

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 2022

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 2022

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INDEPENDENT AUDITOR'S REPORT**TO THE SHAREHOLDERS OF****ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)**

(A Saudi Joint Stock Company)

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 2022, 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 2022, 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. 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 (including International Independence Standards) issued by the International Ethics Standards Board for Accountants and endorsed in the Kingdom of Saudi Arabia (“IESBA Code”), and we have fulfilled our 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE SHAREHOLDERS OF

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

Report on the Audit of the Financial Statements (Continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Inventory valuation</p> <p>As at 31 December 2022, inventory amounted to SR 11.02 million (31 December 2021: SR 9.81 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 3 for the accounting policy and note 11 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 or 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)

Report on the Audit of the Financial Statements (Continued)

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

Management is responsible for the preparation and fair presentation 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 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 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.

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.

INDEPENDENT AUDITOR'S REPORT (Continued)**TO THE SHAREHOLDERS OF****ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)**
(A Saudi Joint Stock Company)**Report on the Audit of the Financial Statements (Continued)***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)*

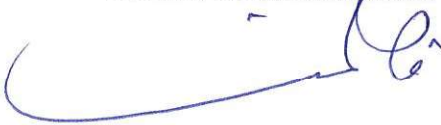
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we 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 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.

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 MKM & Co.
Certified Public Accountants



Majid Muneer AlNemer
License No. 381
Al-Khobar, 7 Ramadhan 1444H
29 March 2023



ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	<i>Note</i>	2022	2021
		<i>SR</i>	<i>SR</i>
ASSETS			
Non-current assets			
Property, plant and equipment	5	19,132,726	20,625,338
Intangible assets	6	217,556	-
Right of use assets	7	313,618	405,862
Investment in equity instruments at FVOCI	8	1,444,862	1,444,862
Other non financial asset	9	280,000	-
Total non-current assets		21,388,762	22,476,062
Current assets			
Investment in equity instruments at FVTPL	10	2,633,096	4,835,837
Inventories	11	11,022,823	9,814,722
Accounts receivable	12	3,985,295	3,273,158
Prepayments and other receivables	13	2,033,443	2,548,964
Cash and cash equivalents	14	3,081,393	2,772,280
Total current assets		22,756,050	23,244,961
TOTAL ASSETS		44,144,812	45,721,023
EQUITY AND LIABILITIES			
Equity			
Share capital	1	14,100,000	14,100,000
Statutory reserve	3	4,230,000	4,230,000
Actuarial reserve	17	217,905	133,531
Fair value reserve of financial assets at FVTOCI	8	444,862	444,862
Retained earnings		9,966,971	9,193,847
Total equity		28,959,738	28,102,240
Non-current liabilities			
Decommissioning liability	5	935,384	901,576
Employee benefits obligations	17	4,298,281	4,700,119
Due to related parties	26	1,860,713	2,564,213
Lease liabilities	7	187,271	274,232
Total non-current liabilities		7,281,649	8,440,140
Current liabilities			
Accounts payable		2,200,100	3,077,017
Due to related parties - current portion	26	1,009,500	837,152
Accrued expenses and other payables	18	3,450,172	2,622,077
Lease liabilities - current portion	7	86,960	93,033
Dividend payable	15	44,081	1,518,048
Zakat payable	19	1,112,612	1,031,316
Total current liabilities		7,903,425	9,178,643
Total liabilities		15,185,074	17,618,783
TOTAL EQUITY AND LIABILITIES		44,144,812	45,721,023

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 Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	2022	2021
		<i>SR</i>	<i>SR</i>
Revenue from contracts with customers	20	58,040,289	52,240,239
Cost of sales	21	(34,670,631)	(30,202,424)
Gross profit		23,369,658	22,037,815
Selling and distribution expenses	22	(13,937,103)	(12,350,057)
General and administrative expenses	23	(5,255,308)	(4,080,513)
(Provision) / reversal for expected credit loss	12	(92,698)	429,344
Operating profit		4,084,549	6,036,589
Finance costs, net	24	(321,070)	(162,972)
Other income		515,746	555,106
Profit before zakat		4,279,225	6,428,723
Zakat	19	(506,101)	(410,625)
Profit for the year		3,773,124	6,018,098
Other comprehensive income:			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent years:</i>			
Remeasurement gain on a defined benefit plan	17	84,374	91,816
Change in fair value of equity instruments at FVOCI	8	-	444,862
Other comprehensive income for the year		84,374	536,678
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,857,498	6,554,776
Earnings per share			
Basic and diluted earnings per share	29	2.68	4.27

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Chairman

Mohammad Al Rassam
Chief Executive Officer

James Costa
Finance Manager

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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 2022

	Share capital	Statutory reserve	Actuarial reserve	Fair value reserve of financial assets at FVTOCI	Retained earnings	Total
	SR	SR	SR	SR	SR	SR
For the year ended 31 December 2022:						
As at 1 January 2022	14,100,000	4,230,000	133,531	444,862	9,193,847	28,102,240
Profit for the year	-	-	-	-	3,773,124	3,773,124
Other comprehensive income	-	-	84,374	-	-	84,374
Total comprehensive income	-	-	84,374	-	3,773,124	3,857,498
Dividend (note 15)	-	-	-	-	(3,000,000)	(3,000,000)
As at 31 December 2022	14,100,000	4,230,000	217,905	444,862	9,966,971	28,959,738
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 15)	-	-	-	-	(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

Khaled Hassan Al Qahtani
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ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
OPERATING ACTIVITIES		
Profit before zakat	4,279,225	6,428,723
Adjustments for non-cash items:		
Depreciation and amortization	3,628,239	3,670,001
Gain on disposal of property, plant and equipment	(70,000)	(46,250)
Provision / (reversal) for expected credit loss	92,698	(429,344)
Employee benefits obligations	451,812	423,242
Finance charges	321,070	162,972
Provision for obsolete inventory	277,007	-
Change in fair value of investment in equity instruments at FVTPL	(107,116)	(35,837)
	<u>8,872,935</u>	<u>10,173,507</u>
Changes in working capital:		
Inventories	(1,485,108)	(897,137)
Accounts receivable	(804,835)	(1,090,373)
Prepayments and other receivables	515,521	(94,016)
Accounts payable	(876,917)	1,416,990
Due to related parties	(628,322)	(1,075,297)
Accrued expenses and other payables	336,834	(1,101,730)
Security deposits	-	(283,500)
Cash generated from operations	<u>5,930,108</u>	<u>7,048,444</u>
Employee termination benefits paid	(397,180)	(458,736)
Zakat paid	(424,805)	(524,375)
Finance cost paid	(56,045)	-
Net cash flows from operating activities	<u>5,052,078</u>	<u>6,065,333</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,038,746)	(2,326,025)
Disposal / purchase of equity instruments designated at FVTPL	2,309,857	(4,800,000)
Other non financial asset	(280,000)	-
Purchase of intangible assets	(222,193)	-
Proceeds from sale of property, plant and equipment	70,000	46,250
Net cash flows used in investing activities	<u>(161,082)</u>	<u>(7,079,775)</u>
FINANCING ACTIVITIES		
Dividend paid	(4,473,967)	(4,481,952)
Net change in borrowings	-	(2,900,000)
Lease payments	(107,916)	(107,915)
Net cash flows used in financing activity	<u>(4,581,883)</u>	<u>(7,489,867)</u>
Net change in cash and cash equivalents	<u>309,113</u>	<u>(8,504,309)</u>
Cash and cash equivalents at the beginning of the year	<u>2,772,280</u>	<u>11,276,589</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>3,081,393</u></u>	<u><u>2,772,280</u></u>
NON-CASH TRANSACTIONS:		
Addition to property, plant and equipment from related parties (note 26)	<u>-</u>	<u>3,887,475</u>

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 Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

Following the Company's shares listing, legal formalities associated with the update of the Company's commercial registration and By-laws are also completed during the year 2022.

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 (2021: 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 Branch</u>	<u>Commercial registration number</u>
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.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)
CURRENT VERSUS NON-CURRENT CLASSIFICATION (Continued)

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; or
- Level 3: Valuation techniques for which the lowest level input that is significant 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 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 20.

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.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

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; 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 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.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	<u>Years</u>
- 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 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.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS (Continued)

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.

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, cash at banks 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.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL ASSETS (Continued)

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.

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 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.

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, dividend payable and lease liabilities.

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.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES (Continued)

Financial liabilities at fair value through profit or loss (continued)

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.

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 as per IFRS-09.

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 by-laws. 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.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 30
- Sensitivity analysis disclosures Notes 17 and 30

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) 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.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Estimates and assumptions (continued)

(c) Uncertain zakat positions

The Company's current zakat payable of SR 1,112,612 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 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 12.

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.

(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 4 years.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

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 2021	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	
Addition	-		35,860		1,120,958		38,000		133,865		46,875		663,188		2,038,746	
Disposal	-		-		-		(665,507)		-		-		-		(665,507)	
Transfer	-		-		1,098,050		-		-		-		(1,098,050)		-	
At 31 December 2022	6,417,475		12,995,029		77,537,029		13,474,650		2,682,451		4,009,691		905,992		118,022,317	
Accumulated depreciation:																
At 1 January 2021	-		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	
Charge for the year	-		190,495		2,519,795		649,064		115,362		56,642		-		3,531,358	
Disposal	-		-		-		(665,507)		-		-		-		(665,507)	
At 31 December 2022	-		11,117,140		69,065,698		12,373,904		2,468,704		3,864,145		-		98,889,591	
Net book value:																
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	
At 31 December 2022	6,417,475		1,877,889		8,471,331		1,100,746		213,747		145,546		905,992		19,132,726	

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

- As at December 31, 2022 capital work in progress represents the advance paid for purchases of freezers, construction of warehouse and other machinery items (2021 : 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 84.15 million (2021: SR 76.18 million).

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 - INTANGIBLE ASSETS

	Software		Capital work	Total	
	2022	2021	in progress	2022	2021
	SR	SR	SR	SR	SR
Cost:					
At 1 January	61,810	61,810	-	61,810	61,810
Additions during the year	71,800	-	150,393	222,193	-
At 31 December	133,610	61,810	150,393	284,003	61,810
Accumulated amortization:					
At 1 January	61,810	61,810	-	61,810	61,810
Charge for the year	4,637	-	-	4,637	-
At 31 December	66,447	61,810	-	66,447	61,810
Net book value					
At 31 December	67,163	-	150,393	217,556	-

- Intangible assets are amortised over a useful life of 4 years.

- Capital work in progress relates to the advance paid for software.

7 - RIGHT OF USE ASSETS

	2022	2021
	SR	SR
Cost:		
At 1 January	551,387	551,387
Accumulated depreciation:		
At 1 January	145,525	53,281
Charge for the year	92,244	92,244
At 31 December	237,769	145,525
Net book value	313,618	405,862

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:

	2022	2021
	SR	SR
At 1 January	367,265	456,881
Interest charge during the year	14,882	18,299
Payments during the year	(107,916)	(107,915)
At 31 December	274,231	367,265

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

	2022	2021
	SR	SR
Current portion of lease liabilities	86,960	93,033
Non current portion of lease liabilities	187,271	274,232
Total lease liabilities	274,231	367,265

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2022****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 follow :

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
At 1 January	1,444,862	1,000,000
Remeasurement recognised in OCI	-	444,862
At 31 December	<u>1,444,862</u>	<u>1,444,862</u>

9 OTHER NON FINANCIAL ASSET

It represents initial direct cost incurred to obtain a lease agreement it will be transferred to right-of-use asset upon finalisation of the underlying lease agreement.

10 - INVESTMENT IN EQUITY INSTRUMENTS AT FVTPL

Represent investments made by the Company in private equity funds managed by YAQEEN capital 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.

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Yaqeen Murabaha Financing Fund	2,633,096	2,525,980
Yaqeen SAR Murabaha Fund	-	2,309,857
	<u>2,633,096</u>	<u>4,835,837</u>

The movement of equity instruments at FVTPL is as follows:

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
At 1 January	4,835,837	-
Purchases	-	4,800,000
Disposals	(2,309,857)	-
Change in fair value	107,116	35,837
At 31 December	<u>2,633,096</u>	<u>4,835,837</u>

Yaqeen Murabaha Financing Fund (formerly 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.

11 - INVENTORIES

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Raw materials	5,213,691	4,491,982
Finished products	2,023,537	1,893,579
Spare parts	1,586,082	1,407,430
Packing materials	1,991,381	2,072,546
Goods in transit	920,059	384,105
	<u>11,734,750</u>	<u>10,249,642</u>
Less: provision for slow moving items	(711,927)	(434,920)
	<u>11,022,823</u>	<u>9,814,722</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2022****11 - INVENTORIES (Continued)**

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

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
1 January	434,920	528,106
Write off	-	(93,186)
Charge during the year	<u>277,007</u>	-
31 December	<u><u>711,927</u></u>	<u><u>434,920</u></u>

12 - ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Accounts receivable - third parties	5,787,598	4,982,763
Less: Allowance for expected credit losses	<u>(1,802,303)</u>	<u>(1,709,605)</u>
	<u><u>3,985,295</u></u>	<u><u>3,273,158</u></u>

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:

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
1 January	1,709,605	2,138,949
Provision / (reversal) for expected credit loss	<u>92,698</u>	<u>(429,344)</u>
31 December	<u><u>1,802,303</u></u>	<u><u>1,709,605</u></u>

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

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Not past due	1,010,840	1,976,310
Past due - 1 - 30 days	867,487	908,595
Past due - 31 - 120 days	2,812,613	865,357
Past due - Above 120 days	<u>1,096,658</u>	<u>1,232,501</u>
	5,787,598	4,982,763
Expected credit losses	<u>(1,802,303)</u>	<u>(1,709,605)</u>
	<u><u>3,985,295</u></u>	<u><u>3,273,158</u></u>

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

13 - PREPAYMENTS AND OTHER RECEIVABLES

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Employee loans and advances	1,654,741	1,759,367
Prepaid expenses	255,210	575,515
Advances to suppliers	45,633	141,223
Others	77,859	72,859
	<u><u>2,033,443</u></u>	<u><u>2,548,964</u></u>

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14 - CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Cash on hand	32,245	50,000
Cash at banks	<u>3,049,148</u>	<u>2,722,280</u>
	<u>3,081,393</u>	<u>2,772,280</u>

15 - DIVIDENDS

During the year, the shareholders resolved to distribute dividends in the amount of SR 3,000,000 (2021: SR 6,000,000). The Company paid during the year SR 4,473,967 (2021: SR 4,481,952).

16 - 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.

17 - EMPLOYEE BENEFITS OBLIGATIONS

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

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
At 1 January	4,700,119	4,800,485
Expense charged to profit or loss	570,977	450,186
Benefits payable	(491,261)	-
Benefits paid	(397,180)	(458,736)
Actuarial remeasurement charged to OCI	(84,374)	(91,816)
At 31 December	<u>4,298,281</u>	<u>4,700,119</u>

The expense charged to profit or loss comprise of:

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Current service cost	451,812	423,242
Interest cost	119,165	26,944
Cost recognized in profit or loss	<u>570,977</u>	<u>450,186</u>

Significant actuarial assumptions

	<i>As at 31 December</i>	
	<u>2022</u>	<u>2021</u>
Discount rate used	4.01%	2.80%
Salary increase rate	2.50%	1.20%
Employees turnover	Moderate	Moderate

Sensitivity analysis of key actuarial assumptions are as follows:

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	%	SR	%	SR
Discount rate				
Increase	+ 1%	155,136	+ 1%	237,586
Decrease	- 1%	173,617	- 1%	251,867
Salary growth rate				
Increase	+ 1%	184,273	+ 1%	303,579
Decrease	- 1%	167,547	- 1%	341,682

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2022****18 - ACCRUED EXPENSES AND OTHER PAYABLES**

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Sales commission	1,250,155	1,122,242
Accrued employee benefits	1,226,053	542,606
Accrued expenses	807,436	820,898
Value added tax	166,528	136,331
	<u>3,450,172</u>	<u>2,622,077</u>

19 - ZAKAT PAYABLE**19.1 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.

19.2 The movement in the zakat payable is as follows:

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
1 January	1,031,316	1,145,066
Charge for the year	506,101	410,625
Payments	(424,805)	(524,375)
31 December	<u>1,112,612</u>	<u>1,031,316</u>

19.3 Status of certificates and assessments

The Company has submitted its zakat returns up to the year ended 31 December 2021 and obtained the required certificates and official receipts. During the year 2022 the Company has received a zakat assessment for the year 2016 in which Zakat, Tax and Customs Authority (ZATCA) has raised an additional zakat liability of SR 18,641. The Company has fully settled the additional liability during the year 2022. The zakat assessment for the years from 2017 to 2021 are under review by ZATCA.

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

20.1 DISAGGREGATED REVENUE INFORMATION

Segments	2022	2021
	SR	SR
Type of customer		
Retail outlet customers	52,828,705	49,028,655
Corporate customers	5,211,584	3,211,584
Total revenue from contracts with customers	58,040,289	52,240,239
	2022	2021
	SR	SR
Geographical markets		
Eastern region	35,805,135	32,956,498
Central region	13,296,829	11,250,310
North region	5,391,487	5,343,955
South region	3,546,838	2,689,476
Total revenue from contracts with customers	58,040,289	52,240,239
	2022	2021
	SR	SR
Credit terms		
Cash sales	29,124,674	26,076,514
Credit sales	28,915,615	26,163,725
Total revenue from contracts with customers	58,040,289	52,240,239

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 subject to constraint.

21 - COST OF SALES

	2022	2021
	SR	SR
Cost of materials	25,942,983	21,855,629
Employee benefits	4,271,189	4,368,101
Depreciation	1,478,814	1,486,157
Utilities	1,473,147	1,459,106
Others	1,504,498	1,033,431
	34,670,631	30,202,424

22 - SELLING AND DISTRIBUTION EXPENSES

	2022	2021
	SR	SR
Employee benefits	5,289,981	5,710,604
Depreciation	2,013,052	2,069,916
Sales commission	1,760,900	1,083,412
Advertisement and promotional gifts	1,735,284	917,354
Fuel and transport	1,062,299	529,922
Repair and maintenance	900,227	1,078,017
Utilities and communication	407,183	374,909
Insurance	171,749	173,542
Others	596,428	412,381
	13,937,103	12,350,057

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	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Employee benefits	3,666,243	2,945,694
Professional and governmental fees	485,272	209,900
Repair and maintenance	183,318	213,993
Security expense	143,325	143,325
Depreciation and amortization	136,373	113,928
Inventory written off	82,209	-
Utilities and communication	60,155	60,917
Others	498,413	392,756
	<u>5,255,308</u>	<u>4,080,513</u>

24 - FINANCE COSTS, NET

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Interest cost on employee benefits obligation	119,165	26,944
Unwinding of discount on due to a related party	97,170	113,738
Interest on borrowing (note 24.1)	56,045	-
Unwinding of discount on provision for dismantling cost	33,808	32,588
Unwinding of discount on lease obligation	14,882	18,299
Unwinding of discount on employee loan	-	(28,597)
	<u>321,070</u>	<u>162,972</u>

24.1 Interest on borrowings represents finance cost on a short term bank loan obtained by the Company during the year at the prevailing market interest rate. The loan was fully repaid during the year.

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

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Included in cost of sales:		
Employee benefits	4,271,189	4,368,101
Depreciation	1,478,814	1,486,157
Included in selling and distribution expenses:		
Employee benefits	5,289,981	5,710,604
Depreciation	2,013,052	2,069,916
Included in general and administrative expenses:		
Employee benefits	3,666,243	2,945,694
Depreciation and amortization	136,373	113,928

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2022****26 - 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.

<u>Name</u>	<u>Relationship</u>
HAK Holding Company (Hassan Abdul Karim Al Gahtani Group)	Shareholder
Gahtani International Maritime Agency	Affiliate
Rikaz Real Estate Company	Affiliate
Haka Properties Project Management Company	Affiliate
Haka Motors and Industry Company	Affiliate
Al Eman Printing Press Company	Affiliate

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

<i>a) Purchases from related parties</i>	<u>Relationship</u>	<u>2022</u>	<u>2021</u>
		<u>SR</u>	<u>SR</u>
Gahtani International Maritime Agency	Affiliate	174,426	217,559
Haka Motors and Industry Company	Affiliate	1,967	4,440
Al Eman Printing Press Company	Affiliate	-	14,022
<i>b) Purchase of property, plant and equipment</i>			
Rikaz Real Estate Company	Affiliate	-	3,857,475
Al Eman Printing Press Company	Affiliate	-	30,000
<i>c) Rental charged by related parties</i>			
Haka Properties Project Management Company	Affiliate	-	60,000
Al Eman Printing Press Company	Affiliate	-	65,166
<i>d) Expenses charged by related party</i>			
HAK Holding Company (Hassan Abdul Karim Al Gahtani Group)	Shareholder	134,316	152,849
<i>e) Due to related parties comprised of the following:</i>			
		<u>2022</u>	<u>2021</u>
		<u>SR</u>	<u>SR</u>
Rikaz Real Estate Company		2,740,463	3,267,713
Al Eman Printing Press Company		56,228	56,228
Gahtani International Maritime Agency		49,169	53,876
HAK Holding Company (Hassan Abdul Karim Al Gahtani Group)		22,386	18,533
Haka Motors and Industry Company		1,967	5,015
		<u>2,870,213</u>	<u>3,401,365</u>
Less: non current portion		<u>(1,860,713)</u>	<u>(2,564,213)</u>
		<u>1,009,500</u>	<u>837,152</u>

As of 31 December 2022 and 31 December 2021 related party balances are interest free and are payable as per standard credit terms.

Non current portion represents present value of payment to be made to Rikaz Real Estate Company for the purchase of land as per agreed terms.

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)
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FOR THE YEAR ENDED 31 DECEMBER 2022

26 - RELATED-PARTY TRANSACTIONS (Continued)

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:

	<u>2022</u>	<u>2021</u>
	<u>SR</u>	<u>SR</u>
Key management salary & allowances	1,091,250	1,037,250
Key management bonus & commission	411,741	-
Total key management compensation	<u>1,502,991</u>	<u>1,037,250</u>

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

27 - COMMITMENTS AND CONTINGENCIES

Commitments

The Company has capital commitments related to capital work in progress for an amount of SR 648,872 as at 31 December 2022 (2021: SR 1,581,578).

28 - SEGMENTAL REPORTING

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

29 - 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.

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29 - EARNINGS PER SHARE (Continued)

Earnings per share for the years ended 31 December 2022 and 2021 have been computed as follows:

	2022	2021
Basic and diluted earnings per share:		
Earnings per share (SR)	2.68	4.27
Profit for the year (SR)	3,773,124	6,018,098
Weighted average number of shares	1,410,000	1,410,000

30 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS

30.1 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 2022						
	Carrying amount		Fair value				
	Fair value SR	Amortized cost SR	Total SR	Level 1 SR	Level 2 SR	Level 3 SR	Total 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	2,633,096	-	2,633,096	-	-	2,633,096	2,633,096
Accounts receivable	-	3,985,295	3,985,295	-	-	-	-
Employee loans & advances	-	1,654,741	1,654,741	-	-	-	-
	4,077,958	5,640,036	9,717,994	-	-	4,077,958	4,077,958
Financial liabilities							
Accounts payable	-	2,200,100	2,200,100	-	-	-	-
Due to related parties	-	2,870,213	2,870,213	-	-	-	-
Accrued expenses and other payables	-	3,283,644	3,283,644	-	-	-	-
Lease liabilities	-	274,231	274,231	-	-	-	-
Dividend payable	-	44,081	44,081	-	-	-	-
	-	8,672,269	8,672,269	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

30.1 Fair value measurements of financial instruments (Continued)

	31 December 2021						
	Carrying amount		Fair value				
	Fair value SR	Amortised cost SR	Total SR	Level 1 SR	Level 2 SR	Level 3 SR	Total 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	-	-	-	-
	<u>6,280,699</u>	<u>5,032,525</u>	<u>11,313,224</u>	<u>-</u>	<u>2,309,857</u>	<u>3,970,842</u>	<u>6,280,699</u>
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	-	-	-	-
	<u>-</u>	<u>10,985,772</u>	<u>10,985,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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FOR THE YEAR ENDED 31 DECEMBER 2022

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

30.2 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, other receivables and cash at bank as follows.

	<u>2022</u>	<u>2021</u>
	<i>SR</i>	<i>SR</i>
Accounts receivable	3,985,295	3,273,158
Employee loans & advances	1,654,741	1,759,367
Cash at banks	3,049,148	2,722,280
	<u>8,689,184</u>	<u>7,754,805</u>

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

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. 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 31% of outstanding accounts receivables at 31 December 2022 (2021: 28 %).

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

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 2022			
	<u>Carrying</u>	<u>Less than 1</u>	<u>1 year to 5</u>	<u>More than 5</u>
	<u>amount</u>	<u>year</u>	<u>years</u>	<u>years</u>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Financial Liabilities				
Accounts payable	2,200,100	2,200,100	-	-
Due to related parties	2,870,213	1,009,500	1,860,713	-
Accrued expenses and other payables	3,283,644	3,283,644	-	-
Lease liabilities	274,231	86,960	187,271	-
Dividend payable	44,081	44,081	-	-
	<u>8,672,269</u>	<u>6,624,285</u>	<u>2,047,984</u>	<u>-</u>
	31 December 2021			
	<u>Carrying</u>	<u>Less than 1</u>	<u>1 year to 5</u>	<u>More than 5</u>
	<u>amount</u>	<u>year</u>	<u>years</u>	<u>years</u>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
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	-
	<u>10,985,772</u>	<u>8,147,327</u>	<u>2,838,445</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**FOR THE YEAR ENDED 31 DECEMBER 2022****30 - FAIR VALUES AND RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (Continued)****30.2 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 2022.

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.

<i>Markets</i>	<i>2022</i>	<i>Sensitivity</i>	
		<i>Gain/loss</i>	
<i>Investments at fair value</i>	<i>SR</i>	<i>SR</i>	<i>%</i>
Saudi Arabia	<u>4,077,958</u>	<u>+ - 40,780</u>	<u>+ - 1%</u>
	<i>2021</i>	<i>Sensitivity</i>	
		<i>Gain/loss</i>	
<i>Investments at fair value</i>	<i>SR</i>	<i>SR</i>	<i>%</i>
Saudi Arabia	<u>6,280,699</u>	<u>+ - 62,807</u>	<u>+ - 1%</u>

31 - APPLICATION OF NEW AND REVISED IFRSs**31.1 New and revised IFRSs applied with no material effect on the financial statements**

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- Amendments IFRS 3 Business Combination updating a reference to the Conceptual Framework.
- 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.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets regarding the costs to include when assessing whether a contract is onerous

ARABIAN FOOD AND DAIRY FACTORIES COMPANY (FADECO)

(A Saudi Joint Stock Company)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

31 - APPLICATION OF NEW AND REVISED IFRSs (Continued)

31.1 New and revised IFRSs applied with no material effect on the financial statements (Continued)

- Annual Improvements to IFRS 2018 – 2020 Cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41.

31.2 - 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:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
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 2024
Amendments to IFRS 16 Leases regarding the treatment for sale and leaseback transactions.	1 January 2024
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
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	1 January 2023
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.

32 - COMPARATIVE FIGURES

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

33 - DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Company's Board of Directors on 4 Ramadhan 1444H corresponding to 26 March 2023.