ZAHRA AL WAHA FOR TRADING COMPANY
(A Saudi Joint Stock Company)
FINANCIAL STATEMENTS
For the year ended 31 December 2021
together with the
Independent Auditor's Report

KPMG Professional Services
Riyadh Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

Opinion

We have audited the financial statements of **Zahra Al Waha For Trading Company** ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

Key Audit Matter (1)

Refer to note (6-17) for the accounting policies related to revenue recognition.

Revenue recognition	How the matter was addressed in our audit
During the year ended 31 December 2021, revenue from sales of SR 549 million was recognized. Revenue from sales is recognized when the customer obtains control of the goods and this is done when the goods are accepted and delivered to the customer and the sales invoice is issued in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'. The recognition of revenue from sales was considered as one of the key audit matters since revenue from sales is one of the key performance indicators that includes inherent risk of overstating revenue from sales.	Our audit procedures relating to recognition of revenue from sales included, among others, the following: • Assessed the appropriateness of the Company's accounting policies relating to revenue recognition from sales, including those relating to discounts and incentives, and assessed the compliance with the applicable accounting standards; • Assessed the design, implementation, and effectiveness of the operation of the Company's internal controls on the revenue recognition from sales; • Conducted analytical review procedures by analyzing revenue trends from sales for the current year according to available information and comparing them with the previous year and determining whether there are any significant trends or fluctuations that need additional audit procedures. • Tested sample of revenue from sales transactions during the year and assessed the appropriateness of management's estimates of performance obligations, if any; • Performed cut-off procedures on the timing of revenue recognition from sales after the products were delivered to the customers and recognized during the correct accounting period; • Inquired from the management at various levels to assess their knowledge of the risk of fraud and to determine if actual cases of fraud were observed when recognizing revenue from sales. • Evaluating the adequacy of the financial statements disclosures.

Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

Key Audit Matter (2)

Refer to Note (6.4.2) and Note (12) relating to trade receivables.

Impairment of trade receivables	How the matter was addressed in our audit
As at 31 December 2021, the trade receivables amounted to SR 185.2 million. The management of the Company has applied a simplified expected credit loss model to determine the impairment of the trade receivables in accordance with the requirements of IFRS 9 'Financial Instruments'. The expected credit loss model includes the use of historical trends and data for trade receivables, as well as the use of significant future assumptions relating to the Company and the economy in general and in light of the existence of the Covid-19 pandemic. Given that the expected credit loss model is based on substantial estimates and assumptions, we considered that applying the IFRS 9 and calculating the impairment of trade receivables as a key audit matter.	Our audit procedures relating to the impairment of trade receivables included, among others, the following: • Assessed the appropriateness of accounting policies for impairment of trade receivables balances; and assessed the compliance with the applicable accounting standards; • Obtained an understanding of the procedure for determining the impairment of trade receivables, assessing the design, implementation and testing the operating effectiveness of management's internal controls in relation to credit sales, debt collection and estimation of impairment; • Assessed the validity and classification of trade receivables in the ageing report by matching a sample of trade receivables ageing items with supporting documents and invoices; • Assessed the underlying assumptions and estimates used by management, including those related to future economic events used to calculate the probability of default and the expected loss on default and tested the mathematical accuracy of the expected credit loss model; • Engaged our specialists to review the approach used in the expected credit loss model, to assess its suitability for the Company's activity. • Obtained confirmations from selected sample of trade receivables as at 31 December 2021 and performed alternative procedures in the absence of a response from customers, which included examining documents supporting the balance as well as collections for the subsequent period after the date of the financial statements. • Assessed the adequacy of the financial statements disclosures.

Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA, the applicable requirements of the Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha for Trading Company

A Saudi Joint Stock Company

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
License No: 348

Date: 30 Rajab 1443H
Corresponding to: 3 March 2022

KPMG Professional Services

ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Saudi Riyals)

	Notes	**31 December 2021**	31 December 2020
ASSETS			
Property, plant and equipment	7	**220,237,506**	240,346,123
Investment properties	8	**1,674,000**	2,649,000
Intangible assets	9	**1,467,976**	1,678,633
Non-current assets		**223,379,482**	244,673,756
Inventories	10	**81,021,324**	77,497,264
Investments at FVTPL	11	**--**	22,336,709
Trade receivables	12	**185,201,975**	167,055,028
Prepayments and other receivables	13	**28,920,605**	22,729,696
Cash and cash equivalents	14	**48,740,619**	9,805,193
Current assets		**343,884,523**	299,423,890
Total assets		**567,264,005**	544,097,646
EQUITY			
Share capital	15	**150,000,000**	150,000,000
Statutory reserve	6-13	**24,329,766**	17,872,598
Retained earnings		**127,718,929**	84,604,414
Other reserves	16	**(140,344)**	(138,114)
Total equity		**301,908,351**	252,338,898
Liabilities			
Long-term loans	18-b	**23,153,280**	48,177,220
Employees' benefits	19-1	**2,416,207**	1,920,943
Non-current liabilities		**25,569,487**	50,098,163
Short-term loans	18-a	**166,313,802**	162,069,666
Long-term loans – current portion	18-b	**36,723,939**	39,718,046
Trade payables		**23,104,300**	29,621,600
Accrued expenses and other payables	17	**6,188,708**	5,817,685
Zakat provision	20	**7,292,764**	4,271,600
Dividend payables	24	**162,654**	161,988
Current liabilities		**239,786,167**	241,660,585
Total liabilities		**265,355,654**	291,758,748
Total Equity and Liabilities		**567,264,005**	544,097,646

These financial statements have been approved by the Board of Directors on 26 Rajab 1443H (corresponding to 27 February 2022) and signed by:

Chairman	Chief Executive Officer	Chief Financial Officer
Ahmed Hamoud Al-Thiab	George Abdul Kareem Moussa	Mahmoud Mohammad Zaki

ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Saudi Riyals)

	Notes	For the year ended 31 December 2021	2020
Sales		**549,011,303**	424,850,419
Cost of sales	*21*	**(461,185,281)**	(350,665,072)
Gross profit		**87,826,022**	74,185,347
Other income/ (expenses)		**2,297,210**	(523,471)
Selling and distribution expenses	*22*	**(9,170,372)**	(9,285,654)
General and administrative expenses	*23*	**(7,326,165)**	(7,191,665)
Impairment losses on trade receivables	*12*	**(1,739,670)**	--
Operating profit		**71,887,025**	57,184,557
Unrealized losses from investments at FVTPL	*11*	--	(724,372)
Realized gain from sale of investments at FVTPL	*11*	**6,167,832**	354,618
Dividends received	*11*	**316,906**	--
Finance costs	*18-c*	**(7,615,435)**	(9,886,763)
Profit before Zakat		**70,756,328**	46,928,040
Zakat	*20-6*	**(6,184,645)**	(6,355,586)
Profit for the year		**64,571,683**	40,572,454
Other comprehensive loss			
Items that will not be reclassified to profit or loss:			
Remeasurements of employees' benefits	*19-1*	**(2,230)**	(166,924)
Total other comprehensive loss		**(2,230)**	(166,924)
Total comprehensive income		**64,569,453**	40,405,530
Basic and diluted earnings per share (SR)	*26*	**4.30**	2.70

These financial statements have been approved by the Board of Directors on 26 Rajab 1443H (corresponding to 27 February 2022) and signed by:

Chairman	Chief Executive Officer	Chief Financial Officer
Ahmed Hamoud Al-Thiab	George Abdul Kareem Moussa	Mahmoud Mohammad Zaki

The accompanying notes from 1 to 30 form an integral part of these financial statements

ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021
(Saudi Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Other reserves	Total
Balance as at 1 January 2020		**150,000,000**	**13,815,352**	**59,339,206**	**28,810**	**223,183,368**
Profit for the year		--	--	40,572,454	--	40,572,454
Other comprehensive loss		--	--	--	(166,924)	(166,924)
Total comprehensive income		--	--	**40,572,454**	**(166,924)**	**40,405,530**
Dividends distributed	24	--	--	(11,250,000)	--	(11,250,000)
Transferred to statutory reserve		--	4,057,246	(4,057,246)	--	--
Total transactions with shareholders of the Company		--	**4,057,246**	**(15,307,246)**	--	**(11,250,000)**
Balance as at 31 December 2020		**150,000,000**	**17,872,598**	**84,604,414**	(138,114)	**252,338,898**
Profit for the year		--	--	64,571,683	--	64,571,683
Other comprehensive loss		--	--	--	(2,230)	(2,230)
Total comprehensive income		--	--	64,571,683	**(2,230)**	**64,569,453**
Dividends distributed	24	--	--	(15,000,000)	--	(15,000,000)
Transferred to statutory reserve		--	6,457,168	(6,457,168)	--	--
Total transactions with shareholders of the Company		--	**6,457,168**	**(21,457,168)**	--	**(15,000,000)**
Balance as at 31 December 2021		**150,000,000**	**24,329,766**	**127,718,929**	**(140,344)**	**301,908,351**

These financial statements have been approved by the Board of Directors on 26 Rajab 1443H (corresponding to 27 February 2022) and signed by:

Chairman	Chief Executive Officer	Chief Financial Officer
Ahmed Hamoud Al-Thiab	George Abdul Kareem Moussa	Mahmoud Mohammad Zaki

ZAHRA AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Saudi Riyals)

	Note	2021	2020
		For the year ended 31 December	
Cash flows from operating activities			
Income before Zakat		**70,756,328**	46,928,040
Adjustments for:			
Depreciation and amortization	(7, 9)	**30,846,453**	29,358,898
Employees' benefits	19-1	**493,034**	421,324
Unrealized losses from investments at FVTPL	11	--	724,372
Realized gains from sale of investments at FVTPL	11	**(6,167,832)**	(354,618)
Finance costs	18-c	**7,615,435**	9,886,763
Gain from sale of investment properties	8	**(1,443,000)**	--
		102,100,418	86,964,779
Inventories		**(3,524,060)**	(34,099,559)
Trade receivables		**(18,146,947)**	(7,801,148)
Prepayments and other receivables		**(6,190,909)**	(2,556,216)
Trade payables		**(6,517,300)**	15,986,992
Accrued expenses and other payables		**371,023**	930,121
Zakat paid	20-6	**(3,163,481)**	(6,744,650)
Finance costs paid	18-c	**(2,195,290)**	(5,352,516)
Net cash generated from operating activities		**62,733,454**	47,327,803
Cash flows from investing activities			
Additions to property, plant and equipment	7	**(10,527,179)**	(32,440,022)
Purchase of investments at FVTPL	11	**(21,705,707)**	(34,385,978)
Proceeds from sale of investments FVTPL	11	**50,210,248**	11,679,515
Proceeds from sale of investment properties	8	**2,418,000**	-
Net cash generated from /(used in) investing activities		**20,395,362**	(55,146,485)
Cash flows from financing activities			
Proceeds from loans	18-c	**589,841,900**	355,742,372
Repayment of loans	18-c	**(619,035,956)**	(352,274,339)
Dividends Paid	24	**(14,999,334)**	(11,220,712)
Net cash used in financing activities		**(44,193,390)**	(7,752,679)
Net change in cash and cash equivalents		**38,935,426**	(15,571,361)
Cash and cash equivalents at beginning of the year		**9,805,193**	25,376,554
Cash and cash equivalents at the end of the year		**48,740,619**	9,805,193
The following significant non-cash transactions are excluded:			
Actuarial valuation losses	19-1	**2,230**	166,924
Transfer from projects in progress to intangible assets	9,7	--	906,014

These financial statements have been approved by the Board of Directors on 26 Rajab 1443H (corresponding to 27 February 2022) and signed by:

Chairman	Chief Executive Officer	Chief Financial Officer
Ahmed Hamoud Al-Thiab	George Abdul Kareem Moussa	Mahmoud Mohammad Zaki

The accompanying notes from 1 to 30 form an integral part of these financial statements

1- ORGANIZATION AND PRINCIPAL ACTIVITIES

Zahra Al Waha Trading Company ("the Company") is a Saudi Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia on 10 Sha'aban 1424H (corresponding to 6 October 2003).

The Company was converted from a sole proprietorship to a Limited Liability Company with a capital of 50 million Saudi Riyals on 27 Safar 1437H (corresponding to 9 December 2015). In addition, it was converted from a Limited Liability Company to a Saudi Closed Joint Stock Company with a capital of SR 80 million on 3 Rabi' II 1438H (corresponding to 1 January 2017). It was converted from a Saudi Closed Joint Stock Company to a Saudi Public Joint Stock Company with a capital of SR 150 million on 26 Dhul-Hijjah 1438H corresponding to 17 September 2017.

The Company operates under Commercial Registration No. 1010190390 issued in Riyadh on 10 Sha'aban 1424H (corresponding to 6 October 2003) in the Kingdom of Saudi Arabia.

The Saudi Capital Market Authority approved the listing of the Company in the Saudi Stock Exchange (Tadawul) on 26 Dhul-Hijjah 1438H (corresponding to 17 September 2017).

Formal procedures to amend the Company's bylaws to convert it from a Saudi Closed Joint Stock Company into a Saudi Public Joint Stock Company were completed on 12 Rabi I 1439H (corresponding to 30 November 2017).

The Company carries out its activities through its branch in Al-Kharj under Commercial Registration No. 1011014061 issued in Riyadh on 22 Jumada II 1431H (corresponding to 4 June 2010).

The principal activities of the Company include the manufacture of semi-finished products from plastics, the manufacture of cans and boxes from plastics, the manufacture of bottles of various forms from plastics, the manufacture of products from plastics using the Roto mold method, under the industrial license No. 421102107495 dated 28 Safar 1442H (corresponding to 15 October 2020).

The Company's registered head office is located in the following address:

Zahra Al Waha For Trading Company
7449 Al Ihsa Street, Al Rabwa.
P.O. Box 2980, Riyadh 12814
Kingdom of Saudi Arabia

2- BASIS OF ACCOUNTING

The accompanying financial statements have been prepared in accordance with the International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

At the beginning of the financial year 2020, the Coronavirus (COVID-19) pandemic invaded the world, causing disruption in the economic and commercial sectors in general. The Company's management has proactively assessed the impact on its operations and has taken a series of preventive measures to ensure the health and safety of its employees and workers.

Despite these challenges, the Company's business and operations currently remain significantly unaffected. The basic demand from customers for the Company's products was not significantly affected, although there was a decrease in demand during certain periods during the year.

2- BASIS OF ACCOUNTING (CONTINUED)

Based on these factors, the Company's management believes that the Covid-19 pandemic did not have a material impact on the financial results that were reported for the year ended 31 December 2021.

The Company continues to closely monitor the development of the pandemic even though the management, at this time, is not aware of any expected factors that may change the impact of the pandemic on the Company's operations during or after 2022.

The Company's management also conducted an assessment on its ability to continue as a going concern, and it believes that the Company has sufficient resources to continue its business for the foreseeable future.

Moreover, the management does not have any significant doubts on the ability of the Company to continue as a going concern. Accordingly, the Company is still preparing the financial statements on the going concern basis.

The management of the Company is currently monitoring the situation and its impact on the Company's operation, cash flows and financial position.

Management believes, based on their assessment, that the Company has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

The Company's fiscal year begins on January 1 and ends on December 31 of each year.

These financial statements were approved for issuance by the Board of Directors on 26 Rajab 1443H (corresponding to 27 February 2022).

3- BASIS OF MASUREMENT

The financial statements have been prepared using the historical cost basis except for the following:

- Accruals for employees' end-of-service benefits provision, which is calculated at the present value of future obligations.

- Valuation of investments at fair value through profit or loss (FVTPL)

4- FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are prepared in Saudi Riyals, which is the functional and presentation currency of the Company.

5- USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and the disclosure of contingent liabilities, at the financial period date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

These estimates and assumptions are based on historical experience and factors including expectations of future events that are appropriate in the circumstances and are used to determine the carrying amounts of assets and liabilities that are not independent from other sources.

5- USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS (CONTINUED)

The estimates and assumptions are reviewed on an ongoing basis.

Accounting estimates recognized are reviewed in the period and future periods, and the effect of the change in the current period is recognized prospectively.

The significant judgments made by management in applying the Company's accounting policies are consistent with those disclosed in the previous year's financial statements.

Information about estimates, assumptions and judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are as follows:

5-1 Impairment of trade receivables

The impairment of trade receivables is assessed and evaluated using assumptions about the risk of default and the rates of loss incurred.

The Company uses the judgments when making these assumptions and selects the necessary inputs to calculate the impairment based on the Company's previous experience and current and future market conditions at the end of each reporting period in accordance with the requirements of IFRS 9 (Note 12).

5-2 Useful lives and remaining values of the property, plant and equipment

The Company's management determines the estimated useful life of its property, plant and equipment for calculating depreciation.

This estimate is determined after considering expected usage of the assets and physical wear and tear.

The management periodically reviews the estimated useful lives, residual values, if any and the depreciation method to ensure that the method and periods of depreciation are consistent with the expected pattern of economic benefit of the assets.

No change was made to the useful lives during the year (Note 7).

5-3 Measurement of defined benefit obligations

The cost of employees' defined benefit obligations is determined in accordance with actuarial valuations.

An actuarial valuation involves making various assumptions which may differ from actual developments in the future.

These include the determination of the discount rate, future salary increases and mortality rates.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit liability is highly sensitive to changes in these assumptions.

All assumptions are reviewed on the date of the preparation of financial statements (Note 19).

5-4 Impairment of inventories

Inventories are measured at the lower of cost and net realizable value. The amount of write-off and any reduction of inventory to net realizable value and all obsolete inventory losses must be recognized as expenses in the same period of the write-off event or incurred loss (Note 10).

6- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used when preparing these financial statements are in line with what is stated in the notes to the financial statements of the Company for the year ended 31 December 2020.

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

6-1 Property, plant and equipment

6-1-1 Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and accumulated impairment loss, if any.

When parts of an item of property, plant and equipment have different useful lives, they are calculated as separate item (key elements) of property, plant and equipment.

Any gains or losses on the disposal of any items of property, plant or equipment are recognized in statement of profit or loss.

6-1-2 Subsequent expenditures

Subsequent expenditure is capitalized only when it entails future economic benefits as a result of these expenditure.

6-1-3 Depreciation

Depreciation is calculated for the cost of items of property, plant and equipment less their estimated residual values if any, using the straight line method over their estimated useful lives, and depreciation is recognized in profit or loss.

Land is not depreciated.

The estimated useful lives for the items of property, plant and equipment for the current and comparative years are as follows:

Buildings	33 years
Machinery	10-13.3 years
Motor vehicles	4-5 years
Tools and equipment	10 years
Furniture	10 years
Computers	5 Years

The depreciation methods, useful lives and residual values are reviewed in each reporting period and adjusted if necessary.
Capital work in progress is not depreciated. Capital work in progress is stated at cost less impairment loss, if any.

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-2 Intangible assets

6-2-1 Recognition and measurement

Intangible assets, including computer software acquired by the Company and with finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses, if any.

6-2-2 Amortization

Amortization is calculated to reduce the cost of intangible assets less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and amortization is recognized in profit or loss.

The estimated useful lives are 10 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

6-3 Borrowing costs

The Company capitalizes borrowing costs that are directly related to the acquisition, construction or production of assets that are qualified to bear the borrowing cost as part of the cost of that assets.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

6-4 Financial assets

6-4-1 Initial recognition and measurement

The company initially recognizes receivables issued on the date of their inception. and all other financial assets and financial liabilities when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financial component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

6-4-2 Classification and subsequent measurement

Financial assets – classification

On initial recognition, financial assets are classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial instrument is determined to have low credit risk if

i) the financial instrument has a low risk of default,
ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and
iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-4 Financial assets (continued)

6-4-2 Classification and subsequent measurement (continued)

Financial assets – classification (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized value is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Any gain or loss on derecognition is recognized in statement of profit or loss.
Financial assets at FVOCI - Debt investments	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to statement of profit or loss.
Financial assets at FVOCI - Equity investments	These assets are subsequently measured at fair value. Dividends are recognized as income in statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in statement of other comprehensive income and are never reclassified to statement of profit or loss.

6-4-3 Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, trade receivables and financial guarantee contracts.

No impairment loss is recognized for investments in equity instruments. The amount of ECL reflects changes in credit risk since initial recognition of the respective financial instrument.

The Company applies the simplified approach to calculate impairment on trade receivable and this always recognizes lifetime ECL on such exposures.

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-4 Financial assets (continued)

6-4-3 Impairment of financial assets (continued)

ECL on these financial assets are estimated using a flow rate based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company applies the general approach to calculate impairment.

Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12-month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.
An assessment of whether the credit risk of a financial instrument has increased significantly since its initial recognition is done by considering the change in the risk of default that occurs over the remaining life of the financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Company considers the default in case of trade receivables occurs when a customer balance moves into the "Inactive" category based on its debt age analysis.

For all other financial assets, the Company considers the following as constituting an event of default as historical experience indicates that receivables that meet either of the following criteria are generally not to be recoverable:

When there is a breach of financial covenants by the counterparty; or
Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay his dues.

The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the percentage of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information.

The Company recognizes an impairment loss or reversals in the statement of profit or loss and other comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in the statement of profit or loss and other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-5 Financial liabilities

6-5-1 Recognition and measurement

Financial liabilities are classified, on initial recognition, as measured at amortized cost or financial liabilities at fair value through profit or loss.

All financial liabilities other than financial liabilities at fair value through profit or loss are recognized initially at fair value net of directly attributable transaction costs.

Financial liabilities at fair value through profit or loss are measured initially and subsequently at fair value, and any related transaction costs are recognized in statement of profit or loss as incurred.

6-6 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment.

If any such indication exists, then the asset's recoverable amount is estimated.

The carrying amount of the Company's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-7 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined based on the weighted average method and includes expenditure incurred in bringing inventories to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

The amount of any write-down of inventories to net realizable value and all losses of inventories shall be recognized as an expense in the same period of the write-off event or incurred loss .

Goods are purchased with discounts granted by suppliers on the basis of total purchases over a 12-month period.

These discounts are recognized on an accrual basis based on contracts concluded with suppliers.

6-8 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.

Provisions are not recognized for future operating losses.

When the obligation relates to long periods of time, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The unwinding of the discount is recognized as finance cost.

6-9 Employees' benefits

6-9-1 Short-term benefits obligations

Short-term benefits are those amounts expected to be settled wholly within 12 months at the end of the year in which employees render services that give rise to the benefits.

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves and benefits-in-kind that are expected to be settled wholly within twelve months after the end of the year in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

6-9-2 Service benefit obligations

The Company provides end-of-service benefits to its employees in accordance with the requirements of the Labor Law in Kingdom of Saudi Arabia.

The entitlement to these benefits, using actuarial techniques is based upon the employees' basic salary, allowances and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are recognized over the service period.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-9 Employees' benefits (continued)

6-9-2 Service benefit obligations (continued)

Employees' benefit obligation plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuaries based on projected unit credit method and the liability is recorded based on an actuarial valuation.

The liability recognized in the statement of financial position in respect of the employees' end-of-service benefits is the present value of the employees' service benefits at the end of the reporting period.

The present value of the employees' end-of-service benefits is determined by discounting the estimated future cash outflows using interest rates of high-quality bonds that have terms of maturity approximating to the terms of the end-of-service benefits obligation.

Past-service costs are recognized immediately in the statement of profit or loss.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. Such cost is recognized in the statement of profit or loss.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or included in equity in the statement of other comprehensive income in the year in which they arise.

6-10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks and investments with original maturity of three months or less, which are available to the Company without any restrictions.

6-11 Zakat

Zakat is calculated in accordance with the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia and on an accrual basis.

The Zakat expense is charged to the statement of profit or loss.

The differences, if any, resulting from the final assessments are adjusted in the year when assessments are finalized.

6-12 Foreign currency transactions

Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss

6-13 Statutory reserve

In accordance with the Company's by-laws, the Company must set aside 10% of its annual net income as a statutory reserve until it reaches 30% of the share capital.

This reserve is not available for distribution.

The reserve allocation is computed on an annual basis.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-14 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company, and they are recorded in the financial statements in the period that is approved by the shareholders of the Company.
Interim dividends are recorded in the period that is approved by the Board of Directors .

6-15 Earnings per share

The Company presents basic and diluted earnings per share (EPS).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held, if any.

Diluted EPS, if any is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

6-16 Investment properties

Investment property is measured at cost, any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. Land is not depreciated.

6-17 Revenue recognition

Type of product	**Nature and timing of satisfaction of performance obligation, including significant payment terms**
Plastic preforms and caps.	Revenue is recognized when customers obtain control of goods when the goods are delivered to customers and have been accepted. Invoices are generated and revenue is recognized at that point in time. Some contracts allow customers to return goods and replace them with other new goods, and no refunds are permitted. Products are sold at discounts based on total sales over a period of 12 months. These sales are recognized based on the price in the contract less the volume of discounts.

6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-17 Revenue recognition (continued)

The Company recognizes revenue according to IFRS 15, using the following five-steps model:

Step 1: Identify the contract 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 for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is 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 of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price.	For a contract that has more than one performance obligation, the Company allocates 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: Revenue recognition	The Company recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

6-18 Expenses

Selling and distribution expenses are costs arising from the Company's efforts underlying marketing activities and function.

All other expenses are classified as administrative expenses.

Allocation of common expenses between cost of sales, selling and distribution and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

6-19 Segment reporting

An operating segment is a group of assets and processes that jointly engage in the rendering of products or services subject to risks and rewards that differ from those of other business segments and which are measured in accordance with the reports used by the executive management.

A geographical segment is a sector associated with providing products or services within a specific economic environment that are exposed to risks and returns that are different from those related to sectors operating in other economic environments.

The disclosures for segment reporting are consistent with information reviewed by the chief operating decision-maker. The company discloses information about the applicable measurement bases, such as the nature and impact of any differences between the measurements used in the information on the reporting sectors and those measurements used.

6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6-20 New standards, amendments to standards and interpretations

There are no new standards issued. However, there are a number of amendments to standards that are effective from 1 January 2021 but have no material impact on the financial statements of the Company.

6-20-1 The amendments to the following standards for the first time from 1 January 2021 and did not have a material impact on the financial statements:

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 *and* IAS 39. *(Amendments are effective on or after 1 January 2021).*

6-21 New standards and amendments issued:

A number of new standards are effective for annual periods beginning after 1 January 2021, and earlier application is permitted.

The Company elected not to early adopt the standards referred to, and the Company's management is currently assessing the impact of adopting standards and amendments mentioned below in case they have an impact on the Company.

Effective for annual periods beginning on or after	**New standards and amendments**
1 January 2022	Annual Improvements to IFRS Standards 2018–2020 – Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture*
	Reference to the Conceptual Framework – Amendments to IFRS 3 *Business Combinations*
	Property, Plant and Equipment – Proceeds before Intended Use: Amendments to IAS 16 *Property, Plant and Equipment*
	Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*
1 January 2023	IFRS 17 *Insurance Contracts**, including amendments *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
	Classification of Liabilities as Current or Non-current – Amendments to IAS 1 *Presentation of Financial Statements*
	Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*
	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 *Income Taxes*
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*

(Saudi Riyals)

7- PROPERTY, PLANT AND EQUIPMENT

a) The movement in property, plant and equipment during the year ended 31 December is as follows:

	Lands	Buildings	Machinery	Motor vehicles	Tools and equipment	Furniture	Computers	Work in Progress	Total
Cost:									
Balance at 1 January 2021	30,452,860	35,448,867	284,908,151	3,180,750	290,603	676,515	2,029,626	21,626,064	378,613,436
Additions	4,314,271	--	256,106	613,322	26,000	9,299	56,253	5,251,928	10,527,179
Disposals	--	--	(52,500)	(186,000)	--	(4,800)	(4,500)	-	(247,800)
Transfers during the year	--	--	3,919,677	--	--	--	--	(3,919,677)	--
Balance at 31 December 2021	**34,767,131**	**35,448,867**	**289,031,434**	**3,608,072**	**316,603**	**681,014**	**2,081,379**	**22,958,315**	**388,892,815**
Accumulated depreciation:									
Balance at 1 January 2021	--	4,065,216	130,362,039	2,412,015	155,515	269,809	1,002,719	--	138,267,313
Additions	--	1,063,503	28,778,752	345,220	29,839	68,815	349,667	--	30,635,796
Disposals	--	--	(52,500)	(186,000)	--	(4,800)	(4,500)	--	(247,800)
Balance at 31 December 2021	**--**	**5,128,719**	**159,088,291**	**2,571,235**	**185,354**	**333,824**	**1,347,886**	--	**168,655,309**
Net book value:									
At 31 December 2021	**34,767,131**	**30,320,148**	**129,943,143**	**1,036,837**	**131,249**	**347,190**	**733,493**	**22,958,315**	**220,237,506**
Cost:									
Balance at 1 January 2020	30,452,860	35,415,867	261,804,202	2,945,750	282,853	661,141	1,546,514	13,970,241	347,079,428
Additions	--	--	3,888,212	235,000	7,750	15,374	118,087	28,175,599	32,440,022
Transfers during the year	--	33,000	19,215,737	--	--	--	365,025	(19,613,762)	--
Transferred to intangible assets	--	--	--	--	--	--	--	(906,014)	(906,014)
Balance at 31 December 2020	**30,452,860**	**35,448,867**	**284,908,151**	**3,180,750**	**290,603**	**676,515**	**2,029,626**	**21,626,064**	**378,613,436**
Accumulated Depreciation:									
Balance at 1 January 2020	--	3,002,312	103,170,351	1,859,416	126,968	202,956	703,708	--	109,065,711
Additions	--	1,062,904	27,191,688	552,599	28,547	66,853	299,011	--	29,201,602
Balance at 31 December 2020	**--**	**4,065,216**	**130,362,039**	**2,412,015**	**155,515**	**269,809**	**1,002,719**	**--**	**138,267,313**
Net book value:									
At 31 December 2020	**30,452,860**	**31,383,651**	**154,546,112**	**768,735**	**135,088**	**406,706**	**1,026,907**	**21,626,064**	**240,346,123**

- The balance of work in progress represents the amount paid for the purchase of a production line of caps, injection molds and a printing line. The total projected cost of these projects is SR 24.61 million, and these projects are expected to be completed during the second quarter of 2022, the net book value of land, buildings and plant is mortgaged against the loans amounting to SR 113,643,858 As at 31 December 2021 (31 December 20202: SR 95,635,226) (Note 18-B).
- The transfers from projects in progress during the year represent the value of the machinery for operating a new production line.

(Saudi Riyals)

8- INVESTMENT PROPERTIES

The company records all investment properties at cost

The investment property consists of plots of land as on 31 December 2021 in Muzahimiyah, with a total area of 12,113 square meters (2020: 27,226 square meters).

The value of the investment property as of 31 December 2021 amounted to 1.7 million Saudi riyals (31 December 2020: 2.6 million Saudi riyals).

The fair value of the investment property as of 31 December 2021 amounted to 4.21 million Saudi riyals (2020: 3.17 million Saudi riyals)

During the year, the company sold investment properties (land plots) at a cost of 975,000 Saudi riyals, which resulted in gains from selling investment properties amounting to 1.44 million Saudi riyals included in other income.

The fair value of the real estate investment was determined by an external real estate valuer independent of the company (Valuer: Qiam Real Estate Company, license number 1210000052).

The fair value of investment properties has been categorized as Level 2 fair value based on the inputs to the valuation method used

9- INTANGIBLE ASSETS

The movement in intangible assets during the year ended 31 December is as follows:

	31 December 2021	31 December 2020
Cost:		
Balance at 1 January	**1,962,222**	1,056,208
Transferred from work in progress	**--**	906,014
Balance at 31 December	**1,962,222**	1,962,222
Accumulated amortization:		
Balance at 1 January	**283,589**	126,293
Amortization during the year	**210,657**	157,296
Balance at 31 December	**494,246**	283,589
Net book value:	**1,467,976**	1,678,633

10- INVENTORIES

	31 December 2021	31 December 2020
Raw materials and packaging materials	**40,045,027**	50,351,242
Finished goods	**38,408,399**	25,157,156
Spare parts, supplies and oils	**2,567,898**	1,988,866
	81,021,324	77,497,264

(Saudi Riyals)

11- INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments in a equity investment portfolio	**31 December 2021**	31 December 2020
The number of units invested in	**--**	1,120,703
Unit price (SR)	**--**	19.931
Total investments	**--**	22,336,709

During the year 2020, the company invested in a portfolio of investment shares that are traded in the Saudi Stock Exchange (Tadawul), represented by investing in the equity of a diversified group of companies.

The portfolio is managed by the Investment Company for Securities and Brokerage - Alistithmar Capital, in accordance with the concluded management contract.

Equity investments are valued at fair value, based on the traded prices of shares in the Saudi Stock Exchange (Tadawul). All the invested shares were sold during the year 2021, and this resulted in realized profits of 6,167,832 Saudi riyals, The dividends received during the year amounted to 316,906 Saudi riyals, which were presented in the statement of profit or loss. The movement of investments for the year ended December 31 is as follows:

	31 December 2021	31 December 2020
Cost of investment as at January 1	**22,336,709**	--
Purchase of investment units	**21,705,707**	34,385,978
Sale of invested units	**(50,210,248)**	(11,679,515)
Realized gains on sale of investments	**6,167,832**	354,618
Fair value differences for units	**--**	(724,372)
Balance as at 31 December	**--**	22,336,709

12- TRADE RECEIVABLES

	31 December 2021	31 December 2020
Trade receivables	**160,067,358**	147,674,928
Due from related parties (Note 28)	**50,199,434**	42,705,247
	210,266,792	190,380,175
Less: impairment of trade receivables	**(25,064,817)**	(23,325,147)
	185,201,975	167,055,028

The movement in impairment of trade receivables is as follows:

	31 December 2021	31 December 2020
Balance at beginning of the year	**23,325,147**	23,325,147
Provided during the year	**1,739,670**	--
Balance at end of the year	**25,064,817**	23,325,147

Information on the Company's exposure to credit and market risks including the aging of trade receivables is included in Note 27-2.

(Saudi Riyals)

13- PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
Suppliers - debit balances (*)	**22,074,146**	17,942,703
VAT, net	**4,830,906**	1,268,354
Pre-paid expenses	**1,750,181**	920,952
Advances to suppliers	**227,572**	1,419,773
Letter of guarantee (Note 20)	**--**	1,117,604
Other assets	**37,800**	60,310
	28,920,605	22,729,696

* This balance represents the value of the discounts due for the year from the main supplier of the Company.

14- CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash on hand	**2,815**	3,899
Bank balances	**48,737,804**	9,801,294
	48,740,619	9,805,193

15- SHARE CAPITAL

As at 31 December 2021, the Company's authorized and fully paid up share capital amounted to SR 150 million (2020: SR 150 million), divided by 15 million ordinary shares (2020: 15 million ordinary shares) of SR 10 per share (2020: SR 10 per share).

The Board of Directors recommended in its meeting held on 15 November 2021 (corresponding to Rabi' al-Thani 10, 1443), to increase the company's capital by granting free shares to the company's shareholders by capitalizing the retained earnings by granting one share for every two shares provided that this is presented to the extraordinary general assembly for approval after obtaining. approval Official authorities.

16- OTHER RESERVES

The balance represents the actuarial loss resulting from re-measurement of employees' benefits, the balance as of 31 December 2021 SR 140,344 (2020: SR 138,114).

17- ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2021	31 December 2020
Accrued expenses – electricity	**1,246,610**	1,029,017
Accrued bonus	**765,724**	971,247
Remunerations and allowances of the Company's Board of Directors and Committees (Note 28)	**638,000**	499,000
Accrued expenses – consultations	**498,412**	405,250
Accrued air tickets	**484,103**	402,596
Leave Vacations entitlements Accruals	**399,955**	339,970
Advances from customers	**54,489**	245,903
Accrued expenses - unbilled goods	**10,350**	769,560
Others	**2,091,065**	1,155,142
	6,188,708	5,817,685

(Saudi Riyals)

18- LOANS

a) Short-term loans

	31 December 2021	31 December 2020
Short-term loans (*)	**166,313,802**	162,069,666
	166,313,802	162,069,666

(*) These short-term loans are mainly used to finance the working capital requirements of the Company. The company did not use these short-term loans to finance capital expansions.

b) Long-term loans

	31 December 2021	31 December 2020
Local banks	**12,929,257**	32,821,593
Saudi Industrial Development Fund (SIDF)	**48,280,000**	56,630,000
	61,209,257	89,451,593
Less: deferred interests	**(1,332,038)**	(1,556,327)
	59,877,219	87,895,266
Presented in the statement of financial position as follows:		
Non-current portion shown under non-current liabilities	**23,153,280**	48,177,220
Current portion shown under current liabilities	**36,723,939**	39,718,046
	59,877,219	87,895,266
Total loans	**226,191,021**	249,964,932

As at 31 December 2021, the Saudi Industrial Development Fund loan is secured against the lands, buildings and machines of the Company's plant with a book value of SR 113,643,858 (31 December 2020: SR 95,635,226) and is due for repayment over a period of 1 to 5 years (Note 7).

c) Total movement in loans

	31 December 2021	31 December 2020
Balance as at 1 January	**249,964,932**	241,962,652
Proceeds from loans	**589,841,900**	355,742,372
Repayment of loans	**(619,035,956)**	(352,274,339)
Finance costs	**7,615,435**	9,886,763
Finance costs (paid)	**(2,195,290)**	(5,352,516)
Balance as at 31 December	**226,191,021**	249,964,932

d) Bank facility agreements

The Company obtained credit facilities from local banks, long term and short term loans and letters of credit with a financing ceiling of SR 300.7 million.

These facilities were obtained under Murabaha and Tawarruq agreements to finance working capital and some expansions and capital expenditure requirements.

As at 31 December 2021, unused facilities and open letters of credit amounted to SR 23.39 million (2020: SR 61.5 million).

The credit facility agreements are secured by promissory notes issued by the Company.

18- LOANS (CONTINUED)

d) Bank facility agreements (continued)

The facility agreements include covenants that relate to restrictions on dividends and other things, they require a minimum net value and certain financial ratios that must be maintained accordingly.

At the beginning of the year, the Company obtained approval from the bank to breach one of the bank's covenants.

During the year ended 31 December 2021, financing agreements with some local banks were renewed at values amounting to SR 227.93 million, with the aim of purchasing and importing raw materials, financing working capital, and financing capital expansion. These agreements have been renewed by guaranteeing promissory notes issued by the Company.

As at 31 December 2021, the Company obtained credit facilities from the Saudi Industrial Development Fund amounting to SR 24.50 million (31 December 2020: SR 33.50 million).

The borrowings include certain covenants. Breach of these covenants in the future may lead to renegotiation.

The management monitors covenants on a monthly basis, and in the event of a breach expected in the future, the management takes the necessary measures to ensure compliance.

All of the borrowings mentioned above are borrowings that comply with the provisions of Islamic Sharia.

19- EMPLOYEES' BENEFITS

General description of a defined benefit plan for employees:
The Company is required to pay end of service benefits (defined benefit plan) in accordance with the Saudi Labor Law.

The benefit of the end of service benefit equals half the salary of the last month of each of the first five years of service, including the fractions of the year, in addition to the salary of the last month in full for each year of the remaining / subsequent service, including fractions of the year in the event of termination or retirement of the employee.

Evaluation methodology and key assumptions for the actuarial study:
In compliance with the requirements of IAS 19 "Employees' Benefits", the projected unit credit method has been used to determine plan liabilities.

Under this method, the expected cost of the benefit is calculated for each benefit to which the plan members who are on the job are entitled.

The expected cost of benefit and the length of service are adopted at the valuation date and the benefit is calculated based on the last salary expected to be received by the employee at the retirement age.

The plan's liabilities are the current actuarial value of the accrued benefits expected to all employees who are on employed by the Company at the date of valuation.

(Saudi Riyals)

19 EMPLOYEES' BENEFITS (CONTINUED)

Key Assumptions
As per IAS19, the actuarial assumptions shall be unbiased and mutually compatible.

The assumptions are the Company's best estimate of the variables that will determine the ultimate cost of providing the end of service benefit.

The principal assumptions used are:

The Company manages end of service benefits plans in accordance with the Saudi Arabian labor law. The post-employment benefits plans are unfunded.

19-1 Movement in employees' benefits obligation

The following table shows a reconciliation from the opening balances to the closing balances for the defined benefit liability:

	31 December 2021	31 December 2020
Balance at the beginning of the year	**1,920,943**	1,332,695
Included in statement of profit or loss		
Current service cost	**468,146**	384,092
Interest cost	**67,429**	55,009
(Paid) during the year	**(42,541)**	(17,777)
	493,034	421,324
Included in other comprehensive income		
Losses of actuarial revaluation	**2,230**	166,924
Balance at the end of the year	**2,416,207**	1,920,943

19-2 Actuarial assumptions

The principal actuarial assumptions at the reporting date (expressed as weighted average) are as follows:

	31 December 2021	31 December 2020
Discount rate	**3.25%**	3.00%
Future growth in salary	**5.00%**	5.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

19-3 Sensitivity analysis

Reasonably possible changes in the reporting date of one of the actuarial assumptions relevant to the assumption that other assumptions are remain unchanged may affect the defined benefit obligations amount as follows:

	31 December 2021		31 December 2020	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1 % movement)	**(2,142,792)**	**2,745,991**	(1,689,309)	2,202,532
Future Salary Growth Rate (1% change)	**2,736,608**	**(2,144,590)**	2,193,760	(1,691,334)

Although the analysis does not take into account the full distribution of expected cash flows under the plan, it provides a rough approximation of the sensitivity of the assumptions.

(Saudi Riyals)

20 ZAKAT PROVISION

20.1 Zakat declarations were filed for the years from 2012 to 2015, and the Zakat, Tax and Customs Authority (ZATCA) (the Authority) has assessed these years with the amount of SR 1,026,375 These objections are still pending with the General Secretariat of Tax Committees until the date of preparing these financial statements. Furthermore, the Company made a provision for the total amount of these Zakat assessments and believes that the outcome of these objections will be in its favor.

20.2 Zakat declarations were filed for the years from 2016 to 2018, and (ZATCA) has assessed these years with the amount of SR 11,083,063. The Company objected to the Zakat assessments for these years during the regulatory period. (ZATCA) partially accepted the objection, and accordingly, after studying the objection, it issued an amended assessment of SR 3,586,926. The Company agreed to the amended assessment and paid the amount due under the amended assessment.

20.3 On 13 October 2021, the Company received Zakat assessments from the Zakat, Tax and Customs Authority (ZATCA) for the financial years ended 31 December 2019 and 2020 which included a claim to pay additional Zakat amounts of SR 3.5 million.

These Zakat differences resulted substantially from ZATCA's assumption that short-term loans are revolving loans and are therefore long-term loans.

The Company's management does not agree with this assumption in accordance with the evidentiary documents available supporting its point of view, especially since there are similar cases whereas the taxpayers' viewpoint was supported before the tax committees.

Based on the above and the facts available to the Company, the Company has appealed the Zakat assessments of these years during the statutory period.

On 14 February 2022, the Company received amendment notices from ZATCA related to Zakat assessments for the financial years ended 31 December 2019 and 2020 which included a claim to the Company to pay additional Zakat amounts of SR 3.48 million.

The Company will appeal ZATCA’s amended assessments and escalate the matter to General Secretariat of Tax Committees (GSTC) during the statutory period, as the management of the Company does not agree with the ZATCA’s amended assessments in accordance with the evidentiary documents available to it as indicated earlier.

The Company has provided an additional zakat provision of SR 1.8 million against this assessment. Furthermore, the Company paid SR 883 thousand as an advance (to ZATCA) upon filing the appeal with ZATCA.

20.4 The Company filed the Zakat declaration for the year 2020, the Zakat payable has been paid based on this declaration, A Zakat certificate was issued for this year 2020, and it is valid until 30 April 2022.

20.5 Zakat provision for the current year is calculated as follows:

	31 December 2021	31 December 2020
Equity, opening provisions and other Adjustments	**322,721,608**	324,631,165
Book value for long term assets	**(223,379,482)**	(244,673,756)
Total	**99,342,126**	79,957,409
Zakat profit for the year	**72,944,205**	47,367,141
Zakat base	**172,286,331**	127,324,550

(Saudi Riyals)

20 ZAKAT PROVISION (CONTINUED)

20.6 The movement in zakat provision during the year was as follows:

	31 December 2021	31 December 2020
Balance at the beginning of the year	**4,271,600**	4,660,664
Provided during the year	**4,307,158**	3,245,227
Zakat adjustments	**77,487**	(476,567)
Zakat assessment differences from previous years	**1,800,000**	3,586,926
Charged to the statement of profit or loss and other comprehensive income	**6,184,645**	6,355,586
Paid during the year	**(3,163,481)**	(6,744,650)
Balance at the end of the year	**7,292,764**	4,271,600

21- COST OF SALES

	For the year ended 31 December 2021	2020
Raw material cost	**403,054,691**	296,335,821
Depreciation	**28,204,313**	27,206,913
Electricity	**13,998,103**	12,570,659
Salaries and related costs	**8,863,304**	7,838,670
Others	**7,064,870**	6,713,009
	461,185,281	350,665,072

22- SELLING AND DISTRIBUTION EXPENSES

	For the year ended 31 December 2021	2020
Transportation expenses	**7,328,888**	7,449,873
Salaries and wages	**771,291**	682,506
Selling commissions	**112,000**	183,116
Depreciation	**18,235**	26,620
Miscellaneous expenses	**939,958**	943,539
	9,170,372	9,285,654

23- GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December 2021	2020
Salaries and wages	**3,656,829**	3,655,625
Professional and consultancy fees	**1,041,057**	1,371,283
Remunerations and allowances of the Company's Board of Directors and Committees	**638,000**	499,000
Depreciation and amortization	**370,895**	418,469
Defective goods	**316,104**	139,695
Miscellaneous expenses	**1,303,280**	1,107,593
	7,326,165	7,191,665

24- DIVIDENDS

The General Assembly, in its meeting held on 26 April 2021, corresponding to Ramadan 14, 1441, based on the recommendation of the Board of Directors in its session held on 24 February 2021 corresponding to Rajab 12, 1442, approved the distribution of cash dividends in the amount of 15 million Saudi riyals for the fiscal year 2020 at a rate of 1 Saudi riyals per share. (2020 AD: 11,250 million Saudi riyals at 0.75 riyals per share).

On 15 November 2021, corresponding to 10 Rabi' al Thani 1443 H, the Board of directors recommended by circulation to distribute cash dividends of SR 22.5 million for the financial year 2021 amounting to SR 1,5 per share, provided that the same is to be paid to the owners of the restricted shares at the end of the second trading day following the day of the Company's shareholders general assembly meeting, which will be announced later.

25- CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND OTHER LIABILITIES

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be reasonably measured.
Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

As 31 December 2021, contingent liabilities related to uncovered letter of credit amounted to SR 48,735,371(31 December 2020: SR 46,198,340).

As at 31 December 2021, the capital commitments related to projects in progress amounted to SR 1,302,750, represent mainly in contracting for a new production line (31 December 2020: SR 1,881,513).

The Company has commitments for the full value of the promissory notes with the full value of the loans granted to the Company.

26- EARNINGS PER SHARE

Basic and diluted earnings per share
Basic earnings per share is calculated by dividing income for the year attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	31 December 2021	31 December 2020
Income for the year	**64,571,683**	40,572,454
No. of shares		
Weighted average number of shares (Note 15)	15,000,000	15,000,000
Basic and diluted earnings per share (Saudi Riyals)	**4.30**	2.70

The diluted earnings per share are the same as the basic earnings per share as the company has no diluted instruments.

27- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 — Fair value measurement using the minimum input required for the fair value measurement (unobservable inputs).

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis using level 1 or level 2 indicators, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

The table below shows the carrying values and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy. It does not include fair value information on financial assets and financial liabilities that are not measured at fair value if the carrying amount is reasonably close to the fair value.

(Saudi Riyals)

27- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

	31 December 2021						
	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Trade receivables	--	185,201,975	185,201,975	--	--	--	185,201,975
Cash and cash equivalents	--	48,740,619	48,740,619	--	--	--	48,740,619
Investments at FVTPL	--	--	--	--	--	--	--
Suppliers - debit balances (Note 13)	--	22,074,146	22,074,146	--	--	--	22,074,146
Total	--	256,016,740	256,016,740	--	--	--	256,016,740
Financial liabilities							
Short-term Loans	--	166,313,802	166,313,802	--	--	--	166,313,802
Long-term Loans	--	23,153,280	23,153,280	--	--	--	23,153,280
Loans - current portion	--	36,723,939	36,723,939	--	--	--	36,723,939
Trade payables	--	23,104,300	23,104,300	--	--	--	23,104,300
Total	--	249,295,321	249,295,321	--	--	--	249,295,321

(Saudi Riyals)

27- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

	31 December 2020						
	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Trade receivables	--	167,055,028	167,055,028	--	--	--	167,055,028
Cash and cash equivalents	--	9,805,193	9,805,193	--	--	--	9,805,193
Investments at FVTPL	22,336,709	--	22,336,709	22,336,709	--	--	22,336,709
Suppliers - debit balances (Note 13)	--	17,942,703	17,942,703	--	--	--	17,942,703
Total	22,336,709	194,802,924	217,139,633	22,336,709	--	--	217,139,633
Financial liabilities							
Loans							
Short-term	--	162,069,666	162,069,666	--	--	--	162,069,666
Long-term Loans	--	48,177,220	48,177,220	--	--	--	48,177,220
Loans - current portion	--	39,718,046	39,718,046	--	--	--	39,718,046
Trade payables	--	29,621,600	29,621,600	--	--	--	29,621,600
Total	--	279,586,532	279,586,532	--	--	--	279,586,532

The Company is exposed to the following risks arising from financial instruments:

- credit risk;
- Liquidity risk
- Market risk

27- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

27-1 Risk management framework

Board of Directors

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors are responsible for developing and monitoring the Company’s risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company’s activities.

The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Audit committee

The Company’s Audit Committee oversees how management monitors compliance with the Company’s risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risks faced by the Company.

The risks faced by the Company and the way these risks are mitigated by management are summarized below:

27-2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Company’s receivables from customers. The fair value of financial assets represents the maximum credit exposure.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Board of Directors established a credit policy according to which each new customer is evaluated individually for creditworthiness before contracting him and accepting him as a customer with the Company.

The Company’s review includes external ratings, if they are available, and in some cases of bank references.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 120 days per year for customers.

The Company has an allowance for impairment that represents the best estimate of incurred losses in respect of trade receivables (Note 12).

Assets amounting to SR 256.01 million (31 December 2020: SR 217.1 million) of total assets amounting to SR 567,26 million (31 December 2020: SR 544,09 million) are subject to credit risk.

The significant concentrations of the Company's risks by sector and geographical region are assessed in Notes 27-2-1 and 29-2.

(Saudi Riyals)

27- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

	31 December 2021	31 December 2020
Trade receivables	**185,201,975**	167,055,028
Cash and cash equivalents	**48,740,619**	9,805,193
Investments at FVTPL	**--**	22,336,709
Suppliers - debit balances (Note 13)	**22,074,146**	17,942,703
	256,016,740	217,139,633

27-2-1 Credit quality of financial assets

As at 31 December 2021, the trade receivables balances include a balance of SR 43.9 million (31 December 2020: SR 42.5 million) for two of the Company's customers.

At 31 December 2021, the ageing analysis of trade receivables was as follows:

	31 December 2021	31 December 2020
Current (not past due)	**125,582,857**	89,881,159
1-90 days	**43,965,238**	44,660,338
91–180 days	**15,148,780**	26,993,029
181-270 days	**6,778,880**	12,625,030
271-360 days	**1,830,884**	2,241,770
More than 360 days	**16,960,153**	13,978,849
Balance	**210,266,792**	190,380,175

Management believes that the amounts that have not been impaired and that are past due for more than 90 days are still fully collectible based on the previous payment behavior and comprehensive analysis of the customer's credit risk, including the customer's underlying credit ratings, if available. The Company establishes a provision for all balances past due for more than 360 days (2020: 270 days). As at 31 December 2021, the allowance for doubtful debts amounted to SR 25,064,817 (Note 12) (2020: SR 23,325,147).

As at 31 December 2021, the Company maintains cash and cash equivalents of SR 48.7 million (31 December 2020: SR 9.8 million) with banks having sound credit rating.

27-3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 90 days.

The Company also monitors the level of expected cash inflows on trade and other receivables, with expected outflows of cash on trade and other payables.

The Company has unused bank facilities and open letters of credit amounted of SR 23.39 million (31 December 2020: SR 61.5 million) as at the date of the statement of financial position to meet liquidity requirements (Note 18-d).

27- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

The following is an analysis of the undiscounted contractual maturities of the Company's financial liabilities as at 31 December 2021.

31 December 2021	**Less than one year**	**From one year to 3 years**	**More than 3 years**	**Accrued interests for future periods**	**Total contractual agreements**	**Carrying amount**
Non-derivative financial liabilities						
Loans	**203,037,741**	**14,963,280**	**8,190,000**	**2,397,215**	**228,588,236**	**226,191,021**
Trade payables	**23,104,300**	--	--	--	**23,104,300**	**23,104,300**
Accrued expenses and other payables	**6,188,708**	--	--	--	**6,188,708**	**6,188,708**
	232,330,749	**14,963,280**	**8,190,000**	**2,397,215**	**257,881,244**	**255,484,029**

31 December 2020	Less than one year	From one year to 3 years	More than 3 years	Accrued interests for future periods	Total contractual agreements	Carrying amount
Non-derivative financial liabilities						
Loans	201,787,713	48,177,219	--	2,521,409	252,486,341	249,964,932
Trade payables	29,621,600	--	--	--	29,621,600	29,621,600
Accrued expenses and other payables	5,817,685	--	--	--	5,817,685	5,817,685
	237,226,998	48,177,219	--	2,521,409	287,925,626	285,404,217

The Company has no significant liquidity risks.

27-4 Market risk

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

27-4-1Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to fluctuations in foreign exchange rates.

The Company is not exposed to fluctuations in foreign exchange rates during the normal course of business, as the Company's main transactions are in Saudi riyals and US dollars.

Since the Saudi Riyal is pegged against the US Dollar, there are no significant risks associated with transactions and balances denominated in US Dollars.

(Saudi Riyals)

27- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (CONTINUED)

27-4-2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings. Borrowings approved at variable interest rates expose the Company to interest rate risk on cash flows.

		Increase / decrease in base points related to commission rates	Effect on income of the year
31 December 2021	SR	+100	**(2,261,910)**
	SR	-100	**2,261,910**
31 December 2020	SR	+100	(2,499,649)
	SR	-100	2,499,649

27-4-3 Capital management

The Board of Directors' policy is to maintain a sufficient capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the capital on the basis of debt ratio.

This ratio is calculated based on (adjusted net debt) divided by (adjusted equity and adjusted net debt).

Net debt is calculated as total borrowings (including "short and long term" bank borrowings as shown in the statement of financial position) less cash and cash equivalents.

Adjusted equity is calculated as "equity" as described in the statement of financial position plus adjusted net debt.

The Company's strategy was to keep the adjusted debt-to-equity ratio adjusted to moderate limits. The debt ratios at 31 December were as follows:

	At 31 December 2021	At 31 December 2020
Total loans	**226,191,021**	249,964,932
Less: Cash and cash equivalents	**(48,740,619)**	(9,805,193)
Adjusted net debt (a)	**177,450,402**	240,159,739
Total equity	**301,908,351**	252,338,898
Adjusted equity and net debt (b)	**479,358,753**	492,498,637
Adjusted debt ratio from adjusted equity (a) / (b)	**%37**	49%

When managing the capital, the Company aims to protect the Company's ability to continue as going concern as it can continue to provide returns to shareholders and other stakeholders.

The Company manages capital structure in the context of economic circumstances and the characteristics of the risks of principal assets. In order to maintain or adjust capital structure, the Company may adjust dividends paid for shareholders and issue new shares.

(Saudi Riyals)

28- RELATED PARTY TRANSACTION

28-1 In the ordinary course of its activities, the Company transacts business with related parties including companies owned by some shareholders, Board of Directors and key management personnel of the Company.

Related party transactions entered during the year and related balances as included in the statement of financial position are as follows:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Transactions:		
Sales of goods to Hana Water Company	**73,176,295**	52,996,673
Purchases of goods from Hana Water Company	**126,218**	113,367
Annual salaries, allowances and remuneration for Key Management Personnel	**3,100,900**	2,888,204
Allowance to attend meeting of the Company's Board of Directors and Committees	**144,000**	144,000
Board of Directors' remunerations	**130,000**	430,000
Balances		
Due from related parties included in trade receivables (Hana Water Company) (Note 12)	**50,199,434**	42,705,247
Key Management Personnel included in other receivables	**89,130**	78,479
Key management personnel included under other payables	**--**	47,000
Key Management Personnel End of Service Benefits	**845,288**	640,215
Allowance to attend meeting of the Company's Board of Directors and Committees included under accrued expense (Note 17)	**208,000**	144,000
Board of Directors remuneration included under accrued expenses (Note 17)	**430,000**	355,000

29- SEGMENT INFORMATION

29-1 Basis for segmentation

The Company has the following strategic sectors, which are its operational sectors. These sectors offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reporting segment.

Industry Group	**Nature of segment's businesses**
Plastic bottles preforms	The principal activity includes manufacturing and selling of plastic preforms.
Plastic caps	The principal activity includes manufacturing and selling of plastic caps.

The Company's chief executive officer reviews the internal management reports of each division on monthly basis.

(Saudi Riyals)

29- SEGMENT REPORTING (CONTINUED)

29-2 Information about reporting segments

Information related to each reportable segment is set out below.

Segment profit (loss) before Zakat is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries:

	Segment reporting		
SR	**Plastic bottles preforms segment**	**Plastic caps segment**	**Total**
For the year ended 31 December 2021			
Sales	**474,696,290**	**74,315,013**	**549,011,303**
Cost of sales	**(405,708,722)**	**(55,476,559)**	**(461,185,281)**
Gross profit	**68,987,568**	**18,838,454**	**87,826,022**
Other income	**1,989,291**	**307,919**	**2,297,210**
Selling and distribution expenses	**(7,220,097)**	**(1,950,275)**	**(9,170,372)**
General and administrative expenses	**(6,444,891)**	**(881,274)**	**(7,326,165)**
Impairment of trade receivables	**(1,530,404)**	**(209,266)**	**(1,739,670)**
Operating profit	**55,781,467**	**16,105,558**	**71,887,025**
Finance costs	**(6,699,365)**	**(916,070)**	**(7,615,435)**
Income before Zakat	**49,082,102**	**15,189,488**	**64,271,590**
As at 31 December 2021			
Segments Net assets	**95,558,412**	**34,384,727**	**129,943,139**
For the year ended 31 December 2020			
Sales	352,403,119	72,447,300	424,850,419
Cost of sales	(301,636,659)	(49,028,413)	(350,665,072)
Gross profit	50,766,460	23,418,887	74,185,347
Other income	(440,792)	(82,679)	(523,471)
Selling and distribution expenses	(7,141,223)	(2,144,431)	(9,285,654)
General and administrative expenses	(6,182,166)	(1,009,499)	(7,191,665)
Impairment of trade receivables	--	--	--
Operating profit	37,002,279	20,182,278	57,184,557
Finance costs	(8,482,094)	(1,404,669)	(9,886,763)
Income before Zakat	28,520,185	18,777,609	47,297,794
As at 31 December 2020			
Segments net assets	116,993,915	37,532,074	154,525,989

(Saudi Riyals)

29- SEGMENT REPORTING (CONTINUED)

29-2 Information about reporting segments (Continued)

Company's sales in the local market and export sales are allocated as follows:

Revenue for the year ended	Local sales	Export sales	Total sales
31 December 2021	**405,339,380**	**143,671,923**	**549,011,303**
31 December 2020	303,166,338	121,684,082	424,850,419

Export sales are as follows:

	For the year ended 31 December	
	2021	2020
Yemen	**122,156,799**	103,161,707
Oman	**8,595,661**	7,194,097
Bahrain	**6,814,570**	6,073,336
Sudan	**2,735,528**	3,087,224
Kuwait	**2,726,697**	2,114,918
Jordan	**299,131**	52,800
Lebanon	**343,537**	--
Total export sales	**143,671,923**	121,684,082

The balances of the company's clients are distributed in the local and export market as follows:

Accounts receivables balances for the year ended	local receivables	Export receivables	Total
31 December 2021	**189,738,137**	**20,528,655**	**210,266,792**
31 December 2020	157,414,945	32,965,230	190,380,175

29-3 The main customer and supplier

As at 31 December 2021, sales from the main two customers of the Company represent 43% of the Company's total sales in the amount of SR 237 million (31 December 2020: 45% in the amount of SR 191.9 million).

As at 31 December 2021, the balances of local customers amounted to SR 189.7 million (31 December 2020: SR 157.4 million) and the balances of export customers as at 31 December 2021 amounted to SR 20.5 million (31 December 2020: SR 33 million).

As at 31 December 2021, purchases from the major supplier of the Company represent 87.8% of total purchases of raw materials amounting to SR 378.4 million (31 December 2020: 90% amounting to SR 313.1 million) of the Company's total purchases.

30- SUBSEQUENT EVENTS

No material events have occurred after the date of the report that may materially affect the financial statements and related disclosures for the financial year ending on 31 December 2021.