

**FESH FASH SNACK FOOD PRODUCTION CO.
A SAUDI JOINT-STOCK COMPANY
RIYADH - KINGDOM OF SAUDI ARABIA
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024**

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Independent Auditor's Report

To the Shareholders

Fesh Fash Snack Food Production Co.

A Saudi joint-stock company

Riyadh - Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Fesh Fash Snack Food Production Co. a Saudi joint-stock company, (the "Company"), which comprise the statement of financial position as of December 31, 2024, the statement of profit or loss and other comprehensive income, the statement of changes in Shareholders' equity and the statement of cash flows for the year then ended and the accompanying notes (1) to (29) to the financial statements, including information of materiality regarding accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of the as of December 31, 2024, and its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Auditors and Accountants.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing that 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), 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 the conduct. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key audit matters

The Key Audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our overall audit of the financial statements, and in forming our opinion thereon, we did not provide a separate opinion on those matters.

Independent Auditor's Report

To the Shareholders
 Fesh Fash Snack Food Production Co.
 A Saudi joint-stock company
 Riyadh - Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements... (Continued)
Key audit matters... (Continued)

The following are description of each of the key audit matters and how we addressed them:

Key Audit Matter	During the audit, we addressed the key audit matters as follows:
Revenue Recognition Revenue recognition is considered a key audit matter as revenue is an important element of the company's performance and results and includes inherent risks that may cause the management to override the internal control procedures by recognizing revenues with more than their actual value in order to achieve the goals or to improve the Company's results. As stated in note (19), the Company's revenue as of December 31, 2024 amounted to SR37,733,231 (2023: SR33,750,560).	The audit procedures which we performed, among other matters based on our judgment, included the following: <ul style="list-style-type: none"> • Tested the design of the internal control procedures and their operational efficiency in relation to recognition of revenue and the related accounts receivables. • Tested the cut-off procedures to ensure that revenues are recorded in their correct periods. • Performed analytical procedures to understand the causes of revenue variance compared with the previous year and verify their appropriateness and whether there are significant fluctuations which need additional review in the light of our understanding of the current market conditions. • Performed detailed tests to a sample of the sold products and verified the proper application of revenue recognition policy. • Verified the appropriateness of the accounting policy to realize the Company's revenue in accordance with the requirements of IFRS 15: Revenue from Contracts with Customers. • To verify the adequacy and completeness of the disclosures related to revenues in the financial statements.
* Refer to note (3.18) to the financial statements of the accounting policy related to revenue.	

Opening balances	
Key audit matter	During the audit, we addressed the key audit matters as follows:
The audit of opening balances is considered a key audit matter as International Standards on Auditing require auditors in an initial audit engagement (i.e., when the financial statements of the previous period were audited by a previous auditor) to obtain sufficient appropriate audit evidence that the opening balances are free from material misstatements that might affect the current period's financial statements, and that appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or that changes thereto are properly accounted for and adequately presented.	We have performed the following procedures to verify the accuracy of opening balances: <ul style="list-style-type: none"> • Audit of accounting records to determine whether the closing balances of the previous period have been correctly brought forward to the current period. • Audit of opening balances to determine whether they reflect the application of appropriate accounting policies. • Assessment of whether audit procedures performed in the current year provide relevant evidence regarding opening balances. • Implementation of specific audit procedures to obtain evidence regarding opening balances. • Audit of the previous independent auditor's working papers to obtain evidence regarding opening balances.

Other matter

The financial statements for the year ended December 31, 2023 were audited by another another independent auditor who expressed an unmodified opinion about those financial statements on Ramadan 18, 1445 H corresponding to March 28, 2024.

**Independent Auditor's Report****To the Shareholders**

**Fesh Fash Snack Food Production Co.
A Saudi joint-stock company
Riyadh - Kingdom of Saudi Arabia**

Report on the Audit of the Financial Statements... (Continued)**Other information**

Other information consists of the information included in the Company's annual report for the year ended December 31, 2024 other than the financial statements and the auditor's report thereon. The Company's Management is responsible for the other information received in its annual report. It is expected that the annual report will be available to us subsequent to the date of this auditor's report.

Our opinion on the financial statements does not include the other information, nor does or will it express any form of assurances in this regard.

With regard to our audit of the financial statements, it is our responsibility to read the information stated above, and in doing so, we consider whether the other information is materially inconsistent with the financial statements or the information we obtained during the audit process, or otherwise appears to contain a material misstatement.

If we conclude that there is a material misstatement in this other information, based on the work we have performed, we are required to report that fact to those charged with governance.

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 the IFRS as endorsed in the Kingdom Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Auditors and Accountants, and the provisions of the Companies Law and Articles of Association and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 on the basis taken on these financial statements.

As part of an audit performed in accordance with International Standards on Auditing as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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.

Independent Auditor's Report

To the Shareholders
Fesh Fash Snack Food Production Co.
A Saudi joint-stock company
Riyadh - Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements... (Continued)**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.
- 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 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 a fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for the audit opinion.

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

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and we communicated with them all relationships and other matters that may reasonably affect our independence, and related safeguards, if required.

Among the matters communicated to those charged with governance, we identify those matters that we considered most significant when auditing the financial statements of the current period, and which are considered main audit matters. We explain these matters in our report unless a law or regulations prevent public disclosure of a matter, or when we see, in extremely rare circumstances, matters that should not be reported in our report because the negative consequences of doing so are reasonably expected to outweigh the public interest of this reporting.

For El Sayed El Ayouty & Co.



Abdullah A. Balamesh
Certified Public Accountant
License No. (345)

Riyadh on: 24 Ramadan 1446 H
Corresponding to: 24 March 2025



Fesh Fash Snack Food Production Co.
A Saudi joint-stock company
Riyadh - Kingdom of Saudi Arabia
Statement of financial position as at 31 December 2024
(Expressed in Saudi Riyals)

	Note	31/12/2024	31/12/2023
Assets			
Non-current assets			
Property, plant and equipment - net	5	12,047,472	12,826,296
Right-of-use assets - net	6.1	643,179	319,815
Total non-current assets		12,690,651	13,146,111
Current assets			
Inventory - net	7	4,579,463	6,161,221
Trade receivables - net	8	5,055,341	4,399,414
Prepayments and other receivables - net	9	928,051	943,508
Due from a related party	10.1	-	557,174
Cash and cash equivalent	11	5,191,970	2,435,900
Total current assets		15,754,825	14,497,217
Total assets		28,445,476	27,643,328
Equity and liabilities			
Equity			
Share capital	12	11,300,000	11,300,000
Statutory reserve	13	1,427,950	1,427,950
Retained earnings		4,340,025	2,230,863
Total equity		17,067,975	14,958,813
Non-current liabilities			
Long-term loan - non-current portion	14.2	2,500,000	3,300,000
Lease obligations - non-current portion	6.2.2	270,758	318,928
Employees' defined benefit obligations	15	1,507,990	1,427,100
Total non-current liabilities		4,278,748	5,046,028
Current liabilities			
Long-term loan - current portion	14.1	800,000	600,000
Lease obligations - current portion	6.2.1	252,744	61,544
Trade payables	16	2,315,360	4,239,273
Accrued expenses and other payables	17	3,487,248	2,492,258
Provision for zakat	18.2	243,401	245,412
Total current liabilities		7,098,753	7,638,487
Total liabilities		11,377,501	12,684,515
Total equity and liabilities		28,445,476	27,643,328

The accompanying notes from (1) to (29) form an integral part of these financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

Chief Financial Officer

Chairman of Board of Directors

Chief Executive Officer

Fesh Fash Snack Food Production Co.
A Saudi joint-stock company
Riyadh - Kingdom of Saudi Arabia
Statement of profit or loss and other comprehensive income
for the year ended 31 December 2024
(Expressed in Saudi Riyals)

	Note	2024	2023
Revenue	19	37,733,231	33,750,560
Cost of revenue	20	<u>(26,098,945)</u>	<u>(23,955,939)</u>
Gross profit		11,634,286	9,794,621
General and administrative expenses	21	(3,395,552)	(3,315,609)
Selling and distribution expenses	22	(3,365,821)	(3,295,796)
Provision for expected credit loss	8.1	<u>(553,200)</u>	<u>(381,829)</u>
Income from operating activities		4,319,713	2,801,387
Finance costs	23	(68,194)	(94,740)
Other income		<u>34,684</u>	<u>84,013</u>
profit for the year before Zakat		4,286,203	2,790,660
Zakat	18.1	<u>(245,372)</u>	<u>(247,383)</u>
Net profit for the year		4,040,831	2,543,277
Other comprehensive income:			
Items that will not be re-classified to profit or loss:			
Profits / (losses) from re-measurement of employees' defined benefit liabilities	15	<u>102,331</u>	<u>(206,855)</u>
Total comprehensive income for the year		4,143,162	2,336,422
Basic and diluted earnings per share attributable to the Company's Shareholders			
Net Profit for the year "Saudi riyals"	25	0.36	0.23

The accompanying notes from (1) to (29) form an integral part of these financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

Chief Financial Officer

Chairman of Board of Directors

Chief Executive Officer

Fesh Fash Snack Food Production Co.
A Saudi joint-stock company
Riyadh - Kingdom of Saudi Arabia
Statement of changes in equity for the year ended December 31, 2024
(Expressed in Saudi Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Total equity
For the year ended 31 December 2023					
Balance at 01 January 2023		11,300,000	1,173,622	1,843,560	14,317,182
Dividends		-	-	(1,694,791)	(1,694,791)
Net profit for the year		-	-	2,543,277	2,543,277
Other comprehensive loss		-	-	(206,855)	(206,855)
Total comprehensive income for the year		-	-	2,336,422	2,336,422
Transferred to the statutory reserve		-	254,328	(254,328)	-
Balance at 31 December 2023		11,300,000	1,427,950	2,230,863	14,958,813
For the year ended 31 December 2024					
Balance at 01 January 2024		11,300,000	1,427,950	2,230,863	14,958,813
Dividends	24	-	-	(2,034,000)	(2,034,000)
Net profit for the year		-	-	4,040,831	4,040,831
Other comprehensive income		-	-	102,331	102,331
Total comprehensive income for the year		-	-	4,143,162	4,143,162
Balance at 31 December 2024		11,300,000	1,427,950	4,340,025	17,067,975

The accompanying notes from (1) to (29) form an integral part of these financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

Chief Financial Officer

Chairman of Board of Directors

Chief Executive Officer

Fesh Fash Snack Food Production Co.
A Saudi joint-stock company
Riyadh - Kingdom of Saudi Arabia
Statement of cash flows for the year ended December 31, 2024
(Expressed in Saudi Riyals)

	Note	2024	2023
Cash flows from operating activities:			
Net profit for the year before Zakat		4,286,203	2,790,660
Adjustments to reconcile net profit for the year before zakat to net cash flows from operating activities:			
Depreciation on property, plant and equipment	5	2,211,335	1,571,207
Depreciation on right-of-use assets	6	81,660	57,214
Provision for impaired accounts receivable	9.1	217,277	-
Provision for obsolete and slow moving inventories	7.1	54,407	-
Provision for expected credit loss	8.1	553,200	381,829
Employees' defined benefit obligations	15	233,823	206,390
Cost of finance	23	68,194	94,740
		7,706,099	5,102,040
Changes during the year in:			
Inventory	7	1,527,351	(1,185,359)
Trade receivables	8	(1,209,127)	17,487
Prepayments and other debit balances	9	(201,820)	807,071
Due from related parties	10.1	557,174	(513,532)
Trade payables	16	(1,923,913)	575,812
Accrued expenses and other credit balances	17	994,990	498,089
Employee defined benefit obligations - paid	15	(104,246)	(111,433)
Zakat paid	18	(247,383)	(246,309)
Net cash flows from operating activities		7,099,125	4,943,866
Cash flows from investing activities:			
Purchase of property, plant and equipment	5	(510,146)	(193,055)
Addition of projects in progress	5	(922,365)	(4,680,795)
Net cash flows (used in) investment activities		(1,432,511)	(4,873,850)
Cash flows from financing activities			
Loan repayments during the year	14	(600,000)	(400,000)
Proceeds from loans during the year		-	2,411,976
Dividends	24	(2,034,000)	(1,694,791)
Lease liabilities paid	6.2	(261,994)	(46,319)
Finance cost paid		(14,550)	(51,237)
Net cash flows (used in) from finance activities		(2,910,544)	219,629
Net increase in cash and cash equivalents		2,756,070	289,645
Cash and cash equivalents at beginning of year		2,435,900	2,146,255
Cash and cash equivalents at beginning of year	11	5,191,970	2,435,900
Supplemental information on non-cash transactions			
Profits / (losses) from re-measurement of employees' defined benefit liabilities		102,331	(206,855)
Transferred from projects under construction to property, plant and equipment		3,262,628	2,574,642
Transferred from spare parts inventory to property, plant and equipment		-	176,529
Additions to right-of-use assets		405,024	-

The accompanying notes from (1) to (29) form an integral part of these financial statements, which were approved by the Company's Board of Directors and signed on behalf of the following:

Chief Financial Officer

Chairman of Board of Directors

Chief Executive Officer

Fesh Fash Snack Food Production Co.
A Saudi joint-stock company
Riyadh - Kingdom of Saudi Arabia
Notes to the financial statements for the year ended December 31, 2024
(Expressed in Saudi Riyals)

1. General Information

1.1 Fesh Fash Snack Food Production Co., ("the Company") - a Saudi Joint Stock Company - was established in accordance with the Saudi Companies Law under the Articles of Association dated 28/05/1402H corresponding to 24/03/1982, with unified national number: 7000606512 and registered under Commercial Registration number 1010044728 dated 19/07/1402H corresponding to 11/05/1982, valid until 29/05/1448H corresponding to 08/11/2026. Pursuant to the decision of the Ministry of Commerce and Investment No. (Q/149) dated 17/06/1439H corresponding to 05/03/2018, the company was licensed to transform from a Limited Liability Company to a Closed Joint Stock Company.

- On 18/08/1442H corresponding to 31/03/2021, the company announced the approval of the Capital Market Authority for the registration of its shares for the purpose of direct listing in the Parallel Market. The Saudi Tadawul Group announced that the shares of Fesh Fash Snack Food Production Co. would be listed and start trading on the Nomu - Parallel Market as of Tuesday, 22/09/1442H corresponding to 04/05/2021 as a direct listing with the trading symbol 9515.

- The company's headquarters is located in the Kingdom of Saudi Arabia, Riyadh - New Industrial Area 173, P.O. Box: 90621, Postal Code: 11623.

1.2 Main activities of the Company

The primary activities of the company involve the production of food products made from potatoes, including (potato chips), and the production of breakfast cereals in the form of flakes, including (cornflakes, chips, etc.).

According to the license from the Saudi Food and Drug Authority, No. (E-01432 dated 04/05/1443H, corresponding to 08/12/2021, valid until 04/05/1446H, corresponding to 06/11/2024 (expired and being renewed).

According to the license from the Ministry of Industry and Mineral Resources, No. 451102131015 dated 08/04/1445H, valid until 30/10/1449H (26/03/2028).

1.3 The Company's fiscal year begins on January 1st and ends on December 31st of each calendar year. The presented financial statements are for the year ended December 31, 2024 compared to the year ended December 31, 2023.

1.4 New Companies Law

Pursuant to Royal Decree No. M/132 dated 01/12/1443 H corresponding to 30/06/2022, the new Companies Law was approved, which will enter into force on 26/06/1444 H corresponding to 19/01/2023. The new Companies Law replaces the old one issued by Royal Decree No. M/3 dated 28/01/1437 H and cancels all provisions that conflict with it, hereby repealing any contradictory provisions through the amendment of the company's articles of association published on 28 Dhu al-Hijjah 1444 AH (16 July 2023), which brought the company's regulations into compliance with the new Companies Law.

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Auditors and Accountants.

2.2 Basis of measurement

The financial statements have been prepared in accordance with the accrual basis of accounting and the going concern principle, and on the basis of the historical cost except for financial assets that are measured at fair value and financial liabilities that are measured at the present value of future liability projections using the projected unit credit method.

2.3 Presentation currency

The financial statements are presented in Saudi Riyals, which is the functional currency of the company's operations, unless otherwise stated.

Fesh Fash Snack Food Production Co.
A Saudi joint-stock company
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Notes to the financial statements for the year ended December 31, 2024
(Expressed in Saudi Riyals)

2. Basis of preparation ... (Continued)

2.4 Use of judgments, estimates and assumptions

The preparation of these financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of revenue, expenses, assets, liabilities, and disclosures of contingent liabilities at the reporting date. Although these estimates are based on the best current information and indicators available to Management, the final actual results, however, may differ from these estimates. These estimates and assumptions are reviewed on an ongoing basis and the effects arising from adjustment of the accounting estimates are recognized in the period in which such adjustment is made and the subsequent periods. The assumptions and estimates are particularly represented in the application of accounting policies that have significant impact on the amounts recognized in the financial statements.

The most significant accounting judgments, estimates and assumptions

2.4.1 Judgments

The following is an explanation to the significant judgments when applying the accounting policies that have a material impact on the amounts presented in the financial statements and the notes thereto:

Fulfillment of performance obligations

The Company evaluates each of its contracts with customers to determine whether performance obligations have been satisfied over time or at a point in time in order to determine the appropriate method for recognizing revenue under the provisions of the relevant laws and regulations.

Determination of transaction prices

The Company determines transaction prices in relation to each of its contracts with customers. When making such judgment, it assesses the impact of any variable consideration in the contract as a result of discounts or fines and the existence of a significant financing component within the contract, or any non-cash consideration within the contract.

The following notes include information about other judgments

Note (3.4) classification of leases

2.4.2 Assumptions and estimates

The following is an explanation of information to assumptions and estimates of uncertainty that have a significant impact on the amounts presented in the financial statements and the notes thereto:

Going concern

The financial statements have been prepared in accordance with the going concern principle. The Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the necessary resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern according to the going concern principle.

Useful lives of property, plant and equipment

The Management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value of useful lives annually to verify that it reflects the expected benefit to be obtained. If it differs from previous estimates, changes in depreciation expense in current and future periods are adjusted, if any.

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Notes to the financial statements for the year ended December 31, 2024
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2.4.2 Assumptions and estimates ... (Continued)

Fair value measurement of financial instruments

When the fair value of the financial assets and liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible but where this is not feasible, a degree of judgment is required in establishing fair value. Judgments include considerations of inputs such as liquidity risks, credit risks and volatility. Changes in the assumptions relating to these factors can affect the reported fair value of the financial instruments. The contingent consideration resulting from a business combination is assessed at the fair value on the acquisition date. If the consideration meets the definition of a financial liability, it will be subsequently remeasured at the fair value in each reporting date. Fair value is determined based on discounted cash flows. Underlying assumptions take into account the possibility of fulfilling each objective of performance and discount factor.

Interest rate implicit in leases

The Company cannot readily determine the interest rate implicit in all leases. Therefore, it uses the Incremental Borrowing Rate (IBR) to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The company estimates the borrowing rate using observable data (such as market interest rates) and makes certain company-specific assumptions when necessary.

Allowance for expected credit losses on trade receivables

The Company calculates ECL for trade receivables by relying on past default experience monitored by the Management as per debt aging. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

Impairment of non-financial assets

(Except for inventory, investment properties and goodwill on are separately assessed for impairment), Management reviews at each reporting date the carrying values of other non-financial assets to determine if there is any indicator that the value of non-financial assets may be impaired. In the event of such indication, the recoverable value is estimated and the book value is reduced thereto and the impairment loss of those assets is recognized and charged to the statement of profit and loss.

The recoverable amount is measured using the higher of fair value of the asset less the cost to sell it - or the present value of the cash flows expected to be derived from it according to the discount rate.

Indications of impairment of a non-financial asset may be information that a material impairment has occurred to the market value of the asset and is more than expected as a result of normal use or the availability of evidence of obsolescence, damage or deterioration of its expected economic performance whether in its operating results or in the expected cash flows from it.

When there are indications that a recognized impairment loss in prior periods may no longer exist or have decreased, impairment loss is reversed only to the extent that it does not exceed the previously recognized impairment loss.

The following notes include information on assumptions and other estimates of uncertainty

- Note (3.5) Impairment of inventory
- Note (3.11) Measurement of employee defined benefit obligations
- Note (3.14) Provisions
- Note (3.17/1) impairment of financial assets measured at cost or amortized cost

Fesh Fash Snack Food Production Co.
A Saudi joint-stock company
Riyadh - Kingdom of Saudi Arabia
Notes to the financial statements for the year ended December 31, 2024
(Expressed in Saudi Riyals)

3. Material Information on Accounting Policies

3.1 Current/non-current classification of assets and liabilities

The Company presents assets and liabilities in the balance sheet based on current/non-current classification as follows:

Assets

- An asset is classified as current when:
- It is expected to be realized or intended to be sold or consumed in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is expected to be realized within twelve months after the reporting period; or
- It is cash or cash equivalents 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.

Liabilities

A liability is classified as current when:

- It is expected to be settled in 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;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3.2 property, plant, and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment loss, (if any).

- The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs of acquisition

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit and loss as incurred.

Depreciation

Depreciation is calculated based on the cost of assets less the residual value. The significant components of individual assets are estimated. If a component has a useful life different from the useful life of the remaining asset, the useful life of that component is depreciated independently.

Depreciation is recognized in the statement of profit and loss using a straight-line method over the estimated useful life of each component of property, plant and equipment. The methods of depreciation, useful lives and residual value are reviewed at each reporting date, and adjusted if appropriate. Depreciation of an asset begins when it is available for use. Depreciation of an asset ceases at the earlier of when the asset is classified as held for sale or is when the asset is derecognized.

The following are the estimated useful lives of property, plant and equipment:

Buildings and improvements on leased land	10: 20 years	Plant, equipment and main spare parts	2: 7 years
Vehicles	4 years	Tools equipment and main spare parts	5 years
Air-conditioners	4 years	Furniture and Fixtures	5 years
Office equipment	5 years	Billboard	5 years

Major spare parts are depreciated after reducing the residual value over the estimated useful life/productive life of the part or the useful life of the related machinery, whichever is shorter.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within the statement of profit and loss.

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3.3 Capital work in progress

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. Capital work in progress is stated at cost less any recorded impairment. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

3.4 Leasing

Determining whether a contract is (or contains) a lease depends on the substance of the agreement at the inception of the lease. A contract is, or contains, a lease if the contract gives the right to control the use of an asset for a period of time in exchange for consideration.

A single recognition and measurement model is applied to all leases except for short-term or low-value leases. The right-to-use assets and lease liabilities are recognized at the inception of the lease.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- The amount of initial recognition of lease liabilities;
- Lease payments made at or before the commencement date minus lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated on a straight-line basis over the shorter of expected useful life or the lease term.

Lease obligations

Lease obligations are initially measured at the present value of lease payments that are not paid at the inception of the lease, which include:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

- If the lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is apportioned between the finance cost and the reduction of the outstanding liability. Finance costs are charged to the statement of profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term or low-value leases

Short-term leases are leases with a lease term of 12 months or less. Payments related to short-term leases and leases of low-value assets on a straight line basis are recognized as an expense in the statement of profits or losses.

3.5 Inventories

Inventories are measured at lower of cost and net realizable value.

The cost is determined as follows:

- **Raw materials:** The cost includes the costs of purchasing materials and all expenses incurred to bring them to their present location. The cost is measured using the weighted average method.

Finished goods: It includes the cost of materials used in production in addition to the cost of direct labor and all other direct and indirect expenses incurred in connection with converting the product and bringing it to its present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less any expected costs of completion and the estimated selling costs.

Impairment of inventory

An assessment is made at each reporting date whether any inventories are impaired by comparing the carrying amount of each inventory item (or a group of similar items) with the selling price less the cost of completion and sale. If the net selling price is less than the carrying amount, the impairment loss is recognized for the inventory.

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3.6 Accounts receivable

The receivables are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method, less any impairment losses on the receivables.

Trade receivables arise when the Company provides a service to a customer on credit. The Management of the Company does not impose any commissions or interest on trade receivables.

3.7 Related party - transactions

Transactions with related parties include the transfer of resources, services, obligations or financing between the Company and the related party, regardless of whether such transactions are conducted on terms equivalent to those prevailing in an arm's-length transaction.

A related party is a person that is related to the reporting entity or a close member of that person's family is related to a reporting entity if that person:

- a- is a member of the key management personnel of the reporting entity*;
- b- has control or joint control over the reporting entity;
- c- has significant influence over the reporting entity's decision-making process and policies.

* Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any directors (whether executive or otherwise) of the entity.

An entity is related to a reporting entity if any of following conditions applies:

- a- The entity and the reporting entity are members of the same Company or both entities are jointly owned;
- b- One entity is an associate or joint venture of the other entity;
- c- The entity is controlled by the reporting entity or vice versa or the entity and the reporting entity are jointly controlled.

3.8 Cash and cash equivalents

- Cash and cash equivalents within the statement of financial position comprise cash with banks, cash on hand, and short-term deposits with original maturities of three months or less- if any. They are exposed to insignificant risks for change in value.

3.9 Statement of cash flows

Statement of cash flows is prepared according to the indirect method.

For the purpose of preparing the statement of cash flows, cash and cash equivalents comprise cash with banks, cash on hand and the above short-term deposits less outstanding overdraft accounts that form an integral part of the Company's cash management.

3.10 Account payables and accrued expenses

Account payables and accrued expenses are recognized for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

Trade payables are liabilities that the Company has incurred during the ordinary course of business on the basis of normal credit terms and they are non-interest bearing.

3.11 Employee benefits

Defined benefit plan (End-of-Service 'EOS' benefits)

The Company operates a defined benefit plan for end of service benefits in line with the Labor Law requirement in the Kingdom of Saudi Arabia. The payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment. As defined by the conditions stated in the Labor Regulations of the Kingdom of Saudi Arabia, employees' end of service benefit plans are unfunded plans whereby the benefit payment obligations are met by concerned entities when they fall due.

The defined benefits obligation is periodically re-measured by an actuary using the projected credit unit method. The amount of obligation is calculated on the basis of the present value of the estimated future cash outflows discounted at the discount rate used.

The costs of the defined benefit obligations for the initial periods are calculated on an annual basis using the actuarially defined pensions cost rate at the end of the previous year, adjusted for significant market fluctuations and any significant onetime events, such as scheme adjustments or manpower cuts and reimbursements.

Actuarial gains and losses arising from remeasurement of defined benefit plan obligation are recognized in the statement of other comprehensive income. The company calculates interest expense by applying the discount rate used to measure the net defined benefit obligation. The net interest expense and other expenses related to defined benefit plans recognized in the statement of profits or losses.

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3.11 Employee benefits ... (Continued)

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, non-cash benefits, annual leave, sick leave, air tickets and other allowances during the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognized in respect of short term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3.12 Loans

Loans are initially recognized at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. Where there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Loans are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit or loss and other comprehensive income as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.13 Zakat and tax

Zakat

The Company is subject to zakat regulations set by the laws and instructions of the Zakat, Tax and Customs Authority according to the zakat standard.

Zakat is calculated at the higher of the zakat base including zakat income or adjusted net income, which is calculated through the financial statements of the Company, according to the laws and regulations issued by the Zakat, Tax and Customs Authority. The share of zakat payable of each subsidiary is determined on the basis of estimation.

Withholding Tax

The Company withholds taxes on certain transactions with non-resident parties in the KSA, if any, as required under Saudi Arabian Income Tax Law. Withholding tax on foreign payments is recorded as a short-term liability.

Value Added Tax

The net amount of VAT recoverable from, or payable to, the GAZT is included as for the part of receivables or payables in the statement of financial position.

3.14 Provisions

Provisions are recognized 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 recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If outflows to settle the provisions are no longer probable, reversal of the provision is recorded as income.

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3.15 Contingent liabilities and assets

All contingent liabilities arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Company; or all present obligations arising from past events but not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. A contingent liability will not be recognized, rather, it will be disclosed in the financial statements. Contingent assets are not recognized in financial statements; however, a contingent asset is disclosed where an inflow of economic benefits is probable.

3.16 Foreign currency translation

Transactions in foreign currencies during the year are translated into Saudi Riyals and recorded at the rates of exchange prevailing at the transaction dates. The balances of assets and liabilities recorded in foreign currencies at the balance sheet date are translated into Saudi Riyals at the exchange rates prevailing at that date. Profits and losses arising from transactions are reported in the statement of profit or loss.

3.17 Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial asset or a financial liability is recognized and measured in accordance with measurement, recognition and disclosure requirements of IFRS 9.

Relevant detailed accounting policies are as follows:

3.17.1 Financial assets

Initial recognition and measurement

Trade receivables and deposits are recognized on the date they arise while all other financial assets are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Financial assets are measured upon initial recognition at the transaction price attributable to the acquisition of the financial asset, including transaction costs, except for financial assets that are subsequently measured at fair value through the statement of profit or loss. If the arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest.

Classification and subsequent measurement

- IFRS 9 has three major categories of financial assets as follows: Financial assets measured at amortized cost, measured at fair value through other comprehensive income and assets measured at fair value through profit or loss. Under IFRS 9, financial derivatives embedded in contracts containing the basic instrument are financial assets within the scope of the standard and are not separated. The entire hybrid financial instrument is assessed for classification.

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

- Financial assets at amortized cost

These assets are measured upon the initial recognition at fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. After the initial recognition, these are measured at amortized cost using the effective interest method.

- Financial assets at fair value through other comprehensive income

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

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3.17.1 Financial assets ... (Continued)

Classification and Subsequent Measurement... (Continued)

- Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss include financial assets held for trading and financial assets classified at initial recognition as fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. After initial recognition, they are re-measured at fair value.

Derecognition of financial assets

A financial asset is primarily derecognized when:

- The contractual rights to the cash flows from the financial asset expire;
- The Company transfers the rights to receive the contractual 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 the Company has transferred substantially all the risks and rewards of the asset, or it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets measured at cost or amortized cost

Under IFRS 9, an impairment review is made at each reporting date for financial assets measured at amortized cost or FVTOCI except investments in equity instruments as well as contract assets as per the expected future credit loss model, which requires a significant estimate of how changes in economic factors affect the expected credit loss models that are determined on a weighted probability basis. This requires a significant estimate of how changes in economic factors affect the expected credit loss models that are determined on a weighted probability basis. Loss provision for loss will be measured on one of the following bases:

1- The expected credit loss over 12 months: This expected credit loss arises from default and potential default events within 12 months after the reporting date.

2- The expected credit loss over the life of the financial instrument: It is the expected credit loss that results from all default events over the expected life of the financial instrument. As for the expected credit loss over 12 months measurement is applied if the credit risks of financial assets have increased substantially at the reporting date since the initial recognition. The expected credit loss over 12 months measurement is applied if the credit risks have not increased substantially. The entity may determine that the credit risk does not increase substantially in case the instrument is exposed to low credit risks at the reporting date. However, the measurement of expected long-term credit losses is always applied to trade receivables and contract assets without any significant financing components. The entity may choose to apply this policy also to trade receivables and contract assets with significant financing components.

13.17.2 Financial liabilities

Initial measurement

Upon initial measurement, except for financial liabilities that are subsequently measured at fair value through profit or loss, the financial liability is measured at the transaction price (including transaction costs), unless the arrangement forms actually financing transaction of the entity (for financial obligation) or a counter party (for financial asset) of the arrangement.

Upon initial measurement at initial measurement liabilities that are subsequently measured at fair value through profit or loss, transaction costs are recognized in the statement of profit or loss.

The arrangement constitutes a financing transaction if payment is deferred beyond normal business terms.

If the financial arrangement constitutes a financing transaction, the financial liability shall be measured at the present value of the future payments discounted at the market rate of interest for a similar debt instrument..

Trade payables that have a significant financing component or have a maturity of less than 12 months are measured at their transaction price (invoice).

Classification and subsequent measurement

The financial obligation is measured at the amortized cost using the effective interest method if the conditions previously explained above are met. These financial liabilities are subsequently measured at the amortized cost using the Effective Interest Rate (EIR) method. The amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effective interest rate is included in the finance income within the statement of profit or loss. IFRS 9 introduces the change in fair value related to changes in the credit risk of liabilities in the comprehensive income statement while the remaining amount of the change in fair value is presented in the statement of profit or loss.

Debt instruments classified as current liabilities are measured at the undiscounted cash amount or other cash consideration expected to be paid unless the arrangement constitutes, in fact, a financing transaction.

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3.17.2 Financial liabilities ... (Continued)

Derecognition of financial liabilities

A financial liability is derecognized when and only when the obligations are discharged, canceled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms or when the terms of an existing obligation are substantially modified, such replacement or modification is treated as a derecognition of the original financial liability, along with recognizing the new obligation. The difference in respective carrying amounts is recognized in the statement of profit or loss.

3.17.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when the Company currently has a legally enforceable right to set off the recognized amounts; and the Company intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.18 Revenue recognition

The Company recognizes revenue from contracts with customers when the performance obligation is satisfied by transferring ownership of the promised goods or services to the customer based on a five-step model:

Step 1: Identifying the contract(s) with the customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount to which the Company expects to be entitled in exchange for the transfer of goods and services to a customer. Transaction price is measured based on the fair value of the received consideration, after taking into account the agreed payment terms, excluding taxes, fees and amounts collected on behalf of third parties. These are recorded net of trade discounts and volume rebates.

Step 4: Allocate the transaction price to the performance obligations. Where a contract has multiple performance obligations, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the Company satisfies a performance obligation.

Revenue is measured at the fair value of consideration received or receivable, taking into account trade discounts, prompt settlement discounts and volume rebates allowed by the Company, if any.

Revenue includes only the total inflows of economic benefits received or receivable to which they relate. All amounts collected on behalf of a third party account such as income taxes and value added taxes are excluded.

When the inflow of cash or cash equivalents is deferred and the agreement includes in substance a financing transaction, the fair value of the consideration is the present value of all future receipts that is determined using an imputed interest rate.

The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the present value of all future proceeds and the nominal amount of the consideration is recognized as interest income.

- The Company's revenue represents the following:

- Revenue from product sales

The revenue resulting from the sale of goods and the issuance of an invoice is recognized when the significant risks and benefits of ownership of the goods are transferred to the buyer, with the Company not retaining the right of continuous administrative intervention to the degree that is usually associated with ownership nor the right of actual control over the sold goods. The revenue is recognized net of the allowed discount.

Other revenues

Other revenues are recognized when realized.

3.19 Cost of revenue

The cost of revenues consists of production costs and direct industrial expenses, including the cost of raw materials used in production, direct labor, other capital costs, and operational expenses associated with production.

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3.20 Selling and marketing expenses and general and administrative expenses

Selling and marketing expenses include expenses incurred in selling and marketing the goods, which are not considered part of the cost of revenue.

General and administrative expenses are expenses directly linked with management and are not considered direct costs.

3.21 Finance cost

Finance cost comprises interest expense and other costs on borrowings and finance facilities. All finance costs are charged to profits or losses as incurred except finance costs related to owning or establishing an asset that may need some time to be ready for the intended use. It is added to the cost of the asset to be ready for the intended use according to IAS 23 (the Company does not have any such expenses being capitalized for the current year).

3.22 Board of Directors' remunerations

The total amounts paid to members of the Board of Directors include attendance fees for meetings, remuneration, and expenses.

3.23 Earnings per share

Basic earnings per share and diluted earnings per share (if any) are presented for ordinary shares. Basic earnings per share are calculated by dividing the Company's profit or loss attributable to common shareholders by the weighted average number of common shares outstanding during the year, after being adjusted by the number of ordinary shares repurchased or issued during the year. Diluted earnings per share is calculated by adjusting diluted profit or loss of the Company's ordinary shareholders and the weighted average number of shares outstanding during the year compared to dilutive potential ordinary shares.

3.24 Dividends

Dividends are distributed to the Shareholders when the General Assembly of Shareholders approves the dividends in line with the Saudi Companies Law.

3.25 Segment information

3.25.1 Operating Segments

A business segment is a company with assets and operations associated with providing products or services that are subject to different risks and returns than other business segments. The geographical sector includes the provision of products or services within a specific economic environment that is subject to different risks and returns than sectors operating in other economic environments.

The Company does not have any operating segments as all revenues from the Company's activities are generated through a single operating segment; therefore, there are no operating segments that require disclosure.

3.25.2 Geographic Segment

A geographic segment is a group of assets, operations or entities engaged in business activities from which it may earn revenue in an economic environment subject to risks and returns that are different from those of components operating in other economic environments.

The Company does not have any geographic segments as all revenues from the Company's activities are generated inside the Kingdom; therefore, there are no geographic segments that require disclosure.

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4. Changes in significant accounting policies and new standards

4.1 New and revised IFRS Standards that are applicable and have no significant impact on the financial statements:

There are no new standards that have been applied; however, a number of amendments to standards have been effective as of January 1, 2024, but they have no material impact on the company's financial statements:

Standard - Interpretation	Description	Effective date for financial statements beginning on or after
IAS 1	Amendments to "Presentation of Financial Statements" to clarify classification of liabilities as current or non-current	01 January 2024
IFRS 16	Amendments to the Leases Standard relating to sale and leaseback transactions and the assessment of whether a transfer of assets is a sale.	01 January 2024
IAS 7 and IFRS 7	Amendments to the "Statement of Cash Flows" standard related to financing arrangements for transactions with suppliers, along with a subsequent amendment to the Standard of Financial Instruments - Disclosures.	01 January 2024
The International Financial Reporting Standards (IFRS) - Sustainability 1, Sustainability 2	The International Standards Board approved the issuance of Sustainability Financial Reporting Standards 1 related to general requirements for disclosure of sustainability-related financial information, and Sustainability 2 related to climate-related disclosures - the application of these standards is subject to the approval of the Saudi Organization for Auditors and Accountants.	01 January 2024

4.2 New and revised IFRS not yet effective and not applicable:

The following are standards and interpretations issued and not yet effective and not applicable as of the date of the financial statements:

Standard - Interpretation	Description	Effective date for financial statements beginning on or after
IAS 21	Amendments to the standard "Effects of Changes in Foreign Exchange Rates" related to the definition of a convertible currency and the estimation of the spot exchange rate when the currency is non-convertible, and the related disclosures.	01 January 2025
IFRS 9 and IFRS 7	Amendments to the "Financial Instruments" standard related to the classification and measurement of financial instruments in terms of timing and requirements for recognition and derecognition, with a new exception regarding obligations settled through electronic payment systems before actual settlement when certain conditions are met. With a consequential amendment to "Financial Instruments - Disclosures" standard related to financial instruments with contractual terms affecting cash flows, especially those linked to environmental, social, and governance objectives, along with updated disclosures related to equity instruments designated at fair value through other comprehensive income.	01 January 2026
IFRS 18 and Consequential Amendments to IAS 8 and IAS 7 & IAS 8	The Saudi Organization for Auditors and Accountants has adopted IFRS 18 "Presentation and Disclosure in Financial Statements," which supersedes IAS 1. The standard includes enhancements to the income statement structure to provide more relevant and clear information, and develops specific requirements related to management-defined performance measures. The issuance of this standard has resulted in consequential amendments to IAS 8 regarding the basis of preparation of financial statements and disclosure of significant accounting policy information and sources of estimation uncertainty. It has also led to amendments to IAS 7 concerning the presentation of cash flows from dividends and interest income and expense, with specific requirements for entities whose primary activities are investing or financing.	01 January 2027
IFRS 19	The Saudi Organization for Auditors and Accountants has adopted IFRS 19 "Subsidiaries without Public Accountability: Disclosures" which primarily aims to provide a reduced level of disclosures in the financial statements of non-publicly accountable subsidiaries instead of the disclosure requirements contained in the full version of International Financial Reporting Standards, with the goal of facilitating the mechanisms and systems for preparing financial statements and reducing their cost .(noting that the application of the standard is optional, and it may be reversed in future periods after implementation)	01 January 2027

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5. Property, plant and equipment - net
5.1 For the year ended December 31, 2024

	Buildings and improvements on leased land*	Plant and equipment	Vehicles	Tools	Office equipment	Air-conditioners	Furniture and Fixtures	Billboard	Projects under construction**	Total
Cost:										
Balance at 01 January 2024	12,496,583	27,115,913	2,024,223	2,583,504	502,122	489,356	549,793	18,571	2,340,263	48,120,328
Additions during the year	31,761	374,250	-	55,119	9,916	19,981	19,119	-	922,365	1,432,511
Transferred during the year	1,587,072	913,214	-	-	-	733,102	29,240	-	(3,262,628)	-
Balance at 31 December 2024	14,115,416	28,403,377	2,024,223	2,638,623	512,038	1,242,439	598,152	18,571	-	49,552,839
Accumulated depreciation:										
Balance at 01 January 2024	7,789,599	22,057,398	1,881,547	2,153,805	437,537	439,627	518,145	16,374	-	35,294,032
Depreciation during the year	408,674	1,349,876	98,172	213,787	30,900	80,137	27,592	2,197	-	2,211,335
Balance at 31 December 2024	8,198,273	23,407,274	1,979,719	2,367,592	468,437	519,764	545,737	18,571	-	37,505,367
Net carrying amount										
As of 31 December 2024	5,917,143	4,996,103	44,504	271,031	43,601	722,675	52,415	-	-	12,047,472

* Buildings constructed, structures, and improvements on leased land above with a cost of SAR 14,115,416 as of December 31, 2024 (2023: SAR 12,496,583) are established on lands leased under renewable lease agreements. Ownership of all buildings will revert to the land owner, the Saudi Authority for Industrial Cities and Technology Zones (MODON), upon the expiration of the lease term.

** Projects in progress represent the value of buildings, structures, improvements to leased buildings, and machinery and equipment for the expansion of the Company's factory. The cost of these projects amounts to zero Saudi Riyals as of December 31, 2024 (2023: SR 2,340,263).

- The property, plant and equipment owned by the Company are pledged in favor of the Saudi Industrial Development Bank as security for a loan (Note 14).

- The property, plant and equipment as of December 31 include fully depreciated assets that are still in use with a cost of SR 30,551,752 (2023: SAR 29,386,951).

Depreciation expense for property, plant and equipment for the year ended December 31 has been allocated as follows:

	2024	2023
Cost of revenue (note 20.1)	2,045,682	1,385,549
General and administrative expenses (note 21)	165,653	185,658
	2,211,335	1,571,207

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5. Property, plant and equipment - net
5.2 For the year ended December 31, 2023

	Buildings and improvements on leased land	Plant and equipment	Vehicles	Tools	Office equipment	Air-conditioners	Furniture and Fixtures	Billboard	Projects under construction*	Total
Cost:										
Balance at 01 January 2023	12,415,647	24,562,412	1,933,571	2,549,098	500,447	485,489	549,133	18,571	232,110	43,246,478
Additions during the year	39,200	22,595	90,652	34,406	1,675	3,867	660	-	4,680,795	4,873,850
Transferred during the year	41,736	2,530,906	-	-	-	-	-	-	(2,572,642)	-
Balance at 31 December 2023	12,496,583	27,115,913	2,024,223	2,583,504	502,122	489,356	549,793	18,571	2,340,263	48,120,328
Accumulated depreciation:										
Balance at 01 January 2023	7,402,353	21,437,299	1,741,930	1,860,788	391,096	387,873	489,755	11,731	-	33,722,825
Depreciation during the year	387,246	620,099	139,617	293,017	46,441	51,754	28,390	4,643	-	1,571,207
Balance at 31 December 2023	7,789,599	22,057,398	1,881,547	2,153,805	437,537	439,627	518,145	16,374	-	35,294,032
Net carrying amount										
As of 31 December 2023	4,706,984	5,058,515	142,676	429,699	64,585	49,729	31,648	2,197	2,340,263	12,826,296

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6. Leases

6.1 Right-of-use assets - net

As of 31 December 2024

	Land	Labor housing	Total
Cost:			
Balance at beginning of year	612,130	-	612,130
Additions	-	405,024	405,024
Balance at year-end	612,130	405,024	1,017,154
Accumulated depreciation:			
Balance at beginning of year	292,315	-	292,315
Depreciation for the year (note 20.1)	57,214	24,446	81,660
Balance at year-end	349,529	24,446	373,975
Net carrying amount at end of the year	262,601	380,578	643,179

As of 31 December 2023

	Land	Labor housing	Total
Cost:			
Balance at beginning of year	612,130	-	612,130
Balance at year-end	612,130	-	612,130
Accumulated depreciation:			
Balance at beginning of year	235,101	-	235,101
Depreciation for the year (note 20.1)	57,214	-	57,214
Balance at year-end	292,315	-	292,315
Net carrying amount at end of the year	319,815	-	319,815

31/12/2024 **31/12/2023**

6.2 Lease liabilities

Balance at beginning of year	380,472	426,791
Additions	405,024	-
Paid during the year	(276,544)	(61,544)
Financing costs during the year (note 23)	14,550	15,225
Present value of obligations	523,502	380,472

Lease obligations were presented in the statement of financial position based on the current portion - within the current liabilities (which represents the payable portion within a year) and the non-current portion - within the non-current liabilities (which represents the remaining liability less the current portion) as follows:-

	31/12/2024	31/12/2023
6.2.1 Lease liabilities - current portion	252,744	61,544
6.2.2 Lease liabilities - non-current portion	270,758	318,928
	523,502	380,472

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	31/12/2024	31/12/2023
7. Inventory - net		
Raw materials	3,654,969	5,210,231
Inventory of finished goods	613,554	599,611
Spare parts inventory	365,347	351,379
Provision for impairment of inventory (note 7.1)	(54,407)	-
	4,579,463	6,161,221
	4,579,463	6,161,221
	31/12/2024	31/12/2023
7.1 Movement of provision for impairment of Inventory:		
Balance at the beginning of year	-	-
Provided during the year (note 21.1)	54,407	-
	54,407	-
	54,407	-
	31/12/2024	31/12/2023
8. Trade receivables - net		
Customers	7,764,735	6,555,608
Less: Provision for expected credit loss (note 8.1)	(2,709,394)	(2,156,194)
	5,055,341	4,399,414
	5,055,341	4,399,414
	31/12/2024	31/12/2023
8.1 Movement of provision for expected credit losses		
Balance at beginning of year	2,156,194	1,774,365
Provided during the year	553,200	381,829
Balance at year-end	2,709,394	2,156,194
	2,709,394	2,156,194
	31/12/2024	31/12/2023
Below is an analysis of customer receivables aging as		
From 1 day to 90 days	4,226,839	3,329,957
91 to 180 days	483,703	767,566
181 to 270 days	180,793	321,303
271 to 365 days	98,978	49,837
More than 365 days	2,774,422	2,086,945
	7,764,735	6,555,608
	7,764,735	6,555,608
	31/12/2024	31/12/2023
9. Prepayments and other debit receivables - net		
Employees' advances and receivables	516,006	427,707
Prepayments	463,783	452,874
Advances to the suppliers	165,539	62,927
Provision for impairment of other receivables (note 9.1)	(217,277)	-
	928,051	943,508
	928,051	943,508
	31/12/2024	31/12/2023
9.1 Movement of provision for impairment of other receivables		
Balance at beginning of year	-	-
Provided during the year (note 21)	217,277	-
Balance at year-end	217,277	-
	217,277	-

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10. Related party transactions
10.1 Due from related party

Related parties	Nature of relationship	31/12/2024	31/12/2023
Al-Tarmeem Team Contracting Company	Related to Managing Director "CEO"	-	557,174
		-	557,174

10.2 Significant transactions with related parties

Related parties	Nature of relationship	Type of transactions	31/12/2024	31/12/2023
Al-Tarmeem Team Contracting Company	Related to Managing Director "CEO"	Capital works	1,403,134	2,127,734
Fahd AlHameed Trading Establishment	Related to Managing Director "CEO"	Purchases	171,559	18,635

10.3 Key Management personnel compensation

Key management compensation represents amounts paid to individuals who have authority and responsibility for planning, directing, and controlling the entity's activities, directly or indirectly, including any director (whether executive or otherwise). Key management compensation includes:

	31/12/2024	31/12/2023
Salaries, benefits and remunerations	574,800	712,000
Board of Directors remunerations	468,000	468,000
End of service	43,752	71,697
	1,086,552	1,251,697

On 15/11/1445H, corresponding to 23/5/2024, the Ordinary General Assembly approved the disbursement of SAR 468,000 as remuneration for the members of the Board of Directors for the fiscal year ended 31 December 2023.

	31/12/2024	31/12/2023
11. Cash and cash equivalents		
Bank balances	5,124,734	2,327,911
Cash on hand	67,236	73,959
Checks under collection less than 90 days	-	34,030
	5,191,970	2,435,900

12. Share capital

The Company's capital amounts to SR 11,300,000, fully paid, and divided into 11,300,000 ordinary shares with a nominal value of SR 1 per ordinary share in accordance with the stock split resolution approved by the Extraordinary General Assembly in its meeting held on Dhul Hijjah 04, 1444H corresponding to June 22, 2023.

Name	As of 31 December 2024			As of 31 December 2023		
	Shareholding %	Number of shares	Balance	Shareholding %	Number of shares	Balance
Ibrahim Sulaiman Al-Mahous	-	-	-	%32.743	3,700,000	3,700,000
Tariq Ibrahim Sulaiman Al-Mahous	%6.195	700,000	700,000	%0.190	21,504	21,504
Waleed Ibrahim Sulaiman Al-Mahous	%5.775	652,590	652,590	%0.045	5,090	5,090
Munirah Mayouf Abdul Aziz Al-Mayouf	%5.642	637,566	637,566	-	-	-
Abdullah Khalif Jiluwi Al-Anazi	%5.000	565,000	565,000	%3.178	359,077	359,077
Other shareholders	%77.388	8,744,844	8,744,844	%63.844	7,214,329	7,214,329
	%100	11,300,000	11,300,000	%100	11,300,000	11,300,000

13. Statutory reserve

The General Assembly has not made a decision regarding the current reserve after aligning the Articles of Association with the Companies Law issued by Royal Decree No. M/132 dated Dhul Hijjah 01, 1443H (corresponding to June 30, 2022), (hereinafter referred to as the "Law") which came into effect on Jumada Al-Akhirah 26, 1444H (corresponding to January 19, 2023).

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14. Long-term loan

On September 17, 2020, the Company obtained a long-term loan amounting to SR 4,500,000 from the Saudi Industrial Development Fund for the purpose of financing the expansion, replacement, and modernization of the Company's factory. The loan is repayable in 12 unequal semi-annual installments. These loans are secured by mortgaging buildings, structures, and improvements on leased land and property and equipment related to the project, an insurance policy amounting to SR 73.90 million on the factory, signing a promissory note and a commitment to maintain financial ratios and indicators, and a maximum limit for capital expenditures.

On September 3, 2024, the Company obtained a long-term loan commitment letter amounting to SR 4,700,000 from the Saudi Industrial Development Fund for the purpose of financing the expansion of the Company's factory. The loan is repayable in 12 unequal semi-annual installments, and no payments have been received as of the date of preparation of the financial statements.

	31/12/2024	31/12/2023
Below is the movement during the year:		
Balance at beginning of year	3,900,000	1,888,024
Additions during the year	-	2,315,497
Capitalized finance cost on machinery and equipment	-	60,467
Cost of finance charged to profits or losses (note 23)	-	36,012
Paid during the year	(600,000)	(400,000)
Balance at year-end	<u>3,300,000</u>	<u>3,900,000</u>

Loan liabilities were presented in the statement of financial position based on the current portion - within the current liabilities (which represents the payable portion within a year) and the non-current portion - within the non-current liabilities (which represents the remaining liability less the current portion) as follows:-

	31/12/2024	31/12/2023
14.1 Long-term loan - current portion	800,000	600,000
14.2 Long-term loan - non-current portion	2,500,000	3,300,000
	<u>3,300,000</u>	<u>3,900,000</u>

15. Employee defined benefit obligations

The company operates an end-of-service plan for its employees in line with the Labor Law requirements in the Kingdom of Saudi Arabia. The EOS payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment. Employee benefit plans are unfunded plans and the Company meets benefit payment obligations when they fall due.

	31/12/2024	31/12/2023
Below is the movement during the Year:		
Balance at beginning of year	1,427,100	1,081,785
Cost of current service for the year	233,823	206,390
Interest cost during the year	53,644	43,503
Charged to profits and losses (note 15.1)	287,467	249,893
Paid during the year	(104,246)	(111,433)
(Gains)/Actuarial losses "charged to other comprehensive income"	(102,331)	206,855
Balance at year-end	<u>1,507,990</u>	<u>1,427,100</u>

	31/12/2024	31/12/2023
15.1 Charged to profits and losses		
Charged to cost of revenue (note 20.1)	139,778	141,767
Charged to general and administrative expenses (note 21)	23,901	19,147
Charged to selling and marketing expenses (note 22)	70,144	45,476
Charged to financing costs (note 23)	53,644	43,503
	<u>287,467</u>	<u>249,893</u>

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15. Employee defined benefit obligations ... (Continued)

An actuarial valuation was performed using the projected unit credit method to measure the present value of the employee defined benefit obligations on December 31, 2024 in relation to the end-of-service benefits accrued to employees under the Saudi Labor Law. This valuation was based on principal actuarial assumptions that included the following:-

	31/12/2024	31/12/2023
Significant actuarial assumptions used		
Discount rate	5.50%	4.60%
Annual salary increase rate	3.50%	3.50%
Employee turnover	0.33.0%-0%	0.33.0%-0%
Retirement age	65	65

Sensitivity analysis

The sensitivity analysis is based on a method that measures the effect on employee defined benefit obligations when a change occurs in one of the principal actuarial assumptions, while keeping all other assumptions constant. Here is a quantitative sensitivity analysis of the assumptions used to measure defined employee benefit obligations:

	31/12/2024	31/12/2023
Basis according to actuarial assumptions used		
Sensitivity of employees benefit obligations to a change in one of the assumptions		
Discount rate (increase by 1%)	1,452,530	(1,362,292)
Discount rate (decrease by 1%)	1,570,794	1,500,494
Annual salary increase rate (increase by 1%)	1,576,322	1,505,551
Annual salary increase rate (decrease by 1%)	1,446,677	(1,356,713)

16. Trade Payables

Accounts payable amounting to SR 2,315,360 as of December 31, 2024 (2023: SR 4,239,273) represent amounts due to suppliers from ordinary commercial transactions.

	31/12/2024	31/12/2023
17. Accruals and other accounts payable		
Accrued bonuses	1,136,900	1,104,900
Accrued expenses	1,084,782	655,853
Value Added Tax (VAT)	840,837	541,542
Advances from customers	374,242	76,911
Other	50,487	113,052
	3,487,248	2,492,258

18. Zakat Provision

18.1 Calculation of zakat

According to the new executive regulations, zakat is calculated on the zakat base taking into consideration the minimum and maximum limits of the base. If the total base is less than the minimum zakat base, then zakat is calculated on the minimum limit; and if the total base is greater than the maximum zakat base, then zakat is calculated on the maximum limit.

	2024	2023
	According to the new executive regulations	According to the old executive regulations
The Company's estimated zakat base as of December 31 includes the following components:		
Additions of components subject to zakat	22,549,096	19,775,361
Discounts of components not subject to zakat	(13,055,998)	(13,497,490)
Total zakat base	9,493,098	6,277,871
Minimum zakat base	4,015,236	3,422,383
Maximum zakat base	17,311,376	N/A
Zakat base for the year (354 days)	9,493,098	9,700,254
Zakat base for the year (366 days)	9,814,898	10,029,076
Zakat for the year	245,372	247,383

Zakat was calculated on the basis of 2.5% of the Zakat base for 366 days.

Zakat for the comparative year was calculated on the basis of 2.5% of the adjusted net profit and 2.57768% of the Zakat base after deducting the adjusted profit.

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18. Zakat Provision ... (Continued)

18.2 Movement in zakat provision:

	31/12/2024	31/12/2023
Balance at beginning of year	245,412	244,338
Paid during the year	(247,383)	(246,309)
Provided for the year	245,372	247,383
Balance at year-end	243,401	245,412

18.3 Zakat status

The Company submitted its zakat return for the year ended December 31, 2023 and settled the amount in the subsequent period. It received a zakat certificate valid until April 30, 2025.

The Company has finalized its Zakat status with the Zakat, Tax and Customs Authority for the year ended 31 December 2020.

The Company has finalized its Zakat status with the Zakat, Tax and Customs Authority for the year ended 31 December 2023.

18.4 Value Added Tax

The Company submits VAT returns quarterly.

19. Revenues

	2024	2023
Revenue	39,128,929	34,581,336
Revenue returns	(267,215)	(174,035)
Discount allowed	(1,128,483)	(656,741)
	37,733,231	33,750,560

Revenue is recognized at a point in time.

Performance obligations are satisfied when the service is provided to the customer. There are no unsatisfied performance obligations as of the date of preparation of the financial statements. Therefore, there is no transaction price to be allocated to unsatisfied or remaining performance obligations.

	2024	2023
20. Cost of revenue		
Inventory, beginning of the year	5,809,842	4,707,310
Purchases	14,445,284	16,343,893
Operating costs (note 20.1)	10,112,342	8,714,578
Inventory, end of the period (note 7)	(4,268,523)	(5,809,842)
	26,098,945	23,955,939

20.1 Operating costs

	2024	2023
Employee salaries and benefits	3,817,887	3,015,336
Depreciation of property, plant and equipment (note 5)	2,045,682	1,385,549
Utility and services	939,282	871,454
Hired labor	703,907	967,645
Maintenance, repair and spare parts	535,604	487,677
Cars expenses	324,015	215,959
Transfers	270,215	263,395
GOSI	199,329	125,742
Rent	166,277	113,500
Bonuses	182,700	290,400
Employee defined benefit obligations (note 15.1)	139,778	141,767
Medical insurance	114,659	123,335
Depreciation on right-of-use assets (note 6.1)	81,660	57,214
Provision for slow moving inventories (Note 7.1)	54,407	-
Residence permit expenses	52,604	102,318
Government fees and Subscriptions	14,981	34,753
Other	469,355	518,534
	10,112,342	8,714,578

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21. General and administrative expenses

	2024	2023
Employee and Senior Management remunerations	1,259,100	1,104,100
Employee salaries and benefits	558,749	588,313
Consulting and professional fees (note 21.1)	467,180	602,426
Provision for impairment of other receivables (note 9.1)	217,277	-
Government fees and Subscriptions	167,504	195,686
Depreciation on property and equipment (note 5)	165,653	185,658
Medical insurance	141,572	137,359
Utility and services	71,424	81,145
Expediter's fees	64,651	57,112
Transfers	51,420	55,045
Banking expenses	48,309	50,579
GOSI	43,168	66,039
Stationary and printings	28,044	25,776
Employee defined benefit obligations (note 15.1)	23,901	19,147
Other	87,600	147,224
	3,395,552	3,315,609

21.1 The audit service fees charged to the expenses for the year amounted to SR 145,000 (2023: SR 140,000) and other non-audit services amounted to SR 10,000 (2023: SR 10,000).

22. Selling and distribution expenses

	2024	2023
Employee salaries and benefits	1,470,031	1,383,760
Publicity and advertising	406,874	288,513
Cars expenses	265,110	263,998
Hired labor	238,965	233,209
Transportation	170,884	110,091
Health insurance	161,448	142,722
Transfers	157,318	175,144
Expeditor's fees and residence permits	90,113	86,496
Bonus	79,000	95,000
Employee defined benefit obligations (note 15.1)	70,144	45,476
GOSI	63,688	76,100
Selling and marketing expenses	36,062	319,163
Utility and services	9,968	10,784
Other	146,216	65,340
	3,365,821	3,295,796

	2024	2023
23. Finance costs		
Finance costs for a long-term loan (note 14)	-	36,012
Costs of interest on employee defined benefit obligations (note 15)	53,644	43,503
Costs of interest on lease liabilities (note 6.2)	14,550	15,225
	68,194	94,740

24. Dividends

On 15 Dhu al-Qi'dah 1445 H, corresponding to May 23, 2024, the Ordinary General Assembly approved the distribution of cash dividends to shareholders amounting to SR 2,034,000 at a rate of SR 0.18 per share.

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25. Basic and diluted earnings per share

Basic earnings per share have been calculated by dividing the net profit for the year attributable to the company's shareholders by the weighted average number of shares issued. The diluted earnings per share are equal to the basic earnings per share as follows:

	2024	2023
Net profit attributable to Company's Shareholders	4,040,831	2,543,277
Weighted average number of shares issued	11,300,000	11,300,000
Basic and diluted earnings per share attributable to the Company's Shareholders	0.36	0.23

26. Financial instruments and risk management

The Company's activities are exposed to various financial risks including: Liquidity risk, credit risk, and market risk (include currency risk, fair value risk, cash flow of commission rate and price risk). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Company s financial instruments comprise financial assets (cash and cash equivalents, trade receivables, investments at fair value through profit or loss, and other receivables) and financial liabilities (banks, credit facilities, trade and other payables) and include the following risks:

26.1 Liquidity risks

Liquidity risk is the risk that an entity 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. The Company manages and monitors liquidity risks on a regular basis to ensure that sufficient funds are available to meet the Company's future commitments.

The company's sales conditions stipulate that payments are to be made in cash upon delivery of goods or on a credit basis as per specific credit conditions.

All current liabilities are expected to be settled within 12 months as of the date of the financial statements.

The contractual maturities of financial liabilities as at the end of the year are as follows:

	31 December 2024			
	On demand or less than a year	1-5 years	More than 5 years	Carrying amount
Long-term loan	800,000	2,500,000	-	3,300,000
Lease obligations	252,744	270,758	-	523,502
Trade payables	2,315,360	-	-	2,315,360
Accrued expenses and other payables	3,113,006	-	-	3,113,006
	6,481,110	2,770,758	-	9,251,868
	31 December 2023			
	On demand or less than a year	1-5 years	More than 5 years	Carrying amount
Long-term loan	600,000	3,300,000	-	3,900,000
Lease obligations	61,544	318,928	-	380,472
Trade payables	4,239,273	-	-	4,239,273
Accrued expenses and other payables	2,415,347	-	-	2,415,347
	7,316,164	3,618,928	-	10,935,092

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26.2 Credit risks

A credit risk refers to the risk that a customer or a counter party in a financial instrument will default on its contractual obligations resulting in financial loss to Company and arises principally from the cash placed at banks and receivables. The Company minimizes credit risks associated with receivables by establishing procedures for credit limits for each customer and monitoring outstanding receivables in line with a set of procedures and policies. Cash is deposited with high credit rated banks.

The following are the carrying amounts of financial assets which represent the maximum of credit risks:

	2024	2023
Due from related party	-	557,174
Trade receivables	7,764,735	6,555,608
Other assets	516,006	427,707
Cash and cash equivalent	5,191,970	2,435,900
	13,472,711	9,976,389

Accounts receivable are shown net of provision for expected credit losses and sales discounts and returns. The Company applies the simplified version of ECL measurement by grouping receivables based on common credit risk characteristics and the days on which they are due.

26.3 Market risks

Market risk is the risk of fluctuation in a financial instrument due to changes in prevailing market prices, such as foreign exchange rates, interest rates, and stock prices, which can affect the company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable limits while maximizing returns.

The Company is exposed to the following market risks:

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates affecting foreign currency payments and receipts along with assessment of assets and liabilities in foreign currencies.

The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Management regularly monitors changes in foreign exchange rates and manages the impact on the financial statements.

Fair value risk

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Since the Company's financial statements are prepared under the historical cost principle differences may arise between the carrying amount and the fair value estimates. The Company's Management believes that the fair value of the Company's financial assets and liabilities approximates their balances.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring fair value, the Company uses observable market information whenever possible. Fair values are categorized into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of the asset or liability fall into different levels of the hierarchy, the fair value measurement is categorized entirely in the same level of the fair value hierarchy as the lowest level input is considered material to the full measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. During the period there were no transfers between the fair value levels of Level 1 and Level 2.

The Company's financial instruments are grouped using the historical cost principle except investments and the derivative financial instruments that are charged according to the fair value. Differences between the carrying amount and the fair value estimates might arise. The Management believes that the fair value of the financial assets and liabilities are not materially different to the carrying amount.

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26.3 Market risks ... (Continued)

Interest rate risk (currencies)

Interest rate risk (commissions) represents the risk related to the effects of fluctuations in interest rates (commissions) prevailing in the market to the Company's financial position and its cash flows.

Commodity price risk

Commodity price risk is the risk associated with changes to the prices of certain commodities to which the Company is exposed as a result of adverse impact on the Company's costs and cash flows. This commodity price risk arises from the expected purchases of commodities or the services which the Company is expected to receive.

26.4 Capital risk management

The Company's capital management objectives are to protect the Company's ability to continue on a going concern basis while maintaining an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Company may obtain/pay financing from financial institutions.

In line with industry peers, the Company manages capital risks by monitoring levels of debt and liquid assets while considering future investment requirements and shareholder expectations. Debt is calculated as total long-term financing and short-term borrowings. Total capital comprises shareholders' equity as shown in the statement of financial position under "Capital and Reserves" and net debt (cash and cash equivalents included).

Key information related to the Company's capital risk management included:

	31/12/2024	31/12/2023
Total debts	11,377,501	12,684,515
Less : Cash and bank balances	(5,191,970)	(2,435,900)
Net debt	6,185,531	10,248,615
Total equity	17,067,975	14,958,813
Total capital utilized	23,253,506	25,207,428
Debt ratio*	36%	69%

The debt ratio represents the ratio of net debt to total capital employed.

27. Comparative figures

Certain figures for the previous year have been reclassified to conform to the presentation of the financial statements in the current year.

	Balance before reclassification	Reclassification	Balance after reclassification
Property, plant and equipment	12,649,767	176,529	12,826,296
Inventory	6,337,750	(176,529)	6,161,221
Trade receivables - net	4,664,750	(265,336)	4,399,414
Accrued expenses and other payables	(2,757,594)	265,336	(2,492,258)
Revenue	(33,981,287)	230,727	(33,750,560)
Selling and distribution expenses	3,526,523	(230,727)	3,295,796
General and administrative expenses	3,294,606	21,003	3,315,609
Finance costs	115,743	(21,003)	94,740

28. Subsequent events

The Management believes there are no significant events as of the date of the financial position on December 31, 2024 and until the date of preparing these financial statements that may have a significant impact on the Company's financial position reported.

29. Approval of financial statements

The consolidated financial statements for the year ended 31 December 2024 were approved by the Company's Board on 24 Ramadan 1446 H corresponding to March 24, 2025.