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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
AND INDEPENDENT AUDITOR'S REPORT

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Closed Joint Stock Company)
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

Contents

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BAKER TILLY MKM & CO.
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

Report on the Audit of the Financial Statements

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 2021, 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 significant 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 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

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 professional code of conduct and ethics that are 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 International Financial Reporting Standards that are endorsed the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and Regulations for Companies and the Company's bylaw 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia 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.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

Report on the Audit of the Financial Statements (Continued)

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, 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.
- 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 the 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.

Report on Other Legal and Regulatory Requirements

Paragraph 135 of the Companies Law requires that the auditor includes in his report what might come to his attention with respect to non-compliance of the terms of the Regulations for Companies and the Company's bylaw. During our audit of the financial statements, we did not notice any non-compliances of the Regulations for Companies and the Company's bylaw.

Baker Tilly MKM & Co.
Certified Public Accountants
Al-Khobar, Kingdom of Saudi Arabia

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BAKER TILLY M K M & CO.

Bader Hatim Al Tamimi
License No. 489
25 Ramadan 1443H
26 April 2022

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Closed Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	*2021*	*2020*
		SR	*SR*
ASSETS			
Non-current assets			
Property, plant and equipment	5	**20,625,338**	17,989,595
Right of use assets	6	**405,862**	498,106
Investment in equity instruments at FVOCI	7	**1,444,862**	1,000,000
Total non-current assets		**22,476,062**	19,487,701
Current assets			
Investment in equity instruments at FVTPL	8	**4,835,837**	-
Inventories	9	**9,814,722**	8,917,585
Accounts receivable	10	**3,273,158**	1,753,441
Prepayments and other receivables	11	**2,548,964**	2,426,351
Cash and cash equivalents	12	**2,772,280**	11,276,589
Total current assets		**23,244,961**	24,373,966
TOTAL ASSETS		**45,721,023**	43,861,667
EQUITY AND LIABILITIES			
Equity			
Share capital	1	**14,100,000**	14,100,000
Statutory reserve		**4,230,000**	4,230,000
Actuarial reserve	15	**133,531**	41,715
Other reserve	7	**444,862**	-
Retained earnings	13	**9,193,847**	9,175,749
Total equity		**28,102,240**	27,547,464
Non-current liabilities			
Security deposits		-	283,500
Decommissioning liability	5	**901,576**	868,988
Employee benefits obligations	15	**4,700,119**	4,800,485
Due to related parties	25	**2,564,213**	-
Lease liabilities	6	**274,232**	367,267
Total non-current liabilities		**8,440,140**	6,320,240
Current liabilities			
Accounts payable		**3,077,017**	1,660,027
Due to related parties - current portion	25	**837,152**	475,449
Accrued expenses and other payables	16	**2,622,077**	3,723,807
Lease liabilities - current portion	6	**93,033**	89,614
Short term borrowings	17	-	2,900,000
Dividend payable	13	**1,518,048**	-
Zakat payable	18	**1,031,316**	1,145,066
Total current liabilities		**9,178,643**	9,993,963
Total liabilities		**17,618,783**	16,314,203
TOTAL EQUITY AND LIABIILITIES		**45,721,023**	43,861,667

Khaled Hassan Al Qahtani	**Mohammad Al Rassam**	**James Costa**
Chairman	Chief Executive Officer	Finance Manager

The accompanying notes from 1 to 33 form an integral part of these financial statements

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Closed Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** *SR*	2020 *SR*
Revenue from contracts with customers	19	**52,240,239**	53,444,820
Cost of sales	20	**(30,202,424)**	(28,431,457)
Gross profit		**22,037,815**	25,013,363
Selling and distribution expenses	21	**(12,350,057)**	(10,369,013)
General and administrative expenses	22	**(4,080,513)**	(4,799,216)
Operating profit		**5,607,245**	9,845,134
Finance costs, net	23	**(162,972)**	(180,844)
Other income		**984,450**	356,869
Profit before zakat		**6,428,723**	10,021,159
Zakat	18	**(410,625)**	(640,000)
Profit for the year		**6,018,098**	9,381,159
Other comprehensive income / (loss):			
Other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain / (loss) on a defined benefit plan	15	**91,816**	(44,730)
Change in fair value of equity instruments at FVOCI	7	**444,862**	-
Other comprehensive income / (loss) for the year		**536,678**	(44,730)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,554,776**	9,336,429
Earnings per share			
Basic and diluted earnings per share	28	**4.27**	6.65

Khaled Hassan Al Qahtani
Chairman

Mohammad Al Rassam
Chief Executive Officer

James Costa
Finance Manager

The accompanying notes from 1 to 33 form an integral part of these financial statements

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Closed Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	*Statutory reserve*	*Actuarial reserve*	*Other reserve*	*Retained earnings*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*
For the year ended 31 December 2021:						
As at 1 January 2021	**14,100,000**	**4,230,000**	**41,715**	**-**	**9,175,749**	**27,547,464**
Profit for the year	-	-	-	-	**6,018,098**	**6,018,098**
Other comprehensive income	-	-	**91,816**	**444,862**	-	**536,678**
Total comprehensive income	-	-	**91,816**	**444,862**	**6,018,098**	**6,554,776**
Dividend (note 13)	-	-	-	-	**(6,000,000)**	**(6,000,000)**
As at 31 December 2021	**14,100,000**	**4,230,000**	**133,531**	**444,862**	**9,193,847**	**28,102,240**
For the year ended 31 December 2020						
As at 1 January 2020	14,030,000	5,776,994	86,445	-	5,147,596	25,041,035
Profit for the year	-	-	-	-	9,381,159	9,381,159
Other comprehensive loss	-	-	(44,730)	-	-	(44,730)
Total comprehensive income	-	-	(44,730)	-	9,381,159	9,336,429
Increase in share capital	70,000	-	-	-	-	70,000
Transfer to retained earnings	-	(1,546,994)	-	-	1,546,994	-
Dividend (note 13)	-	-	-	-	(6,900,000)	(6,900,000)
As at 31 December 2020	14,100,000	4,230,000	41,715	-	9,175,749	27,547,464

Khaled Hassan Al Qahtani
Chairman

Mohammad Al Rassam
Chief Executive Officer

James Costa
Finance Manager

The accompanying notes from 1 to 33 form an integral part of these financial statements

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Closed Joint Stock Company)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	SR	SR
OPERATING ACTIVITIES		
Profit before zakat	**6,428,723**	10,021,159
Adjustments for non-cash items:		
Depreciation and amortization	**3,670,001**	3,269,323
Gain on disposal of property, plant and equipment	**(46,250)**	(64,500)
Reversal for excess expected credit loss	**(429,344)**	-
Employee benefits obligations	**423,242**	478,554
Finance charges	**162,972**	180,844
Change in fair value of investment in equity instruments at FVTPL	**(35,837)**	-
	10,173,507	13,885,380
Changes in working capital:		
Inventories	**(897,137)**	(1,867,760)
Accounts receivable	**(1,090,373)**	(468,246)
Prepayments and other receivables	**(122,613)**	(60,593)
Accounts payable	**1,416,990**	(85,784)
Due to related parties	**(961,559)**	207,260
Accrued expenses and other payables	**(1,101,730)**	338,270
Security deposits	**(283,500)**	(51,000)
Decommissioning liability	**32,588**	31,409
Cash generated from operations	**7,166,173**	11,928,936
Employee termination benefits paid	**(458,736)**	(1,329,245)
Zakat paid	**(524,375)**	(553,804)
Finance cost paid	**(117,729)**	(99,476)
Net cash flows from operating activities	**6,065,333**	9,946,411
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(2,326,025)**	(5,466,089)
Purchase of equity instruments designated at FVOCI	**-**	(1,000,000)
Purchase of equity instruments designated at FVTPL	**(4,800,000)**	-
Proceeds from sale of property, plant and equipment	**46,250**	64,500
Net cash flows used in investing activities	**(7,079,775)**	(6,401,589)
FINANCING ACTIVITIES		
Dividend paid	**(4,481,952)**	(6,900,000)
Increase in share capital	**-**	70,000
Net change in borrowings	**(2,900,000)**	-
Lease payments	**(107,915)**	(107,915)
Net cash flows used in financing activity	**(7,489,867)**	(6,937,915)
Net change in cash and cash equivalents	**(8,504,309)**	(3,393,093)
Cash and cash equivalents at the beginning of the year	**11,276,589**	14,669,682
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,772,280**	11,276,589

NON-CASH TRANSACTIONS:

Addition to property, plant and equipment from related parties (Note 25)	**3,887,475**	-

Khaled Hassan Al Qahtani	**Mohammad Al Rassam**	**James Costa**
Chairman	Chief Executive Officer	Finance Manager

The accompanying notes from 1 to 33 form an integral part of these financial statements

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 17 September 2020.

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 (2020: 1,410,000 shares) stated at SR 10 per share owned as follows:

Name of shareholder	**Number of shares**		**Ownership**			
	2021	2020	**2021**	2020	**2021**	2020
			SR	**SR**	**%**	%
HAK Holding Company	**1,262,700**	982,100	**12,627,000**	9,821,000	**89.55%**	69.65%
HAKA Investment Company	**140,300**	140,300	**1,403,000**	1,403,000	**9.95%**	9.95%
Others	**7,000**	287,600	**70,000**	2,876,000	**0.50%**	20.40%
	1,410,000	1,410,000	**14,100,000**	14,100,000	**100%**	100%

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

Location of Branch	**Commercial registration number**
Dammam	2050100527
Riyadh	1010246408
Hasa	2250062831
Arar	3450015259
Narriaya	2056102672
Qasim	1131307418

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 International Financial Reporting 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 significant accounting policies are disclosed in note 3.

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 POLICIES

The following are the significant 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.

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 significant 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 significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

FAIR VALUE MEASUREMENT (Continued)

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 significant to the fair value measurement as a whole) at the end of each reporting period.

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 policies relating to each of the Company's revenue is disclosed in note 19.

Volume rebates

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer.

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.

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
- Receivables and 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.

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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES (Continued)

Transactions and balances (Continued)

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 significant 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:

	Years
- Buildings	20
- Machinery & equipment	5 - 10
- Motor vehicles	4
- Computer and appliances	4
- Furniture and fixtures	4 - 10

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, 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.

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.

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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 insignificant 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 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. 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.

3 - SIGNIFICANT 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.

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 and loan to employees.

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.

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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL ASSETS (Continued)

Derecognition (Continued)

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.

Impairment of financial assets

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 significant 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 significant 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, 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 and the economic environment.

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 and accruals. loans and borrowings.

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 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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORIES

Inventories are valued at the lower of cost and 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.

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 an insignificant risk of changes in value.

STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equaled 30% of the share capital. As the reserve reached 30% of capital, the shareholders decided to suspend such appropriation in compliance with the companies' regulations and the Company's Article of Association. This reserve is not available for dividends distribution.

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.

4 - 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 29*
- Sensitivity analysis disclosures — *Notes 15 and 29*

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant 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 significantly 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) Uncertain zakat positions

The Company's current zakat payable of SR 1,031,316 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 significantly. Note 18 describes the status of zakat assessments.

(c) 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 10.

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.

4 - SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

(d) 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

(e) 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.

(f) 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.

(g) 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 6 years.

5 - PROPERTY, PLANT AND EQUIPMENT

	Land	*Buildings*	*Machinery & equipment*	*Motor vehicles*	*Computer and appliances*	*Furniture and fixtures*	*Capital work in progress*	*Total*
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Cost:								
At 1 January 2020	2,560,000	12,118,910	70,722,515	12,611,392	2,378,710	3,811,605	1,363,072	105,566,204
Addition	-	755,807	1,303,509	1,702,940	155,525	91,135	1,457,173	5,466,089
Disposal	-	-	-	(134,715)	-	-	-	(134,715)
Transfer	-	-	838,515	-	-	-	(838,515)	-
At 31 December 2020	2,560,000	12,874,717	72,864,539	14,179,617	2,534,235	3,902,740	1,981,730	110,897,578
Addition	**3,857,475**	**84,452**	**1,736,482**	**30,000**	**14,351**	**60,076**	**430,664**	**6,213,500**
Disposal	-	-	-	**(462,000)**	-	-	-	**(462,000)**
Transfer	-	-	**717,000**	**354,540**	-	-	**(1,071,540)**	-
At 31 December 2021	**6,417,475**	**12,959,169**	**75,318,021**	**14,102,157**	**2,548,586**	**3,962,816**	**1,340,854**	**116,649,078**
Accumulated depreciation:								
At 1 January 2020	-	10,572,905	61,574,284	11,929,269	2,031,535	3,722,442	-	89,830,435
Charge for the year	-	166,133	2,425,233	366,500	218,911	35,486	-	3,212,263
Disposal	-	-	-	(134,715)	-	-	-	(134,715)
At 31 December 2020	-	10,739,038	63,999,517	12,161,054	2,250,446	3,757,928	-	92,907,983
Charge for the year	-	**187,607**	**2,546,386**	**691,293**	**102,896**	**49,575**	-	**3,577,757**
Disposal	-	-	-	**(462,000)**	-	-	-	**(462,000)**
At 31 December 2021	-	**10,926,645**	**66,545,903**	**12,390,347**	**2,353,342**	**3,807,503**	-	**96,023,740**
Net book value:								
At 31 December 2020	2,560,000	2,135,679	8,865,022	2,018,563	283,789	144,812	1,981,730	17,989,595
At 31 December 2021	**6,417,475**	**2,032,524**	**8,772,118**	**1,711,810**	**195,244**	**155,313**	**1,340,854**	**20,625,338**

- Buildings are situated on land in the first industrial city of Dammam leased from Modon.
- Capital work in progress represents the advance paid for purchases of freezers and cost incurred for the installation of spiral harding tunnel.
- Included within the property, plant and equipment fully depreciated assets with total cost amounting to SR 76.18 million (2020: SR 72.16 million).

6 - RIGHT OF USE ASSETS

	2021	2020
	SR	*SR*
Cost:		
At 1 January	**551,387**	-
Additions	-	551,387
At 31 December	**551,387**	551,387
Accumulated depreciation:		
At 1 January	**53,281**	-
Charge for the year	**92,244**	53,281
At 31 December	**145,525**	53,281
Net book value	**405,862**	498,106

Right of use assets relates to land and building leased from 5 to 7 years.

Lease liabilities

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 3.75%.

Movement in lease liabilities is as follows:	2021	2020
	SR	*SR*
Opening	**456,881**	-
Addition during the year	-	551,387
Interest charge during the year	**18,299**	13,409
Payments during the year	**(107,915)**	(107,915)
31 December	**367,265**	456,881

Lease liabilities included in the statement of financial position as at 31 December:

	2021	2020
	SR	*SR*
Current portion of lease liabilities	**93,033**	89,614
Non current portion of lease liabilities	**274,232**	367,267
Total lease liabilities	**367,265**	456,881

7 - 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 follow :	*2021*	*2020*
	SR	*SR*
At 1 January	**1,000,000**	-
Addition	-	1,000,000
Remeasurement recognised in OCI	**444,862**	-
At 31 December	**1,444,862**	1,000,000

8 - INVESTMENT IN EQUITY INSTRUMENTS AT FVTPL

Represent investments made by the Company in private equity funds managed by FALCOM in Kingdom of Saudi Arabia. The Company's management elected at initial recognition to recognize following equity instruments at fair value through profit and loss.

	2021	*2020*
	SR	*SR*
FALCOM Murabaha Financing Fund	**2,525,980**	-
FALCOM SAR Murabaha Fund	**2,309,857**	-
	4,835,837	-

The movement of equity instruments at FVTPL is as follows:

	2021	*2020*
	SR	*SR*
At 1 January	-	-
Purchases	**4,800,000**	-
Change in fair value	**35,837**	-
At 31 December	**4,835,837**	-

FALCOM SAR Murabaha Fund is an open ended Islamic Shariah Compliant fund that aims to achieve income and liquidity through investments in Murabaha deals.

FALCOM 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.

9 - INVENTORIES

	2021	*2020*
	SR	*SR*
Raw materials	**4,491,982**	2,993,905
Finished products	**1,893,579**	1,601,420
Spare parts	**1,407,430**	1,353,449
Packing materials	**2,072,546**	2,277,172
Goods in transit	**384,105**	1,219,745
	10,249,642	9,445,691
Less: provision for slow moving items	**(434,920)**	(528,106)
	9,814,722	8,917,585

Movement in the provision for slow moving and obsolete inventories is as follows:

	2021	*2020*
	SR	*SR*
1 January	**528,106**	528,106
write off	**(93,186)**	-
31 December	**434,920**	528,106

10 - ACCOUNTS RECEIVABLE

	2021	*2020*
	SR	*SR*
Accounts receivable - third parties	**4,982,763**	3,892,390
Less: Allowance for expected credit losses	**(1,709,605)**	(2,138,949)
	3,273,158	1,753,441

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

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

	2021	*2020*
	SR	*SR*
1 January	**2,138,949**	2,138,949
Reversal for excess expected credit loss	**(429,344)**	-
31 December	**1,709,605**	2,138,949

An aged analysis of accounts receivable as at 31 December is as follows:

	2021	*2020*
	SR	*SR*
Not past due	**1,976,310**	2,247,464
Past due - 1 - 30 days	**908,595**	577,988
Past due - 31 - 120 days	**865,357**	121,236
Past due - Above 120 days	**1,232,501**	945,702
	4,982,763	3,892,390
Expected credit losses	**(1,709,605)**	(2,138,949)
	3,273,158	1,753,441

The Company records an allowance for expected credit losses considering various factors including age of the receivable balances and financial condition of the customers.

11 - PREPAYMENTS AND OTHER RECEIVABLES

	2021	*2020*
	SR	*SR*
Employee loans & advances	**1,759,367**	1,776,354
Prepaid expenses	**575,515**	614,175
Advances to suppliers	**141,223**	24,963
Value Added Tax	**-**	10,859
Others	**72,859**	-
	2,548,964	2,426,351

12 - CASH AND CASH EQUIVALENTS

	2021	*2020*
	SR	*SR*
Cash on hand	**50,000**	45,000
Cash at banks	**2,722,280**	11,231,589
	2,772,280	11,276,589

13 - DIVIDENDS

During the year, the shareholders resolved to distribute dividends in the amount of SR 6,000,000 (2020: SR 6,900,000). The Company paid during the year SR 4,481,952 million (2020: SR 6,900,000).

14 - CAPITAL MANAGEMENT

For the purpose of capital management, capital includes 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.

15 - EMPLOYEE BENEFITS OBLIGATIONS

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

	2021	*2020*
	SR	*SR*
1 January	**4,800,485**	5,538,487
Expense charged to profit or loss	**450,186**	546,513
Payments	**(458,736)**	(1,329,245)
Actuarial remeasurement charged to OCI	**(91,816)**	44,730
31 December	**4,700,119**	4,800,485

The expense charged to profit or loss comprise of:

	2021	*2020*
	SR	*SR*
Current service cost	**423,242**	478,554
Interest cost	**26,944**	67,959
Cost recognized in profit or loss	**450,186**	546,513

Significant actuarial assumptions

	As at 31 December	
	2021	*2020*
Discount rate used	**2.80%**	2.50%
Salary increase rate	**1.20%**	2.00%
Employees turnover	**Moderate**	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

	31 December 2021		31 December 2020	
	%	**SR**	%	SR
Discount rate				
Increase	**+ 1%**	**237,586**	+ 1%	227,468
Decrease	**- 1%**	**251,867**	- 1%	241,182
Salary growth rate				
Increase	**+ 1%**	**303,579**	+ 1%	289,392
Decrease	**- 1%**	**341,682**	- 1%	275,549

16 - ACCRUED EXPENSES AND OTHER PAYABLES

	2021	2020
	SR	SR
Sales commission	**1,122,242**	1,140,288
Accrued expenses	**820,898**	361,846
Accrued employee benefits	**542,606**	2,221,673
Value Added Tax	**136,331**	-
	2,622,077	3,723,807

17 - SHORT TERM BORROWINGS

Short- term borrowings comprise the following:

	2021	2020
	SR	SR
Short-term bank loans	**-**	2,900,000

Short-term bank loans were obtained from SAMBA bank as Tawarrq loan facility and bear financial charges at prevailing market rates which are based on fixed margin. The facility had maturity date of 6 months and was secured by guarantee of the Company's shareholders.

During the year, the Company settled the loan balance.

The carrying values of the short-term borrowings were denominated in Saudi Riyals.

18 - ZAKAT PAYABLE

18.1 Basis for Zakat:

The Company is subject to zakat. Zakat is payable at 2.5% of the greater of the approximate zakat base and adjusted profit. The significant components of the zakat base under zakat regulation principally comprise shareholders' equity, provisions at the beginning of year, long-term borrowings and adjusted net income, less a deduction for the net book value of long-term assets.

18.2 The movement in the zakat payable is as follows:

	2021	2020
	SR	SR
1 January	**1,145,066**	1,058,870
Charge for the year	**410,625**	640,000
Payments	**(524,375)**	(553,804)
31 December	**1,031,316**	1,145,066

18.3 Status of certificates and assessments

The Company has submitted its zakat returns up to the year ended 31 December 2020 and obtained the required certificates and official receipts. The zakat assessment for the Company from 2016 to 2020 are under review by the Zakat, Tax and Customs Authority (the "ZATCA").

19 - REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company has only one stream of revenue which comprise of sale of ice cream within the Kingdom of Saudi Arabia.

19.1 DISAGGREGATED REVENUE INFORMATION

Segments	*2021*	*2020*
	SR	*SR*
Type of customer		
Retail outlet customers	**49,028,655**	47,917,922
Corporate customers	**3,211,584**	5,526,898
Total revenue from contracts with customers	**52,240,239**	53,444,820

	2021	*2020*
Geographical markets	*SR*	*SR*
Eastern region	**32,956,498**	32,135,631
Central region	**11,250,310**	12,234,557
North region	**5,343,955**	6,173,420
South region	**2,689,476**	2,901,212
Total revenue from contracts with customers	**52,240,239**	53,444,820

	2021	*2020*
Credit terms	*SR*	*SR*
Cash sales	**26,076,514**	23,119,938
Credit sales	**26,163,725**	30,324,882
Total revenue from contracts with customers	**52,240,239**	53,444,820

19.2 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 subject to constraint.

20 - COST OF SALES

	2021	*2020*
	SR	*SR*
Cost of materials	**22,581,684**	21,187,580
Employee benefits	**4,368,101**	4,098,059
Depreciation	**1,486,157**	1,473,040
Utilities	**1,459,106**	1,326,237
Others	**307,376**	346,541
	30,202,424	28,431,457

21 - SELLING AND DISTRIBUTION EXPENSES

	2021	2020
	SR	*SR*
Employee benefits	**5,710,604**	5,030,907
Depreciation	**2,069,916**	1,667,941
Sales commission	**1,083,412**	1,211,382
Repair and maintenance	**1,078,017**	853,571
Fuel and transport	**529,922**	485,826
Advertisement and promotional gifts	**917,354**	392,933
Utilities and communication	**374,909**	441,216
Insurance	**173,542**	136,982
Others	**412,381**	148,255
	12,350,057	10,369,013

22 - GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	SR	*SR*
Employee benefits	**2,945,694**	3,263,324
Repair and maintenance	**213,993**	179,136
Depreciation and amortization	**113,928**	128,342
Security expense	**143,325**	143,325
Professional and governmental fees	**209,900**	908,136
Utilities and communication	**60,917**	61,542
Other	**392,756**	115,411
	4,080,513	4,799,216

23 - FINANCE COSTS, NET

	2021	2020
	SR	*SR*
Unwinding of discount on provision for dismantling cost	**32,588**	31,409
Interest cost on employee benefits obligation	**26,944**	67,959
Unwinding of discount on employee loan	**(28,597)**	(29,842)
Unwinding of discount on due to a related party	**113,738**	-
Interest on borrowing	**-**	97,909
Unwinding of discount on lease obligation	**18,299**	13,409
	162,972	180,844

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

	2021	2020
	SR	*SR*
Included in cost of sales:		
Employee benefits	**4,368,101**	2,912,522
Depreciation	**1,486,157**	1,473,040
Included in selling and distribution expenses:		
Employee benefits	**5,710,604**	5,030,907
Depreciation	**2,069,916**	1,667,941
Included in general and administrative expenses:		
Employee benefits	**2,945,694**	3,263,324
Depreciation	**113,928**	124,563
Amortization	**-**	3,779

25 - 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
HAKA Investment Company	Shareholder
Gahtani International Maritime Agency	Affiliate
Hasan Abdulkarim Alqahtani Sons Company For Trading And Contracting	Affiliate
Rikaz Properties Limited Company	Affiliate
Haka Properties Management	Affiliate
Ansal Construction Company	Affiliate
Al Eman Printing Press Company	Affiliate
HAKA For Industry Company	Affiliate

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

a) Purchases from related parties	*Relationship*	*2021*	*2020*
		SR	*SR*
Al Eman Printing Press Company	Affiliate	**14,022**	642,692
Gahtani International Maritime Agency	Affiliate	**217,559**	201,087
HAKA For Industry Company	Affiliate	**4,440**	-
Hasan Abdulkarim AlQahtani Sons Company for Trading and Contracting	Affiliate	**-**	111,930
Ansal Construction Company	Affiliate	**-**	25,200
b) Purchase of property, plant and equipment			
Rikaz Properties Limited Company	Affiliate	**3,857,475**	-
Al Eman Printing Press Company	Affiliate	**30,000**	-
c) Rental charged by related parties			
Haka Properties Management Company	Affiliate	**60,000**	-
Al Eman Printing Press Company	Affiliate	**65,166**	85,250
d) Expenses charged by related party			
HAK Holding Company	Shareholder	**152,849**	-

25 - RELATED-PARTY TRANSACTIONS (Continued)

e) Due to related parties comprised of the following:

	2021	2020
	SR	*SR*
Rikaz Properties Limited Company	**3,267,713**	-
Al Eman Printing Press Company	**56,228**	326,115
Gahtani International Maritime Agency	**53,876**	75,566
HAK Holding Company	**18,533**	11,193
HAKA For Industry Company	**5,015**	575
Ansal Construction Company	-	20,000
HAKA Properties Management Company	-	42,000
	3,401,365	475,449
Less: non current portion	**(2,564,213)**	-
	837,152	475,449

As of 31 December 2021 and 31 December 2020 related party balances are interest free and are payable as per standard credit terms.

Non current portion represents payment to be made to Rikaz Properties Limited Company for the purchase of land as per agreed 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:

	2021	2020
	SR	*SR*
Key management salary & allowances	**1,037,250**	976,985
Key management bonus & commission	-	627,032
Total key management compensation	**1,037,250**	1,604,017

During the year, members of the Board of Directors waived off their remuneration and fees to support the Company's operations.

26 - COMMITMENTS AND CONTINGENCIES

Commitments
The Company has capital commitments related to capital work in progress for an amount of SR 1,581,578 as at 31 December 2021 (2020: SR 1,086,836).

27 - SEGMENTAL REPORTING

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

28 - 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.

28 - EARNINGS PER SHARE (Continued)

Earnings per share for the years ended 31 December 2021 and 2020 have been computed as follows:

	2021	*2020*
	SR	*SR*
Basic and diluted earnings per share:		
Earnings per share	**4.27**	6.65
Profit for the year	**6,018,098**	9,381,159
Weighted average number of shares	**1,410,000**	1,410,000

29 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

29.1 Fair value measurements of financial instruments

The following table shows the carrying amounts and fair values of financial assets, other than cash and cash equivalents, 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 2021						
	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Investment in equity instruments at FVOCI	1,444,862	-	1,444,862	-	-	1,444,862	1,444,862
Investment in equity instruments at FVTPL	4,835,837	-	4,835,837	-	2,309,857	2,525,980	4,835,837
Accounts receivable	-	3,273,158	3,273,158	-	-	-	-
Employee loans & advances	-	1,759,367	1,759,367	-	-	-	-
	6,280,699	5,032,525	11,313,224	-	2,309,857	3,970,842	6,280,699
Financial liabilities							
Accounts payable	-	3,077,017	3,077,017	-	-	-	-
Due to related parties	-	3,401,365	3,401,365	-	-	-	-
Accrued expenses and other payables	-	2,622,077	2,622,077	-	-	-	-
Dividend payable	-	1,518,048	1,518,048	-	-	-	-
Lease liabilities	-	367,265	367,265	-	-	-	-
	-	10,985,772	10,985,772	-	-	-	-

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

29.1 Fair value measurements of financial instruments (Continued)

	31 December 2020						
	Carrying amount			Fair value			
	Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	SR	SR	SR	SR	SR	SR	SR
Financial assets							
Investment in equity instruments at FVOCI	1,000,000	-	1,000,000	-	-	1,000,000	1,000,000
Accounts receivable	-	1,753,441	1,753,441	-	-	-	-
Employee loans & advances	-	1,776,354	1,776,354	-	-	-	-
	1,000,000	3,529,795	4,529,795	-	-	1,000,000	1,000,000
Financial liabilities							
Accounts payable	-	1,660,027	1,660,027	-	-	-	-
Due to related parties	-	475,449	475,449	-	-	-	-
Accrued expenses and other payables	-	3,723,807	3,723,807	-	-	-	-
Short term borrowings	-	2,900,000	2,900,000	-	-	-	-
Security deposits	-	283,500	283,500	-	-	-	-
Lease liabilities	-	456,881	456,881	-	-	-	-
	-	9,499,664	9,499,664	-	-	-	-

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

29.2 Risk Management of Financial Instruments

The Company's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk, currency risk, and interest rate 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, other receivables and cash at bank as follows.

	2021	2020
	SR	*SR*
Accounts receivable	**3,273,158**	1,753,441
Employee loans & advances	**1,759,367**	1,776,354
Cash at banks	**2,722,280**	11,231,589
	7,754,805	14,761,384

The carrying amount of financial assets represents the maximum credit exposure.

The Company seeks to limit its credit risk with respect to trade receivables by setting credit limits for individual customers and by monitoring outstanding balances on an ongoing basis. The receivable balances are monitored with the result that the Company's exposure to bad debts is not significant. The five largest customers account approximately for 28% of outstanding trade receivables at 31 December 2021 (2020: 26 %).
Bank balances are held with banks with sound credit ratings.

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 contractual maturities at the end of the reporting period of financial liabilities.

	31 December 2021			
	Carrying amount	**Less than 1 year**	**1 year to 5 years**	**More than 5 years**
	SR	**SR**	**SR**	**SR**
Financial Liabilities				
Accounts payable	**3,077,017**	**3,077,017**	**-**	**-**
Due to related parties	**3,401,365**	**837,152**	**2,564,213**	**-**
Accrued expenses and other payables	**2,622,077**	**2,622,077**	**-**	**-**
Dividend payable	**1,518,048**	**1,518,048**	**-**	**-**
Lease liabilities	**367,265**	**93,033**	**274,232**	**-**
	10,985,772	**8,147,327**	**2,838,445**	**-**

	31 December 2020			
	Carrying amount	Less than 1 year	1 year to 5 years	More than 5 years
	SR	SR	SR	SR
Financial liabilities				
Short term borrowings	2,900,000	2,900,000	-	-
Accounts payable	1,660,027	1,660,027	-	-
Due to related parties	475,449	475,449	-	-
Accrued expenses and other payables	3,723,807	3,723,807	-	-
Lease liabilities	456,881	89,614	367,267	-
	9,216,164	8,848,897	367,267	-

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

29.2 Risk Management of Financial Instruments (Continued)

Liquidity Risk (continued):
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"), Danish Krone (DKK) 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 DKK and Euros.

Interest Rate Risk
Interest rate risk is the exposure associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. There are no variable rate financial liabilities as at 31 December 2021.

Management monitors the changes in interest rates and manages its impact on the financial statements accordingly.

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.

	2021	*Sensitivity*	
Markets		***Gain/loss***	
Investments at fair value	***SR***	***SR***	*%*
Saudi Arabia	**6,280,699**	**+ - 62,807**	**+ - 1%**

	2020	*Sensitivity*	
Markets		***Gain/loss***	
Investments at fair value	***SR***	***SR***	*%*
Saudi Arabia	**1,000,000**	**+ - 10,000**	**+ - 1%**

30 - APPLICATION OF NEW AND REVISED IFRS

30.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Impact of the initial application of Interest Rate Benchmark Reform
- Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16

30.2 - New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

30 - APPLICATION OF NEW AND REVISED IFRS (Continued)

30.2 New and revised IFRSs in issue but not yet effective and not early adopted (Continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities.	1 January 2023
IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.	1 January 2023
Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	1 January 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous	1 January 2022
Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period of initial application and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

31 - COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation of the current year.

32 - SUBSEQUENT EVENTS

The Capital Market Authority Board has issued its resolution dated 25 Sha'ban 1443H (corresponding to 28 March 2022) approving the Company's application for offering of 282,000 shares representing 20% of the Company's share capital in the parallel market.

33 - DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Company's Board of Directors on 24 Ramadan 1443H corresponding to 25 April 2022.