia. The Company's management has irrevocably elected at initial recognition to recognize this equity instrument at fair value through other comprehensive income.

Movement in investment in equity instruments at FVOCI is as follows:

	<u>2025</u>	<u>2024</u>
At 1 January	1,595,741	1,595,741
Change in fair value recognised in OCI	158,659	-
At 31 December	<u>1,754,400</u>	<u>1,595,741</u>

During the year, the Company did not receive any dividend from the investment (2024: SR 30,000) (note 25).

9 - INVESTMENT IN EQUITY INSTRUMENTS AT FVTPL

Represent an investment made by the Company in a private equity fund managed by YAQEEN capital in Kingdom of Saudi Arabia. The Company's management elected at initial recognition to recognize this equity instrument at fair value through profit and loss.

The movement of equity instruments at FVTPL is as follows:

	<u>2025</u>	<u>2024</u>
At 1 January	2,959,115	2,774,853
Change in fair value	179,596	184,262
At 31 December	<u>3,138,711</u>	<u>2,959,115</u>

Yaqeen Murabaha Financing Fund is a private open ended Islamic Shariah Compliant fund that aims to achieve long term returns through investment in murabaha deals backed by clients' assets.

10 - INVENTORIES

	<u>31 December 2025</u>	<u>31 December 2024</u>
Raw materials	6,556,281	5,784,762
Finished products	2,216,066	2,159,082
Packing materials	1,704,965	1,916,318
Spare parts	1,657,970	1,408,565
Goods in transit	1,213,509	954,207
	<u>13,348,791</u>	<u>12,222,934</u>
Less: provision for slow moving items	<u>(928,118)</u>	<u>(918,365)</u>
	<u>12,420,673</u>	<u>11,304,569</u>

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10 - INVENTORIES (Continued)

Movement in the provision for slow moving items is as follows:

	<u>2025</u>	<u>2024</u>
1 January	918,365	882,662
Charge during the year	9,753	35,703
31 December	<u>928,118</u>	<u>918,365</u>

11 - ACCOUNTS RECEIVABLE

	<u>31 December 2025</u>	<u>31 December 2024</u>
Accounts receivable	8,953,282	8,296,449
Less: allowance for expected credit losses (note 31)	<u>(1,432,177)</u>	<u>(861,358)</u>
	<u>7,521,105</u>	<u>7,435,091</u>

Movement in the allowance for expected credit losses is as follows:

	<u>2025</u>	<u>2024</u>
1 January	861,358	2,308,955
Charge / (reversal of provision) for expected credit losses	570,819	(1,447,597)
31 December	<u>1,432,177</u>	<u>861,358</u>

Accounts receivable are unsecured and non-interest bearing. Accounts receivable are generally on terms of 30 to 60 days.

12 - PREPAYMENTS AND OTHER RECEIVABLES

	<u>31 December 2025</u>	<u>31 December 2024</u>
Employee loans and advances	1,882,621	1,767,388
Prepaid expenses	979,829	913,092
Advances to suppliers	291,228	86,432
Value added tax	15,199	94,498
Others	65,422	79,548
	<u>3,234,299</u>	<u>2,940,958</u>
Less : provision against loan to employees	<u>(90,909)</u>	<u>-</u>
	<u>3,143,390</u>	<u>2,940,958</u>

	<u>31 December 2025</u>	<u>31 December 2024</u>
Current portion	3,092,890	2,819,453
Non current portion	50,500	121,505
	<u>3,143,390</u>	<u>2,940,958</u>

13 - CASH AND CASH EQUIVALENTS

	<u>31 December 2025</u>	<u>31 December 2024</u>
Cash on hand	55,000	55,000
Cash at banks	6,877,329	10,112,898
	<u>6,932,329</u>	<u>10,167,898</u>

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14 - DIVIDENDS

As per article 46 of the Company's By-laws, the Company may distribute interim dividends to the shareholders after an annual delegation to the Board of Directors from the General Assembly.

The Board of Directors, in its meeting held on 03 Septmebr 2025 declared the distribution of interim cash dividends for the first half of the year 2025 of SR 2,115,000 (SR 1.5 per share).

The Board of Directors, in its meeting held on 17 July 2024 declared the distribution of interim cash dividends for the second half of the year 2023 of SR 2,115,000 (SR 1.5 per share).

15 - CAPITAL MANAGEMENT

For the purpose of capital management, capital includes share capital, statutory reserve and all other equity reserves attributable to the shareholders of the Company. The primary objective of capital management is to maximise the shareholders' value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders.

16 - EMPLOYEE BENEFITS OBLIGATIONS

Movement in employee benefits obligation, a defined benefit plan, during the year is as follows:

	<u>2025</u>	<u>2024</u>
1 January	5,557,331	4,609,831
Expense charged to profit or loss	704,792	692,934
Paid	(201,292)	(251,172)
Actuarial remeasurement charged to OCI	837,179	505,738
31 December	<u>6,898,010</u>	<u>5,557,331</u>

The expense charged to profit or loss comprise of:

	<u>2025</u>	<u>2024</u>
Current service cost	442,873	490,695
Unwinding the discount	261,919	202,239
Cost recognized in profit or loss	<u>704,792</u>	<u>692,934</u>

Significant actuarial assumptions

	<u>As at 31 December</u>	
	<u>2025</u>	<u>2024</u>
Discount rate used	5.30%	4.80%
Salary increase rate	3.50%	2.50%
Employees turnover	Moderate	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

	<u>2025</u>		<u>2024</u>	
	%	%	%	%
Discount rate				
Increase	+ 1%	6,710,417	+ 1%	5,402,522
Decrease	- 1%	7,163,027	- 1%	5,732,326
Salary growth rate				
Increase	+ 1%	7,178,544	+ 1%	5,745,002
Decrease	- 1%	6,692,810	- 1%	5,388,599

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17 - ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2025	31 December 2024
Sales commission	1,782,626	1,806,141
Accrued expenses	1,011,812	733,960
Accrued compensation for Board of Directors and Board committees	1,000,000	1,150,000
Accrued employee benefits	772,983	1,263,109
Dividend payable	43,124	44,081
Advance from customers	23,123	22,000
	4,633,668	5,019,291

18 - TERM LOAN

During the year 2025, the Company secured an Islamic borrowing of SR. 2.5 million under the facility with overall limit of SR 21.35 million from a local bank to finance its expansion plan for establishing distribution centers in Riyadh and import of raw materials. As of 31 December 2025, SR 9.3 million (2024: SR 7 million) of the Islamic borrowing facility has been utilised. These facilities are primarily secured by a promissory note and a mortgage of real estate not less than SR 5 million. Additionally, the facility is subject to following financial covenants as agreed with the bank:

- Current assets shall not be less than 1:1 times current liabilities at each year end.
- The ratio of EBITDA to debt service at each year end shall not fall below 1.25 : 1.

As at 31 December 2025 and 2024, the Company is in compliance with the above mentioned financial covenants.

	31 December 2025	31 December 2024
Term loan	9,302,083	7,000,000
Less: transaction costs	(181,846)	(141,000)
	9,120,237	6,859,000
Less: current maturity presented under current liabilities	(2,375,000)	(140,116)
Non-current portion	6,745,237	6,718,884

Movement in term loan is as follows:

	2025	2024
At 1 January	7,000,000	-
Additions	2,500,000	7,000,000
Repayment	(197,917)	-
At 31 December	9,302,083	7,000,000

Movement in transaction costs is as follows:

	2025	2024
At 1 January	141,000	-
Additions	-	430,000
Amortization of transaction costs	(9,654)	-
Transferred from / (to) prepayments and other receivables	50,500	(289,000)
At 31 December	181,846	141,000

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19 - ZAKAT PAYABLE**19.1 Basis for zakat:**

The Company is subject to Zakat under the regulations of the Zakat, Tax, and Customs Authority (ZATCA). Zakat is payable at approximately 2.5% of the greater of the approximate zakat base or adjusted profit.

19.2 The movement in the zakat payable:

	<u>2025</u>	<u>2024</u>
1 January	1,529,139	1,228,093
Charge for the year	651,854	640,285
Charge for prior years	-	178,604
Payments	(664,881)	(517,843)
31 December	<u>1,516,112</u>	<u>1,529,139</u>

19.3 Status of certificates and assessments

The Company has submitted its Zakat returns up to the year ended 31 December 2024 and has obtained the related certificates and official receipts. During the year, the Zakat, Tax and Customs Authority (ZATCA) issued a Zakat assessment for the year 2023 assessing an additional Zakat liability of SR 19,565 which is fully paid. Following ZATCA's review of the supporting documents submitted by the Company during the year, the assessment was finalized with no additional zakat liability or credit balance.

Subsequent to the year end, ZATCA issued an initial Zakat assessment for the year 2024 assessing an additional Zakat liability of SR 23,131; the Company has submitted the required supporting documents and is currently awaiting ZATCA's final assessment.

Zakat assessments for the years 2019 to 2022 remain under review by ZATCA.

20 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company has only one stream of revenue which comprise of sale of ice cream which is recognised at a point in time.

20.1 DISAGGREGATED REVENUE INFORMATION

<u>Segments</u>	<u>2025</u>	<u>2024</u>
Type of customer		
Retail outlet customers	58,515,606	53,222,436
Corporate customers	5,536,413	7,925,100
Total revenue from contracts with customers	<u>64,052,019</u>	<u>61,147,536</u>
	<u>2025</u>	<u>2024</u>
Geographical markets		
Eastern region	34,567,158	34,991,999
Central region	15,854,647	15,031,679
South region	5,955,349	4,268,914
North region	5,036,842	4,521,287
Western region	2,237,185	2,105,202
Exports	400,838	228,455
Total revenue from contracts with customers	<u>64,052,019</u>	<u>61,147,536</u>
	<u>2025</u>	<u>2024</u>
Credit terms		
Credit sales	32,822,012	28,095,487
Cash sales	31,230,007	33,052,049
Total revenue from contracts with customers	<u>64,052,019</u>	<u>61,147,536</u>

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20 - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)**20.2 PERFORMANCE OBLIGATIONS****Sale of ice cream:**

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 60 days from the date of delivery. Contracts provide customers with volume rebates which give rise to variable consideration.

21 - COST OF REVENUE

	<u>2025</u>	<u>2024</u>
Cost of materials	25,327,899	22,105,658
Employee benefits	5,579,599	5,317,563
Utilities	1,467,774	1,414,549
Depreciation of property, plant and equipment	985,792	883,459
Depreciation of right of use assets	131,543	111,393
Others	1,546,433	1,233,280
	<u>35,039,040</u>	<u>31,065,902</u>

22 - SELLING AND DISTRIBUTION EXPENSES

	<u>2025</u>	<u>2024</u>
Employee benefits	6,976,386	6,696,193
Advertisement and promotional gifts	1,744,002	2,381,972
Depreciation of property, plant and equipment	1,722,760	2,379,064
Fuel and transport	2,184,634	1,606,647
Sales commission	2,080,646	2,127,818
Depreciation of right of use assets	1,383,285	897,154
Repair and maintenance	745,649	838,984
Insurance	426,337	616,876
Utilities and communication	477,805	465,456
Others	509,204	496,498
	<u>18,250,708</u>	<u>18,506,662</u>

23 - GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2025</u>	<u>2024</u>
Employee benefits	3,726,792	4,147,615
Board of directors and Board committees remuneration	1,774,826	1,688,324
Professional and governmental fees	584,135	598,496
Security	161,700	137,625
Depreciation of property, plant and equipment	118,355	113,936
Repair and maintenance	113,924	96,625
Utilities and communication	61,068	40,326
Amortization of intangible assets	47,950	29,231
Others	353,674	271,850
	<u>6,942,424</u>	<u>7,124,028</u>

Auditor's contracted remuneration:

	<u>2025</u>	<u>2024</u>
Audit and review fees of the company	245,000	195,000
Zakat and tax attestation services	20,000	20,000
Other statutory assurance services	20,000	10,000
	<u>285,000</u>	<u>225,000</u>

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24 - FINANCE COSTS

	<u>2025</u>	<u>2024</u>
Unwinding of discount on lease obligation (note 7)	493,204	349,883
Finance cost on borrowings	544,665	223,914
Interest cost on employee benefits obligation (note 16)	261,919	202,239
Unwinding of discount on due to a related party (note 27)	49,081	143,820
Bank facility charges	69,639	81,552
Unwinding of discount on decommissioning liability	37,752	36,396
Amortization of transaction costs(note 18)	9,654	-
Gain on remeasurement of amortized cost liability (note 27)	-	(215,692)
	<u>1,465,914</u>	<u>822,112</u>

25 - OTHER INCOME

	<u>2025</u>	<u>2024</u>
Human resource development scheme support	334,287	386,560
Change in fair value of investment in equity instruments at FVTPL	179,596	184,262
Gain on disposal of property, plant and equipment	41,000	138,000
Scrap sales	11,232	23,762
Foreign exchange gain	7,525	30,984
Reversal of accrued expenses	-	97,165
Rent income	-	48,000
Dividend (note 8)	-	30,000
Insurance claims	-	21,200
	<u>573,640</u>	<u>959,933</u>

26 - EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION INCLUDED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>2025</u>	<u>2024</u>
Included in cost of revenue:		
Employee benefits	5,579,599	5,317,563
Depreciation of property, plant and equipment	985,792	883,459
Depreciation of right of use assets	131,543	111,393
Included in selling and distribution expenses:		
Employee benefits	6,976,386	6,696,193
Depreciation of property, plant and equipment	1,722,760	2,379,064
Depreciation of right of use assets	1,383,285	897,154
Included in general and administrative expenses:		
Employee benefits	3,726,792	4,147,615
Depreciation of property, plant and equipment	118,355	113,936
Amortization of intangible assets	47,950	29,231

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27 - RELATED PARTIES TRANSACTIONS AND BALANCES

The Company entered into transactions with related parties based on terms and conditions approved by the management of the Company.

Name	Relationship
HAK Holding Company (Hassan Abdul Karim Al Gahtani Group)	Shareholder
Gahtani International Maritime Agency	Common shareholding
Rikaz Real Estate Company	Common shareholding
Haka for Industries (Haka Motors) Company	Common shareholding

The material transactions and the related approximate amounts are as follows:

	2025	2024
a) Purchases from related parties		
Gahtani International Maritime Agency	160,537	329,140
Haka for Industries (Haka Motors)	2,031	10,228
b) Unwinding of discount		
Rikaz Real Estate Company	49,081	143,820
c) Gain on remeasurement of amortized cost liability		
Rikaz Real Estate Company	-	215,692
d) Due to related parties comprised of the following:		
	2025	2024
Rikaz Real Estate Company	-	654,419

As of 31 December 2025 and 31 December 2024 related party balances are interest free and are payable as per standard credit terms.

Key management compensation:

Key management includes the Board of Directors (executive and non-executive) and members of Company's top management. The compensation paid or payable to key management for employee services is shown below:

	2025	2024
Key management salary & allowances	1,541,476	1,454,084
Board of directors and Board committees remuneration	1,774,826	1,688,324
Key management bonus & commission	444,826	370,414
Long term benefits	213,279	101,595
Total key management compensation	3,974,407	3,614,417

28 - COMMITMENTS AND CONTINGENCIES**Commitment for capital expenditure:**

As of 31 December 2025, the Company had capital commitments amounting to SR 0.26 million (2024: SR 0.51 million)

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29 - SEGMENTAL REPORTING

The Company has one business segment engaged in the production and sale of ice cream within the Kingdom of Saudi Arabia.

30 - EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The calculation of diluted earnings per share is not applicable to the Company. Also, no separate earning per share calculation from continuing operations has been presented since there were no discontinued operations during the year.

Earnings per share for the years ended 31 December 2025 and 2024 have been computed as follows:

	<u>2025</u>	<u>2024</u>
Basic and diluted earnings per share:		
Earnings per share (SR)	1.14	3.70
Profit for the year (SR)	1,613,991	5,217,473
Weighted average number of shares	<u>1,410,000</u>	<u>1,410,000</u>

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31 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

31.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	31 December 2025						
	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Investment in equity instruments at FVOCI	1,754,400	-	1,754,400	-	-	1,754,400	1,754,400
Investment in equity instruments at FVTPL	3,138,711	-	3,138,711	-	-	3,138,711	3,138,711
Accounts receivable	-	7,521,105	7,521,105	-	-	-	-
Employee loans and advances	-	1,882,621	1,882,621	-	-	-	-
Cash and cash equivalents	-	6,932,329	6,932,329	-	-	-	-
	4,893,111	16,336,055	21,229,166	-	-	4,893,111	4,893,111
Financial liabilities							
Accounts payable	-	1,742,966	1,742,966	-	-	-	-
Term loan	-	9,120,237	9,120,237	-	-	-	-
Accrued expenses and other payables	-	4,610,545	4,610,545	-	-	-	-
Lease liabilities	-	6,790,720	6,790,720	-	-	-	-
	-	22,264,468	22,264,468	-	-	-	-

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31 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)

31.1 Fair value measurements of financial instruments (Continued)

	31 December 2024						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Investment in equity instruments at FVOCI	1,595,741	-	1,595,741	-	-	1,595,741	1,595,741
Investment in equity instruments at FVTPL	2,959,115	-	2,959,115	-	-	2,959,115	2,959,115
Accounts receivable	-	7,435,091	7,435,091	-	-	-	-
Employee loans and advances	-	1,767,388	1,767,388	-	-	-	-
Cash and cash equivalents	-	10,167,898	10,167,898	-	-	-	-
	4,554,856	19,370,377	23,925,233	-	-	4,554,856	4,554,856
Financial liabilities							
Accounts payable	-	3,077,498	3,077,498	-	-	-	-
Due to a related party	-	654,419	654,419	-	-	-	-
Term loan	-	6,859,000	6,859,000	-	-	-	-
Accrued expenses and other payables	-	4,997,291	4,997,291	-	-	-	-
Lease liabilities	-	4,883,808	4,883,808	-	-	-	-
	-	20,472,016	20,472,016	-	-	-	-

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31 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)**31.2 Risk Management of Financial Instruments**

The Company's activities expose it to a variety of financial risks, credit risk, liquidity risk and market risk, currency risk, interest rate risk and equity price risk.

Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk on its accounts receivable, employee loans and advances and cash at banks as follows:

	31 December 2025	31 December 2024
Accounts receivable	7,521,105	7,435,091
Employee loans and advances	1,882,621	1,767,388
Cash at banks	6,877,329	10,112,898
	<u>16,281,055</u>	<u>19,315,377</u>

The carrying amount of financial assets represents the maximum credit exposure. The Company does not hold collateral as security.

The Company seeks to limit its credit risk with respect to accounts receivables by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis.

Employee loans and advances are secured against employee benefits obligation balance.

Bank balances are held with banks with sound credit ratings.

ECL assessment for accounts receivables:

Management performs an impairment analysis at each reporting date using a provision matrix to measure Expected Credit Losses ("ECLs"). The allowance rates are based on days past due for groupings of various customer segments with similar loss patterns.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers:

As at 31 December 2025:

	ECL rate	Exposure	ECL
	%	SR	SR
0 - 90 days	3.03%	3,756,030	113,705
91 - 180 days	8.77%	2,992,517	262,408
181 - 365 days	17.17%	683,239	117,299
Above 365 days	61.70%	1,521,496	938,765
		<u>8,953,282</u>	<u>1,432,177</u>

As at 31 December 2024:

	ECL rate	Exposure	ECL
	%	SR	SR
0 - 90 days	1.45%	3,356,216	48,701
91 - 180 days	4.51%	3,063,764	138,218
181 - 365 days	19.65%	901,348	177,156
Above 365 days	51.00%	975,121	497,283
		<u>8,296,449</u>	<u>861,358</u>

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31 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)**31.2 Risk Management of Financial Instruments (continued)****Liquidity Risk:**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the expected contractual maturities at the end of the reporting period of financial liabilities.

	2025			
	Total	Less than 1 year	1 year to 5 years	More than 5 years
Financial liabilities				
Accounts payable	1,742,966	1,742,966	-	-
Term loan	11,402,761	2,970,984	8,431,777	-
Accrued expenses and other payables	4,610,545	4,610,545	-	-
Lease liabilities	7,946,145	2,150,535	5,445,610	350,000
	25,702,417	11,475,030	13,877,387	350,000
	2024			
	Total	Less than 1 year	1 year to 5 years	More than 5 years
Financial liabilities				
Accounts payable	3,077,498	3,077,498	-	-
Due to a related party	654,419	654,419	-	-
Term loan	8,410,443	769,312	7,641,131	-
Accrued expenses and other payables	4,997,291	4,997,291	-	-
Lease liabilities	5,843,847	1,462,732	4,381,115	-
	22,983,498	10,961,252	12,022,246	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and credit facilities are available to meet the Company's future commitments.

Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates and interest rates, and will affect the Company's profit or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that's not the Company's currency. The Company exposure to foreign currency risk is primarily limited to transactions in United State Dollars ("USD") and Euros. The Company's management believes that the exposure to currency risk associated with USD is limited as the Company's currency is pegged to USD. The Company is exposed to currency risks on its transactions and balances in Euros.

Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowing which expose the Company to cash flow interest rate risk.

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31 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)**31.2 Risk Management of Financial Instruments (continued)****Interest Rate Risk (continued):***Interest rate sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before zakat is affected through the impact on floating rate borrowings, as follows:

	<i>Effect on profit before Zakat</i>	<i>Increase / decrease in basis point</i>
2025		
Term loan	(93,021)	+100
	93,021	-100
2024		
Term loan	(70,000)	+100
	70,000	-100

Equity Price Risk:

The Company's investments in equity instruments of other companies are susceptible to price risk, arising from uncertainties about fair values of investment securities. The exposure to equity securities and its impact on equity is detailed in the table below with a percentage change in equity prices.

<i>Markets</i>	<i>2025</i>	<i>Sensitivity</i>	
		<i>Change in fair value</i>	
<i>Investments at fair value</i>			<i>%</i>
Saudi Arabia	4,893,111	+ - 48,931	+ - 1%
<i>Markets</i>	<i>2024</i>	<i>Sensitivity</i>	
		<i>Change in fair value</i>	
<i>Investments at fair value</i>			<i>%</i>
Saudi Arabia	4,554,856	+ - 45,549	+ - 1%

32 - MATERIAL ACCOUNTING POLICIES

The following are the material accounting policies applied by the Company in preparing its financial statements:

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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32 - MATERIAL ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE MEASUREMENT

The Company measures financial instruments, such as financial derivatives, at fair value at each reporting date.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is material to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is material to the fair value measurement is directly or indirectly observable; or
- Level 3: Valuation techniques for which the lowest level input that is material to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is material to the fair value measurement as a whole) at the end of each reporting period.

DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Dividends are recorded in the financial statements in the year in which they are declared and approved by the shareholders of the Company.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. Detailed relating to each of the Company's revenue is disclosed in note 20.

Volume Rebates

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in accrued expenses and other payables) is recognized for expected volume discounts payable to customers in relation to sales made during the year.

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32 - MATERIAL ACCOUNTING POLICIES (CONTINUED)

EXPENSES

Expenses related to operations are allocated on a consistent basis to cost of sales, selling and distribution expenses and general and administration expenses in accordance with consistent allocation factors determined as appropriate by the Company.

ZAKAT

Zakat

The Company provide for zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA). The provision is charged to profit or loss.

Uncertain zakat positions

Differences that may arise at the finalization of an assessment are accounted for when the assessment is finalized with ZATCA.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax, except:

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- Other receivables and other payables are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

Withholding tax

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

FOREIGN CURRENCIES

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company at the spot rate ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss).

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes 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 material parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Repair and maintenance costs are recognised in profit or loss as incurred.

Land and buildings are measured at cost, less accumulated depreciation on buildings, and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

	<u>Years</u>
- Buildings	20
- Machinery and equipment	5 - 10
- Motor vehicles	4
- Computer and appliances	4
- Furniture and fixtures	4 - 10

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32 - MATERIAL ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (Continued)

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

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

CAPITAL WORK IN PROGRESS

Assets in the course of construction or development are capitalized in the capital work-in-progress ("CWIP") account. The asset under construction or development is transferred to the appropriate category in property, plant and equipment or intangible asset, once the asset is in a location and/or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other cost directly attributable to the construction or acquisition of an item of CWIP intended by management.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and expenditure is recognized in the profit or loss when it is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the profit or loss when the asset is derecognized.

DECOMMISSIONING LIABILITY

Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows. The value of the obligation is added to the carrying amount of the related asset and depreciated over the useful life of the asset. The increase in the provision due to the passage of time is recognized as finance costs in profit or loss. Changes in future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows are recognized as a change in provision and related asset.

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32 - MATERIAL ACCOUNTING POLICIES (CONTINUED)

LEASES

The determination of whether an arrangement is, or contains, a lease is decided at the inception date. An arrangement is, or contains, a lease if it grants the right to control a particular asset or assets for a period of time in exchange for compensation.

Company as a lessee

A- Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over its estimated useful life.

B- Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C- Short-term leases and leases of low-value assets

Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company's capitalisation threshold and are considered to be immaterial for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that a non financial 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. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where 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-Zakat 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 taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecasts which are prepared separately for each of the Company's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering 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 recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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32 - MATERIAL ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS (Continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in profit or loss.

INVENTORIES

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

Raw and packaging materials: Purchase cost on a first in first out (FIFO) basis.

Spare parts: Purchase cost on a weighted average basis.

Goods in transit: Goods in transit are stated at their original invoice price.

Finished good: Cost of direct materials and labor and a proportion of manufacturing overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to impairment requirements as per IFRS-9.

FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes accounts receivables, employee loans and advances and cash and cash equivalents.

Financial assets at fair value through OCI

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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32 - MATERIAL ACCOUNTING POLICIES (Continued)

FINANCIAL ASSETS (Continued)

Subsequent measurement (continued)

Equity instruments designated at fair value through OCI

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at fair value through OCI are not subject to impairment assessment.

Derecognition

A financial asset is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss.

ECLs are recognised in two stages. For credit exposures for which there has not been a material increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a material increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivables and cash at banks, the Company applies a simplified approach in calculating ECLs. Therefore, the Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors / banks and the economic environment.

Accounts receivable

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable, due to related parties, accrued expenses, term loan and lease liabilities.

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32 - MATERIAL ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on these liabilities are recognised in profit or loss.

The Company does not have any financial liabilities at fair value through profit or loss.

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset with the net amount reported in the statement of financial position only if there is a current enforceable legal right to offset the recognised amounts and an intent to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

DISCRETIONARY RESERVE

The new Saudi Companies law which became effective on 19 January 2023 removed the requirement of maintaining a statutory reserve which existed in the previous law. The Company updated its Bylaws to align it with the new law, however the shareholders have not resolved to transfer the balance of statutory reserve to retained earnings.

PROVISIONS

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-zakat rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

EMPLOYEE TERMINATION BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and tickets, bonuses, and non-monetary benefits such as medical care), are recognised in respect of employees' services up to the end of the reporting period and are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Employees' end-of-service benefits obligation

The Company's obligation under employees' end-of-service benefits is accounted for as an unfunded defined benefits plan. The liability recognised in the statement of financial position in respect of the defined end-of service benefits plan is the present value of the employees' end of service termination benefits obligation at the reporting date and is measured using the projected unit credit method.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

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33 - STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of these financial statements are disclosed below:

- Amendments to IFRS 9 and IFRS 7: Classification and Measurements of financial instruments
- Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity
- Annual Improvements to IFRS Accounting Standards - Volume 11
- IFRS 18: Presentation and Disclosure in Financial Statements
- IFRS 19: Subsidiaries without Public Accountability: Disclosures

IFRS 18 is expected to have a significant impact on the way the statement of profit or loss is presented. The other new and amended standards are not expected to have a material impact on the financial statements. Management intends to adopt these new and amended standards, if applicable, when they become effective.

34 - EVENTS AFTER THE REPORTING DATE

No adjusting event occurred between 31 December 2025 and the date of authorization of the financial statements by Board of Directors of the Company, which may have an impact on the financial statements.

35 - DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Company's Board of Directors on 29 Ramadan 1447H corresponding to 18 March 2026.