FILLING AND PACKING MATERIALS MANUFACTURING COMPANY

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

with

INDEPENDENT AUDITOR'S REPORT

(Expressed in Saudi Riyal unless otherwise stated)

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OSAMA A. EL KHEREIJI & PARTNER CO.
Certified Public Accountants & Business Consultants

شركة أسامة عبدالله الخريجي وشريكه
محاسبون قانونيون واستشاريو أعمال

Independent Member
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License No. 502
P.O.Box 15046 Jeddah 21444
Tel.: 6600085 / 6670692
Fax: 6609320
Jeddah - Kingdom of Saudi Arabia

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Independent Auditors' Report

To the Shareholders of Filling and Packing Materials Manufacturing Company

(A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Filling and Packing Materials Manufacturing Company - A Saudi Joint Stock Company ("the Company") and its subsidiary ("the Group") which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statements of profits or losses and other comprehensive income, change in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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 judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

OSAMA A. EL KHEREIJI & PARTNER CO.
Certified Public Accountants & Business Consultants

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Independent Auditors' Report (continued)

To the Shareholders of Filling and Packing Materials Manufacturing Company
(A Saudi Joint Stock Company)

Key audit matters are described below:

Valuation of Inventories

Refer Note (3-2-3) for the accounting policy on inventories and Note (7) for the relevant disclosures.

Key audit matter

As at December 31, 2020, the inventories balance was SR 47 905 769 (2019: SR 47 598 693) net of allowance for slow moving inventories of SR 4 699 919 (2019: SR 6 439 096).

Inventories are stated at the lower of cost and net realizable value and an allowance is made, where necessary, for obsolete and slow moving inventories. Management determines the level of obsolescence of inventories by considering the nature, ageing profile, their expiry dates and sales expectations using historic trends and other qualitative factors. At each reporting date, the cost of inventories is reduced where inventories are forecasted to be sold at below cost.

We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment.

How the matter was addressed in our audit

We performed the following audit procedures in relation to valuation of inventories:

- Assessed the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant accounting standards;
- Assessed the design and implementation, and tested the operating effectiveness of the Group's control around recognition and subsequent measurement of inventories including the monitoring of the allowance for slow moving items;
- Evaluated the appropriateness of the Group's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual losses; and current and future expectations with respect to sales
- Attended periodical physical count of inventories on selected locations to identify expired, lost or slow-moving items;
- Tested the net realisable value of finished goods inventories by considering actual sales post year- end and the assumptions used by the management to check whether inventories are valued at the lower of cost and net realisable value; and
- Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

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Independent Auditors' Report (continued)

To the Shareholders of Filling and Packing Materials Manufacturing Company
(A Saudi Joint Stock Company)

Revenue recognition

Refer Note (3-2-11) for the accounting policy related to revenue recognition and Note (19) for the relevant disclosures.

Key audit matter	How the matter was addressed in our audit
During the year ended December 31, 2020, the Group recognized total revenue of SR 181 512 822 (2019: SR 164 139 844). Revenue is a key measure of the performance and there is a risk that revenue may be overstated resulting more profit so we consider this as a key audit matter.	We performed the following audit procedures in relation to revenue recognition: - Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards; - Assessed the design and implementation, and tested the effectiveness of the Group's controls, including anti-fraud controls, over the recognition of revenue as per the Group's policy; - Performed analytical procedures for revenue, by comparing sales quantities and prices for the current year with the previous year, and determining whether there are any significant trends or fluctuations need to complete further inquiries and testing in light of our understanding of current market conditions; - Inspected a sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period; - Tested a sample of journal entries posted to the revenue journal in order to identify unusual or irregular items; - Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard; and - Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

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Independent Auditors' Report (continued)

To the Shareholders of Filling and Packing Materials Manufacturing Company

(A Saudi Joint Stock Company)

Impairment of trade receivables

Refer Note (3-2-9) for the accounting policy on impairment of trade receivables and Note (8) for the relevant disclosures.

Key audit matter

As at December 31, 2020, the trade receivables balance was SR 43 167 652 (2019: SR 52 594 727) net of allowance of impairment of trade receivables of SR 2 915 420 (2019: SR 4 192 386). The possibility of collecting trade receivables is a key element in managing the working capital of the Group, which is managed Continuously.

IFRS 9 "Financial Instruments" requires management to identify and recognise expected credit losses. Significant judgments have been made, estimates and assumptions made by management in applying the International Financial Reporting Standard (9).

We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining and calculating expected credit losses.

How the matter was addressed in our audit

We performed the following audit procedures in relation to valuation of inventories:

- Assessed the design and implementation, and tested the operating effectiveness of the Group's control around recognition and subsequent measurement of trade receivables including the impairment of trade receivables;
- Assessed the methodology, assumptions and estimates used in the expected credit loss models, including the future projections use;
- Assessed the completeness and accuracy of the aging reports.
- Follow-up of a sample of collections of trade receivables balances in the subsequent period of the consolidated financial statements date.
- Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

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Independent Auditors' Report (continued)

To the Shareholders of Filling and Packing Materials Manufacturing Company
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A contingent liability for acquis the non-controlling interest

Refer Note (3-2-9) for the accounting policy on the contingent liability for acquis the non-controlling interest and Note (25) for the relevant disclosures.

Key audit matter

During the year 2020 the parent company acquired the non-controlling interest in the subsidiary represented in 20% of the company's interest ,against a percentage of the future net profit without charging the seller any current or the future losses. Accordingly, the company prepared a study as on December 31, 2020 to calculate that obligation according to the best estimate, in light of the available data, as that liability amounted to SR 20,325,000 .
Management used a set of key assumptions and estimates related to study to calculate the obligation , based on the future operating performance, the following are the most significant assumptions and financial estimates were used:

- Expected volume of production
- Estimated sales quantities
- Forecasts of sales prices and growth rates
- Operating cost and the future development
- Discount rates

IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" requires that the management recognised a provision in the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the contingent liability.

How the matter was addressed in our audit

We performed the following audit procedures in relation to the contingent liability for acquis the non-controlling interest:

- Compare a sample of price forecast with market data points and competitors;
- Involving a specialist to review the study and the reasonableness of the assumptions and financial estimates used;
- Discussing the company's various departments on the compatibility of some unobservable inputs, such as the expected production volume, the future operating and development costs, and their compatibility with the normal production capacity.
- Assessed the reasonableness of the methodology and the inputs used to determine the contingent liability.
- Assessed the reasonableness of discount rates by validating relevant assumptions with observable market data.
- Perform a sensitivity analyses over the key assumptions and assess the potential impact of a range of possible outcomes.
- Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

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Independent Auditors' Report (continued)

To the Shareholders of Filling and Packing Materials Manufacturing Company

(A Saudi Joint Stock Company)

Other Matters

- The consolidated financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 30, 2020.
- As part of our audit of the consolidated financial statements for the year ended December 31, 2020, we audited the adjustments described in Note (32) from the accompanying notes of the consolidated financial statements that were applied to restate the consolidated financial statements for the year ended December 31, 2019. In our opinion, these adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the year ended December 31, 2019, other than with respect to the adjustments. Accordingly, we do not express an opinion or any other form of assurance on those respective consolidated financial statements for the year ended December 31, 2019 taken as a whole.

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 consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Board of Directors members are responsible for overseeing the Group's financial reporting process.

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Independent Auditors' Report (continued)

To the Shareholders of Filling and Packing Materials Manufacturing Company

(A Saudi Joint Stock Company)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 (IASs) that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (IASs) 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditors' Report (continued)

To the Shareholders of Filling and Packing Materials Manufacturing Company

(A Saudi Joint Stock Company)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on Other Legal and Regulatory Requirements

The regulation for Companies requires the auditor to include in his report any violation of the Companies' regulations or the Company's articles of association. During our audit of the consolidated financial statements, we did not note any violation of the Companies' regulations or the Company's articles of association with respect to the preparation and presentation of the consolidated financial statements.

Date: Rajab 13, 1442 H.
Corresponding to February 25, 2021 G.

For OSAMA A. ELKHEREIJI & PARTNER CO.

OSAMA A. ELKHEREIJI
License No. 154
ON 23/04/1405 H.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2020
(Expressed in Saudi Riyal unless otherwise stated)

	Note	December 31, 2020	December 31, 2019 (Restated-note no. 32)
Assets			
Non- Current Assets			
Property, Plant and Equipment (net)	(5)	153 111 586	146 378 215
Right-of-Use Assets (net)	(6)	7 442 241	7 938 391
Total Non- Current Assets		**160 553 827**	**154 316 606**
Current Assets			
Inventories (net)	(7)	47 905 769	47 598 693
Trade Receivables (net)	(8)	40 252 232	48 402 341
Prepayments and Other Receivables	(9)	14 323 186	16 051 002
Investments at Fair Value through Profit or Loss	(10)	37 989 409	19 606 108
Cash and Cash Equivalents	(11)	8 636 253	6 217 060
Total Current Assets		**149 106 849**	**137 875 204**
Total Assets		**309 660 676**	**292 191 810**
Equity and Liabilities			
Equity			
Share Capital	(12)	115 000 000	115 000 000
Statutory Reserve	(13)	16 408 804	16 408 804
Retained Earnings		22 653 603	26 192 683
Effect of Non-Controlling Interests Acquisition	(25)	(25 358 702)	-
Equity Attributable to Shareholders of the Company		**128 703 705**	**157 601 487**
Non-Controlling Interests	(25)	-	(5 033 702)
Total Equity		**128 703 705**	**152 567 785**
Non-Current Liabilities			
Long-Term Loans	(14)	43 449 850	36 590 005
Lease Liabilities	(6)	7 721 187	8 096 392
Employees' End of Service Benefits	(16)	11 304 488	9 737 237
Contingent Liability against Non-Controlling Interests Acquisition	(25)	20 325 000	-
Total Non-Current Liabilities		**82 800 525**	**54 423 634**
Current Liabilities			
Current Portion of Long-Term Loans	(14)	11 691 730	9 395 435
Short-Term Loans	(14)	53 996 583	47 145 475
Trade Payables		12 010 401	8 596 984
Lease Liabilities	(6)	375 205	357 338
Accrued and Other Liabilities	(15)	17 070 950	15 524 273
Provision for Zakat	(18)	3 011 577	4 180 886
Total Current Liabilities		**98 156 446**	**85 200 391**
Total Liabilities		**180 956 971**	**139 624 025**
Total Equity and Liabilities		**309 660 676**	**292 191 810**

The accompanying notes from no. (1) to (33) are an integral part of these consolidated financial statements.

Chief Financial Officer	Vice Chairman and Managing Director	Chairman

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020
(Expressed in Saudi Riyal unless otherwise stated)

	Note	2020	2019 (Restated- note no. 32)
Revenue	(19)	181 512 822	164 139 844
Cost of Revenues	(20)	(152 205 203)	(143 502 931)
Gross Profit		**29 307 619**	**20 636 913**
Main Operating Expenses			
Selling and Distribution Expenses	(21)	(8 771 609)	(9 249 937)
General and Administrative Expenses	(22)	(19 696 783)	(33 675 829)
Expected Credit Losses Reverse /(Expense)	(8)	856 216	(1 160 148)
Other Income/(Expenses),net	(23)	2 134 124	5 081 303
Operating Profit /(Loss)		**3 829 567**	**(18 367 698)**
Finance costs	(24)	(3 865 113)	(4 747 552)
Unrealised Gain of Investments at fair value through Profit or Loss	(10)	423 759	678 797
Realised Loss of Investments at fair value through Profit or Loss	(10)	(40 457)	-
Net Profit (Loss) before Zakat		**347 756**	**(22 436 453)**
Zakat	(18)	(3 323 787)	(3 589 753)
Net Loss for the year		**(2 976 031)**	**(26 026 206)**
Other Comprehensive Income:			
Items that will not be reclassified to Profit or Loss:			
Actuarial (Loss) Gain of Employees' End of Service Benefits Remeasurement		(563 049)	954 936
Total Comprehensive Loss for the year		**(3 539 080)**	**(25 071 270)**
Net Loss for the year is attributable to:			
Shareholders of the Company		(2 976 031)	(20 259 566)
Non-Controlling Interests		-	(5 766 640)
		(2 976 031)	**(26 026 206)**
Other Comprehensive Loss for the year is attributable to:			
Shareholders of the Company		(3 539 080)	(19 353 636)
Non-Controlling Interests		-	(5 717 634)
Total comprehensive (Loss) /Income for the year		**(3 539 080)**	**(25 071 269)**
Loss per (Basic & Diluted) share based on Loss for the year attributable to Shareholders of the Company			
Earnings per share (in Saudi Riyal)	(17)	**(0.26)**	(1.76)

The accompanying notes from no. (1) to (33) are an integral part of these consolidated financial statements.

Chief Financial Officer	Vice Chairman and Managing Director	Chairman

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2020
(Expressed in Saudi Riyal unless otherwise stated)

	Note	Share Capital	Statutory Reserve	Retained Earnings	Contingent Liability against Non-Controlling Interests Acquisition	Equity Attributable to Shareholders of the Company	Non-Controlling Interests	Total
Balance at 1 January 2019		115 000 000	16 408 804	45 546 319	-	176 955 123	683 932	177 639 055
Other Comprehensive Loss for the year					-			
Net loss for the year (as previously presented)		-	-	(22 346 244)	-	(22 346 244)	(3 679 962)	(26 026 206)
Adjustments	(32)	-	-	2 086 678	-	2 086 678	(2 086 678)	-
Net Loss of the year (restated)		-	-	(20 259 566)	-	(20 259 566)	(5 766 640)	(26 026 206)
Other comprehensive income for the year		-	-	905 930	-	905 930	49 006	954 936
Total comprehensive loss for the year		-	-	(19 353 636)	-	(19 353 636)	(5 717 634)	(25 071 270)
Balance as at 31 December 2019 (restated)		115 000 000	16 408 804	26 192 683	-	157 601 487	(5 033 702)	152 567 785
Other comprehensive Loss for the year								
Net loss for the year		-	-	(2 976 031)	-	(2 976 031)	-	(2 976 031)
Other comprehensive Loss for the year		-	-	(563 049)	-	(563 049)	-	(563 049)
Total Comprehensive loss for the year		-	-	(3 539 080)	-	(3 539 080)	-	(3 539 080)
Effect of Acquis the Non-Controlling Interests		-	-	-	(25 358 702)	(25 358 702)	5 033 702	(20 325 000)
Balance as at 31 December 2020		115 000 000	16 408 804	22 653 603	(25 358 702)	128 703 705	-	128 703 705

The accompanying notes from no. (1) to (33) are an integral part of these consolidated financial statements.

Chief Financial Officer	Vice Chairman and Managing Director	Chairman

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2020
(Expressed in Saudi Riyal unless otherwise stated)

	Note	2020	2019 (Restated)
CASH FLOWS FROM OPERATING ACTIVTIES			
Net Profit/(Loss) before Zakat		347 756	(22 436 453)
Adjustments:			
Depreciation of Property, Plant and Equipment	(5)	7 067 230	6 534 429
Amortization of Right-of-Use Assets	(6)	496 150	496 150
Inventory Provision, No Longer Required /Formed	(7)	(1 739 177)	4 687 060
Reversal of Impairment Loss on Trade Receivables, Formed		(1 276 966)	1 160 148
Reversal of Impairment Loss on Property, Plant and Equipment		-	(3 340 685)
Current Cost Service of Employees' End of Service Benefits		1 885 733	1 971 489
Unrealized Gain of Investments at Fair Value through Profit or Loss		(383 302)	(678 797)
Finance Costs		3 865 113	4 747 552
		10 262 537	**(6 859 107)**
Changes in:			
Inventories		1 432 101	(4 268 545)
Trade Receivables		9 427 074	(17 180 610)
Prepayments and Other Receivables		1 727 830	15 307 052
Trade Payables		3 413 417	(2 274 691)
Accrued and Other Liabilities		1 546 678	842 868
Employees Benefits Paid		(1 189 163)	(1 102 627)
Cash from Operations		**26 620 474**	**(15 535 660)**
Finance Costs Paid		(3 557 481)	(4 313 631)
Zakat Paid		(4 493 096)	(3 534 597)
Net Cash Flows from (Used in) Operating Activities		**18 569 897**	**(23 383 888)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment		(13 800 611)	(23 067 044)
Proceeds from Sale of Property, Plant and Equipment		-	15 304 712
Proceeds from Sale of Investments at Fair Value through Profit or Loss		42 585 345	17 580 904
Acquisition of Investments at Fair Value through Profit or Loss		(60 585 344)	(15 328 404)
Net Cash Flows Used in Investing Activities		**(31 800 610)**	**(5 509 832)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Loans and Facilities		64 341 712	110 006 529
Payments of Loans and Facilities		(48 334 468)	(99 166 225)
Payments of Lease Liabilities		(357 338)	(340 312)
Cash flows from Financing Activities		**15 649 906**	**10 499 992**
Net Change in Cash and Cash Equivalents during the year		**2 419 193**	**(18 393 728)**
Cash and Cash Equivalents at the beginning of the year		6 217 060	24 610 788
Cash and Cash Equivalents at end of the year		**8 636 253**	**6 217 060**
Significant non-cash transactions:			
Contingent Liability against Non-Controlling Interests Acquisition – Note (25)		(20 325 000)	-
Actuarial Loss of Employees' End of Service Benefits remeasurement		(563 049)	(954 936)

The accompanying notes from no. (1) to (33) are an integral part of these consolidated financial statements.

Chief Financial Officer	Vice Chairman and Managing Director	Chairman

(Expressed in Saudi Riyal unless otherwise stated)

1. Reporting entity

1-1 Filling and Packing Materials Manufacturing Company ("the Company") is a Saudi Joint Stock Company, registered in Kingdom of Saudi Arabia under commercial Registration numbered 1010084155 is issued from Riyadh city dated on Dhul Hijiah 4, 1411 (H) corresponding to June 17, 1991 (G). The Company was established according to Ministerial Decision No. 851 dated Shawwal 17,1411(H) corresponding to May 2, 1991 (G) and Ministerial Decision No.953 dated Dhul-Qa'dah 29, 1411 (H) corresponding to June 12, 1991 (G).

1-2 The Company conducts it's business in:
Weaving fabric from artificial threads such as nylon, Cutting and custom-made the machine's cover and goods, Manufacture the plastic in its primary forms, Manufacture artificial threads, which includes (nylon, polyester, etc.), Manufacture the containers from plastic, Manufacture the small bags from the plastic pursuant to an Industrial license No.1001009549 which issued dated Safar 29,1441(H) corresponding September 29, 2019 (H).

The company conducts it's activities through the following branches:

Branch name	Branch Commercial Registration No.	Date and location of issuance	Activity
Branch of a company Filling and Packing Materials Manufacturing Company	1010608121	Sha'aban 11,1438 (H)- Riyadh.	Construction and building contracting

1-3 The Company's capital is set at SR 115 000 000 (One hundred and fifteen million) divided into 11 500 000 shares , the share's value is SR 10.

1-4 The Financial year begins on the first of January of each year and ends on December 31 of the same year.

1-5 The head office of the Company is located at 7306,Phase - New Industrial City, PO Box 14335 ، Riyadh-2483.

1-6 The attached consolidated financial statements include the financial statements for Filling and Packing Materials Manufacturing Company ("Company") or ("parent company") and its domestic subsidiary company (is pointed to them together as the group) where doing the group as collectively to produce and marketing the bags which are woven from liner polypropylene inside and outside the kingdom of Saudi Arabia and unliner from polyethylene is diluted the density and the big size bags and strapping bands and the plastic fillers and woven bags these are used for packing vegetables and fruits and rolls woven from polypropylene and the liners of polyethylene and the recycling of plastic waste, Building and construction contracting.

Company name	Country of incorporation	Main Activity	Percentage of ownership	
			12-31-2020	12-31-2019
FPC	Kingdom of Saudi Arabia	Manufacture of ready-made textiles, excluding apparel	100%	80%

(Expressed in Saudi Riyal unless otherwise stated)

The subsidiary company also carries out it's activities through the following branches: -

Branch name	Branch Commercial Registration No.	Date and location of issuance	Activity
FPC Co for industry factory	1010468794	Jumada II 13,1438 (H) Riyadh.	Manufacture of ready-made textiles except for apparel - activity code 1392
Makamen Supply Company for Trade and Contracting	1010499598	Rabia II 11,1440 (H) Riyadh.	Tailoring and sewing travel supplies cutting and custom-made for tents and sails , cutting and custom-made airports, and the covers of cars and furniture
West Makamen CO for Tents owned by one person	4030381209	Ramadan 27,1441 (H) Jeddah.	Tailoring and sewing travel supplies cutting and custom-made for tents and sails , cutting and custom-made airports, and the covers of cars and furniture

1-6-1 At the end of the first quarter of the year 2020 (G) the Company has announced (Filling and Packing Materials Manufacturing Company) on the Tadwal's site dated Rajab 7, 1441 (H) corresponding March 2, 2020 (G) about a signing convention for acquisition the whole of non-controlling quotas in the subsidiary company where the quota of the Filling and Packing Materials Manufacturing Company in the subsidiary company is 80% while the partner owns (Erad investment co.) a percentage 20%, therefore, will become the subsidiary company is fully owned for the Company (Filling and Packing Materials Manufacturing Company) and the convention of acquisition is requiring the partner to abdicate his whole quotas which are 20% in the subsidiary company for it's rights and liabilities to (Filling and Packing Materials Manufacturing Company) will be in exchange for obtaining on a percentage 20% of the net profit according to the audited financial statements at the end of each year for only ten years (duration of convention) till the end the financial year on 31,2029 December, The articles of incorporation has been amended according that.

1-6-2 The impact of that convention has been presented on the consolidated financial statements on 31, 2020 December (Note No 25).

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2-1 Accounting standards applied

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA .

2-2 Accounting convention / Basis of measurement

These Consolidated Financial Statements have been prepared using the accrual basis of accounting and the concept of going concern on the historical cost basis except for the following material items in the Consolidated Statement of financial position:

- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Investment at Fair Value through Profit or Loss ("FVTPL").

2-3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR) which is the Group's functional currency, unless otherwise indicated.

2-4 Basis for consolidating the consolidated financial statements

These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiary, as set out in note (1). The Company and its subsidiary are collectively referred to as the "Group".

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure to risks, and has rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control assessing.

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition with fair value.

Non-controlling interests in the results and equity of not wholly owned subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income consolidated statement of changes in equity and consolidated statement of financial position, respectively.

Subsidiaries are consolidated from the date on which group control until the date on which control ceases.

The group uses the acquisition method for accounting when transferring control to the group, where:

- The cost of the acquisition is measured at the fair value of the specific assets acquired.
- The excess of the cost of acquisition plus the fair value of non-controlling interests over the net value of the identifiable assets acquired as goodwill is recorded in the consolidated statement of financial position.
- Acquisition-related costs are recorded when incurred and included in administrative expenses.

NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, unrealised income and expenses and cash flows relating to transactions are eliminated in full on consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. The Company and its subsidiary have the same reporting periods.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, The following is done:

- De-recognizes the assets (including the good will) and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interest;
- De-recognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment remaining;
- Recognizes any surplus or deficit in the condensed consolidated statement of profit or loss;

The parent company's share in the previously listed components of other comprehensive profit is reclassified to profit or loss or retained earnings, as appropriate and required when the group eliminates the directly related assets or liabilities.

3. SIGNIFICANT ACCOUNTI NG POLICIES

3-1 New IFRS standards, amendments to standards and interpretations not yet adopted

The Group has applied the following amendments to the standards for the first time for their reporting periods commencing on 1 January 2020 (applicable to the group does not apply for its work). The effect will not be significant to the financial statements. They consist of the following:

- **Amendments to IAS 1 and IAS 8: Definition of Material (effective from January 1, 2020)**
  Use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
  Clarify the explanation of the definition of material;
  Incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to IFRS 3 – Definition of a Business (Definition of business activity)**
  This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to references to the Conceptual Framework in IFRS Standards**
  The Conceptual Framework is not a standard, These amendments had no impact on the consolidated financial statements of the Group.
- **Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform**
  These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that Interbank Offered Rate ("IBOR") reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the statement of profit or loss.

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

- IFRS 17 - Insurance Contracts (effective from January 1, 2021).
- Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities.
- The sale or contribution of assets between the investor and his associate or joint venture (amendments to IFRS 10 and IAS 3). (Available for optional application / Effective date deferred indefinitely).

3-2 ACCOUNTING POLICIES APPLIED

The following are the significant accounting policies applied by the Group in preparing its consolidated financial statements to all accounting periods presented.

3-2-1 Classification of assets and liabilities into current / non-current

Assets:

The Group presents assets and liabilities in the financial statements based on their classification into current / noncurrent items. The asset is current when:

- It is expected to be realized or there is an intention to be sold or consumed it in a normal operating cycle, or
- It is held primarily for the purpose of trading, or
- It is expected to be realized within twelve months after the financial reporting's period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least – twelve months after the financial reporting period.

  The group classifies all other assets as non-current assets.

Liabilities:

A liability is current when:

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

  The group classifies all other liabilities as non-current assets.

3-2-2 Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents consist of balances with banks, cash on hand and short-term deposits with an original maturities of three months or less and other short-term highly liquid investments, if any, whose original maturity is three months or Less than the date of its creation and are available to the Group without any restrictions. It also includes overdraft accounts that are an integral part of the Group's cash management and are expected to be changed from overdrafts to current accounts.

3-2-3 Inventory

Inventory is stated at cost or net realizable value whichever is lower Cost is determined as following:

- Raw materials, consumables and spare parts: Purchase cost on a weighted average basis Cost of purchase includes the purchase price, custom duties, and the other taxes otherwise, those which refundable, later, from tax authorities and the costs of transportation and handling and other costs attributable directly to the acquisition and deduct the trade discounts and the reductions and other similar items when determines the cost of purchase.
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.
- The net realizable value consists of the estimated selling price less incremental completion costs and an appropriate share of selling and distribution expenses. Any decrease in the cost of inventories to the net realizable value should be recognized as an expense in the period in which the reduction occurs. Any reversal of impairment should be recognized in the statement of profit or loss in the period in which the reversal occurs.
- Provision is made, where necessary, for any slow moving or defective inventory and the cost of the inventory is recognized as an expense and recognized in the cost of revenue.

3-2-4 Property, plant and equipment

Recognition and measurement

- Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of acquisition of the asset includes all costs related to the acquisition of the asset.
- An item of property, plant and equipment is derecognized when it is disposal or no future economic benefits are expected from its use or disposal.
- Gains and losses on disposal of an item of property, plant and equipment are determined by comparing net disposal proceeds with the carrying amounts of property, plant and equipment and are recognized net of other income (expense) in profits or losses.
- Subsequent expenditure is capitalized only when it results in increase in the future economic benefits and can be reliably measured.
- Loan financing costs are capitalized to finance the creation of qualifying assets during the year required to complete and process the assets for the purpose.
- Where significant portions of property, plant and equipment have different useful lives, they are then accounted for as items of property, plant and equipment.
- The cost of replacing an important part of the item of property, plant and equipment is recognized in the carrying amount of the item if potential future economic benefits are probable to flow to the Group and these costs can be measured reliably. The carrying amount of the item being derecognized is eliminated when significant parts of the property, plant and equipment are required to be replaced over time. The Group recognizes such items as individual assets with specific useful lives and is depreciated accordingly. Similarly, when performing a major examination, its cost is included in the carrying amount of the property and equipment as a replacement if the inclusion criteria are met. Other repair and maintenance costs are included in the profits or losses as incurred.

Depreciation

- The cost less estimated residual value is depreciated on a straight-line basis over the useful lives of the assets, the depreciation of some production line is made on the basis of the amount produced during the period attributable to the amount estimate to produce the asset during its useful live and for the remaining property and plant and equipment, the depreciation is made on the basis of the useful live of the asset as follows.

Buildings on leased land	33	years
Machinery and equipment	10-25	years
Vehicles	4	years
Furniture and office equipment	5	years
bits and pieces	7	years

Land and capital works under construction are not depreciated.

- The residual value and useful lives of the asset are reviewed in case there are indications of significant changes since the date of the last annual report and adjusted for future impact, when necessary.

Capital works in progress

- Capital work in progress at the end of the year includes certain assets that have been acquired but are not ready for the intended use. Capital work is carried at cost less any impairment recorded in value. These assets are transferred to related asset classes and depreciated when they are ready for use.

3-2-5 Intangible Assets

- Intangible assets (excluding goodwill) acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any.
- The useful lives of intangible assets are assessed to be either specific or indefinite.
- Assets produced internally (excluding capitalized development costs) are not capitalized and related expenses are recognized in the statement of profit or loss in the period in which they are incurred.
- Intangible assets with finite useful lives are amortized over the useful economic life.
- The residual values of intangible assets with finite lives, their useful lives and impairment indicators at the end of each financial year are reviewed for impairment if there is an indication that the intangible asset may have been impaired.

  Changes in the expected useful life or expected pattern of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates and adjusted prospectively, if necessary.
- Amortization expense for intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income under expenses category in line with the function of intangible assets.
- Subsequent expenditure is capitalized only when the future economic benefits associated with the expenditure are likely to flow to the Group and the expenditure can be measured reliably.

- Gains or losses arising on derecognition of an intangible asset are measured as the difference between net sales proceeds and the carrying amount of the asset and are included in the statement of profit or loss and other comprehensive income when the asset is disposed of.

3-2-6 Borrowing costs

- Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.
- Borrowing costs directly attributable to the establishment of an asset are capitalized using the capitalization rate up to the stage in which the work necessary to prepare the qualifying asset for the intended purpose is effectively completed and are then charged to profit or loss. In the case of specific loans, all such costs directly attributable to the acquisition, construction or production of an asset that require a substantial period of time for its intended preparation or sale, such costs are capitalized as part of the cost of the related asset. All other borrowing costs are expensed in the period in which they occur.

3-2-7 Leases

The determination of whether the arrangements are (or its substance) is a lease based on the substance of the agreement of the beginning of the contract. An arrangement is assessed to determination whether its performance depends on the user of assets or that the arrangements transfer the right to use the asset even if the asset is not explicitly identified in the arrangement.

The Group as a lessee

The Group recognises a right-of-use asset and a corresponding lease liability related to the lease contracts which the requirements of IFRS (16) apply where:

- Each a rental payment is distributed between the liabilities and the finance cost.
- The finance cost is charged to profit and loss over a lease term where be achieved a static periodical commission rate on the remaining balance of the liability for each period.
- The right of use assets was amortized with the cost that involving the following:
  - The amount of initial measurement for lease liabilities.
  - Any lease payments which were paid at or before the commencement date of the contract less any received rental incentives.
  - The costs of renewal. (if any)
- The lease liabilities comprise the following net present values of payments:
  - The fixed payments (including the fixed payments in its substance) less any debit incentives.
  - The variable lease payments which based on an indicator or rate. (if any)
  - The amounts which expected to be paid pursuant to the guarantees of the residual value.
  - The price of exercising of the option of purchasing if a lessee sure reasonably from exercise that option if any.
  - Payments of the fines related to terminate a lease contract, if the lease term reflects reasonably of exercising the lessee for that option (if any).

- The payments of a lease contract are discounted by using an incremental borrowing rate which represents the price that would pay by the lessee to borrow the necessary funds to obtain an asset in a similar value in a similar economic environment with similar conditions and terms.
- The payments related to short-term leases and low-value leases are recognised as an expense in profit and loss. The short-term leases are the leases that have a lease period 12month or less.
- Renegotiation on the lease contract's terms is made on an individual basis and contains a large of conditions and different terms. The arrangements of the lease contracts do not impose any pledges but the right-of-use assets do not use as a guarantee for the purposes of borrowing.

The Group as a lessor

- The determination of whether the agreements are (or its substance) is a lease based on the substance of the agreement of the beginning of the contract.
- Each lease (if any) are classified as a finance lease or an operating lease, where the regard of a lease is a finance lease or an operating lease depends on the substance of a transaction, not on the form of the contract.
- A lease is classified as a finance lease if a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.
- A lease is classified as an operating lease that does not transfer substantially all the risks and rewards incidental to the owner ship of an underlying asset.
- The lease incentives or any increase in the lease contracts are included as part of the total liability from the lease contract and are calculated on a straight line basis over the period of the contract. Contingent rentals are included as revenue in the period in which they are calculated.

3-2-8 Impairment of non-financial assets

- At each reporting date, the Group reviews non-financial assets (other than inventories) to determine whether there is any indication or circumstances that indicate an impairment loss or reversal of impairment loss. If this indicator exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss or reversal of the impairment loss, if any.
- When over it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis for allocation can be determined, the joint assets are allocated to individual cash-generating units or otherwise distributed to the smaller group of cash-generating units for which a reasonable and consistent basis of allocation can be determined.
- The recoverable amount of the asset is the fair value of the asset or cash generating unit less costs to sell or value in use - whichever is higher,
  - The recoverable amount of an individual asset is determined unless the asset generates cash flows that are substantially independent of the expenditure generated from other assets or groups of assets.
  - When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and its value is reduced to its recoverable amount.

  - In assessing the value in use, estimated future cash flows are discounted to their present value using the pre-tax discount rate, reflecting current market assessments of the time value of money and the specific risks of assets for which future cash flow estimates have not been adjusted.
  - When determining the fair value less costs to complete the sale, recent market transactions are taken into consideration and, if such transactions can't be identified, an appropriate valuation model is used.
- An impairment loss is recognized directly in profits or losses unless the relevant assets are carried at their revaluated amount. The impairment loss is treated in this case as a revaluation decrease.
- Where the impairment loss is reversed subsequently, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount so that the carrying amount does not exceed the carrying amount that would have been determined had the impairment loss been recognized value of assets (or cash-generating unit) in prior years. An impairment loss is recognized directly in the profits or losses unless the relevant assets are carried at their revaluated amount. The impairment loss is recognized in this case as an increase arising from revaluation.
- Intangible assets with indefinite useful lives and intangible assets that are not available for use after being reviewed for impairment at least annually and whenever there is an indication of impairment.

3-2-9 Fair value measurement

- Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transaction for to sell the asset or transfer the liability take place either:
  - Through the principal market of the asset or liability, or
  - Through the market most beneficial to the asset or liability in the absence of a principal market.
- The principal market or market must be the most accessible by the group.
- The fair value of an asset or liability is measured using the assumptions used by market participants when pricing the asset or liability on the assumption that the parties in the market act in the best economic interest.
- The measurement of the fair value of a non-financial asset takes in consideration the ability of the parties in the market to provide economic benefits by using the asset to obtain the best benefit from it or to sell it to another party in the market for the best benefit.
- The Group uses valuation techniques that are appropriate to the circumstances and have sufficient data to measure fair value, maximize the use of observable data and reduce the use of non-observable related data, where:
  - The responsibility to supervise all important fair value measurements is the responsibility of management, including the third level of fair values.
  - The management reviews significant non-observable inputs and valuation adjustments periodically.

- The management evaluates the evidence obtained from a third party to support the conclusion that these valuations meet the requirements of the IFRS adopted in Saudi Arabia, including the level in the hierarchy of fair value for which such assessments should be classified if information is used by a third party, such as brokers' prices or pricing services, are used to measure fair values.

- The Group uses observable market data to the extent possible when measuring the fair value of an asset or liability. The fair values are classified at different levels in the fair value hierarchy based on the inputs used in the valuation techniques as follows:
  - Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities
  - Level 2 : Inputs other than prices listed in level 1 for identical assets and liabilities that could be observed for the assets or liabilities other than direct or indirect (as derivate of the price of the adjustment)
  - Level 3: Inputs for assets and liabilities that are not based on observable market data (unobservable input and inactive market)
- If the inputs used to measure the fair value of an asset or liability are at different levels of the fair value hierarchy, the fair value measurement is fully classified at the same level of the fair value hierarchy as the lowest level of inputs is essential for full measurement.
- Transfers are recognized between the levels of the fair value hierarchy at the end of the reporting period in which the change occurs.

3-2-10 Financial instruments

- Financial instruments are recognized and measured in accordance with the requirements of IFRS (9) "Financial Instruments", which defines and addresses the classification, measurement and de-recognition of financial assets and financial liabilities and certain contracts for the purchase or sale of non-financial items. The details of the relevant accounting policies are set out below.
- **Initial recognition – financial assets and financial liabilities**

  Financial assets and liabilities are recognized when the entity becomes a party to the contractual of the instrument.

- **Initial measurement**

  On initial measurement, except for trade receivables that do not include a material financing component, the financial asset is measured at fair value through profit or loss. The transaction costs directly attributable to the acquisition of the financial asset are recognized in profit or loss.

  If the financial asset is not at fair value through profit or loss, the financial asset is measured at its fair value plus transaction costs directly attributable to the acquisition of the financial asset.

  Trade receivables that do not have a material financing component or which are less than 12 months old are measured at the transaction price in accordance with IFRS (15).

- **Classification and subsequent measurement**

  The subsequent measurement of non-derivative financial assets depends on their classification into the following measurement categories based on the business model in which the financial assets are managed as well as the contractual terms of cash flows:

A) Financial assets at fair value through profit or loss:

Financial assets at fair value through statement of profit or loss are measured at the end of each reporting period without any transaction costs that the Group may incur when selling or disposing of any financial asset in the future.

All financial assets that are not classified as measured at amortized cost or at fair value through other comprehensive income and will be described below are measured at fair value through profit or loss. This includes all other derivative financial assets. On initial recognition, the Group is entitled to finalize financial assets that otherwise meet the measurement requirements at amortized cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

If the Group does so, it omits the accounting mismatch that may arise in one way or another or significantly reduces mismatches.

B) Financial assets at fair value through other comprehensive income:

They are either (debt instruments at fair value through other comprehensive income) or (equity instruments at fair value through other comprehensive income)

Financial assets at fair value through other comprehensive income are measured at the end of each reporting period and the transaction costs incurred by the Group are derecognized when the asset is disposed of in the future.

Investments in debt instruments are measured at fair value through other comprehensive income if the following two conditions are met and are not measured at fair value through profit or loss:

- ✓ It is maintained within a business model that is verified by collecting contractual cash flows and selling financial assets. And
- ✓ Their contractual periods are established on specific cash flow dates that represent only payments of principal and interest on the principal of the amount outstanding.

Upon derecognition of financial assets, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to the statement of profit or loss. However, the fair value gains or losses are not reclassified to profit or loss in the case of equity instruments.

C) Financial assets measured at amortized cost:

The financial asset should be measured at amortized cost using the effective interest method if the following conditions are met:

1) The financial asset is retained within the business model, which is intended to hold financial assets from the collection of contractual cash flows; and
2) The contractual terms of the financial asset on specific dates result in cash flows that are principal and interest payments on the principal outstanding.

Financial assets measured at amortized cost include trade and other receivables.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest rate method less impairment (if any). Amortized cost is calculated by taking into consideration any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Effective interest rate amortization is included in financing revenue in profit or loss. Impairment losses are recognized in profit or loss.

The method of recognizing and presenting the profits or losses resulting from classifying the above categories is as follows:

Measurement class	Recognizing and presenting the profits or losses
Financial assets at amortized cost	- The following items are included in statement of profit or loss: • Interest income using the effective interest rate method. • Expected credit losses (or reversal of losses) (impairment and reversal) • Foreign exchange gains or losses - Whenthefinancialassetis derecognized (Derecognition), the resulting gain or loss is recognized in profit or loss.
Debt instruments at fair value through other comprehensive income	- Gains and losses are recognized in other comprehensive income **<u>except for the following items</u>** which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost: • Interest income using the effective interest method. • Expected credit losses (or reversal of losses). (Impairment and reversal) • Foreign exchange gains or losses - When the financial asset is de-recognized (Derecognition), the cumulative gain or loss in the other comprehensive income is reclassified to profit **or loss**
Investment in equity instruments at fair value through other comprehensive income	- Gains or losses are recognized in other comprehensive income - Dividends from these investments must be recognized as income in profit or loss unless they clearly represent the payment of part of the cost of the investment. - The amounts recognized in other comprehensive income are not reclassified to profit or loss under any circumstances.
Investment at fair value through profit or loss	- Gains or losses arising either from subsequent measurement or from de-recognition are recognized in profit or loss.

- **Reclassification**

  When _and only when _ an entity changes its business model in the managing of financial assets, it must reclassify all its affected financial assets in accordance with the above classification requirements.

- **Cancellation of recognition of financial assets**

  The de-recognition of a financial asset (or, as appropriate, a part of a financial asset or a part of a group of similar financial assets) (which mean its disposal from the financial position statement) when the cash flow rights commented of the asset is done or when the financial asset is transfer the financial assets or all its risks and benefits to another party. The difference in carrying amount is recognized in the profit or loss.

- **Impairment of financial assets**

  At each reporting date, the Group assesses the probability of objective evidence that the financial asset measured at cost or amortized cost may be impaired. Impairment arises when one or more events occur, if the initial recognition of an asset has an impact on the estimated future cash flows of a financial asset or a group of financial assets that can be reliably measured.

  IFRS (9) requires the Group to apply a model to measure expected credit losses in respect of impairment of financial assets. Credit event occurrence is not necessary to include credit losses. Instead, using the expected credit loss model, the entity calculates the expected credit losses and changes as of each reporting date.

  The expected credit loss should be measured and made a provision to it either in the amount equivalent to:

  (a) 12 months of expected losses or

  (b) Long term expected losses.

  - If the credit risk of the financial instrument is not substantially increased from the beginning, then a provision equal to the expected loss of 12 months is created.
  - In other cases, provision should be made for long-term credit losses.

  For trade receivables and other receivables, the Group has applied the simplified method in accordance with the Standard and calculates credit losses according to credit loss forecasts over the life of the financial assets where:

  - The Group has established a matrix of provisions based on the Group's past experience with respect to credit losses, and adjusted for future factors relating to debtors and the economic environment.
  - Impairment losses relating to trade receivables are presented separately in profit or loss.

  Except for investments in debt instruments measured through other comprehensive income, the book value of the asset is reduced through the use of the provision account and the amount of the loss is recognized in profit or loss. Interest income continues to be depreciated using the interest rate used to discount future cash flows to measure impairment loss. Loans are written off with the loan-related provision when there is no realistic prospect of future recovery and all guarantees are realized or transferred to the Group.

  - In respect of investments in debt instruments measured through other comprehensive income, the provision for the loss of other comprehensive income accumulated in the investment revaluation reserve is recognized and does not reduce the book value of the financial asset in the statement of financial position.
  - In any case, if in a subsequent year, the amount of the impairment loss increased or decreased because of an event occurring after the impairment was recorded, the previously recognized impairment loss is increased or reduced by adjusting the provision account. If a subsequent write-down is reversed, the reversal is recognized in profit or loss.

Financial liabilities

The Group's financial liabilities include accounts payables and accruals amount.

- **Initial measurement**

  Financial liabilities are initially recognized as financial liabilities at fair value through profit or loss and other comprehensive income and as loans, advances and payables as appropriate.

  All financial liabilities are initially measured at fair value and in the case of long-term loans, advances and accounts payable, net of direct costs related to the transaction. (I.e. except for financial liabilities at fair value where transaction costs directly related to the acquisition of financial liabilities are recognized directly in profit or loss).

- **Classification and subsequent measurement**

  A) At amortized cost

  The entity must classify all financial liabilities at amortized cost and subsequently measured, except for:

  1) Financial liabilities at fair value through profit or loss.
  2) Financial liabilities that arise when a financial asset that is unqualified for de-recognition is derecognized or when the method of continuing involvement is applied (the continuing correlation method).
  3) Financial guarantee contracts.
  4) Obligations or commitments to provide a loan at an interest rate lower than the market price and not measured at fair value through profit or loss.
  5) The potential price (consideration) recognized by the acquirer in a business combination that is in accordance with IFRS (3). This potential price is subsequently measured at fair value with changes recognized in profit or loss.

  All financial liabilities of the Group are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss and other comprehensive income when the liability is derecognized through the amortization of the effective interest rate.

  Amortized cost is calculated by taking into consideration any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. Effective interest rate amortization is included as finance costs in the statement of profit or loss.

  Gains or losses on financial liabilities measured at fair value (which are not part of the overall hedging relationship) are recognized in profit or loss. Except for gains or losses on certain financial liabilities that are designated at fair value through profit or loss when the Group is required to assess the effects of changes in credit risk associated with liabilities in other comprehensive income.

  B) Financial liabilities at fair value through profit or loss

  Financial liabilities included in this category include:

  1. Liabilities held for trading.
  2. Liabilities derivatives not designated as hedging instruments.
  3. Liabilities designated at fair value through profit or loss.

  After initial recognition, the Group measures financial liabilities at fair value and recognizes changes in profit or loss.

  Usually Gains and losses on financial liabilities designated at fair value are recognized in profit or loss as follows:

1. The amount of the change in the fair value of a financial liability that is attributable to changes in credit risk is recognized in other comprehensive income.
2. The residual value of the change in the fair value of the financial liability is recognized in profit or loss.

C) Financial liabilities other than financial liabilities at fair value through profit or loss

Financial liabilities are measured at amortized cost using the effective interest rate.

- **Reclassification**
  The Group cannot reclassify any financial liability.
- **Derecognition of financial liabilities**
  A financial liability is de-recognized when it is fulfill, cancelled or terminated. When an existing financial liability is replaced by another from the same lender on substantially different terms or when the terms of an existing obligation are substantially modified, such a replacement or modification is treated as a derecognition of the original financial liability while recognizing the new obligation. The difference between the relevant book values is recognized in profit or loss.
- **Set-off of financial instruments (set-off between financial assets and liabilities).**
  Financial assets and financial liabilities are offset and recorded net in the statement of financial position only when the following conditions are met:
  1- The Group has a statutory legal right to set-off the amounts recognized in assets and liabilities.
  2- The intention of the Group to settle on a net basis or to recognize the asset and settle the obligation simultaneously.

3-2-11 Revenues recognition

- Revenues arising from contracts are recognized and measured in accordance with the requirements of IFRS (15), unless they are within the scope of other standards.
- Revenue is measured on the basis of the compensation specified in the contract with the customer, with the exception of amounts collected on behalf of other parties. The Group recognizes revenue when transferring control over the products or services provided to the customer.
- IFRS 15 is applied either with full retrospective or amended application where:
- The Group applied the International Financial Reporting Standard in its financial statements starting from 1 January 2019 in a way that assesses the cumulative effect, and the Group did not amend its financial statements for the presented comparative periods in accordance with the exemptions available.
- Where the Group records revenue from contracts with clients based on the following five steps:
  a) Determining the contract with the client: A contract is an agreement between two or more parties that results in mandatory rights and obligations and clarifies the criteria that must be met for each contract.

b) Defining performance obligations in the contract: A performance obligation is a promise to the customer according to the contract in order to transport goods or provide services to the customer.
c) Determining the transaction price: The transaction price is the price expected from the Group in exchange for the transfer of goods or services agreed upon with the customer, excluding the amounts collected on behalf of third parties.
d) Distributing the transaction price to the performance obligations in the contract: For a contract that contains more than one performance obligation, the Group distributes the transaction price to each performance obligation by an estimated amount of the price expected to be collected from the goods or services in exchange for the performance of the performance obligation.
e) Revenue is recognized when (or when) the Group fulfills the performance obligation.

- The Group fulfills the performance obligation and recognizes revenue over the term of the contract if it fulfills any of the following requirements:
  a) The client obtains the benefits resulting from the performance of the Group and the consumption of those benefits at the same time, or
  b) The Group's performance leads to the creation or improvement of an asset that is under the customer's control at the time of improvement or creation, or
  c) The Group's performance of the obligation is not originally for other uses of the Group, and the Group has the right to collect the amount for the completed performance to date that is enforceable.
- For performance obligations where one of the above conditions are not met, revenue is recognized at the time the performance obligation is satisfied.
- When the Group fulfills a performance obligation by providing the promised goods or services, then the Group creates an asset based on the contract in exchange for the price it received as a result of the performance. If the amount of the billed price to the customer exceeds the amount of the listed revenues, this increases the commitment of the contract.
- Revenue is measured at the fair value of the price received or receivable, taking into account the contractual payment terms specified.
- Revenue is included in profit or loss to the extent of the expected flow of economic benefits to the Group, with revenues and costs - where applicable - being able to be measured reliably.
- **The Group's revenue is represented in:**
  - **<u>Revenue from Products Sales:</u>**
    - Revenue resulting from the sale of goods is recognized and an invoice is issued when all of the following conditions are met:
      - ✓ Transferring the significant risks and rewards of ownership of goods to the buyer.
      - ✓ The Group does not retain the right to continuous administrative intervention to the degree that is usually associated with ownership nor with actual control over the sold goods.

- ✓ The amount of revenue can be measured reliably.
- ✓ It is probable that the economic benefits associated with the transaction will flow to the Group.
- ✓ The costs incurred or to be borne by the Group in connection with the transaction can be measured in a reliable manner.

- The Group does not have any loyalty programs under which points are awarded to customers, and therefore no deferred revenue is recognized for the items sold.
- **Elements of financing**
  The Group does not currently have or expects at the present time any contracts with clients for routine sales or products where the period between transferring the promised products or services to the customer and paying the customer exceeds one year. As a result, the Group is not currently making an adjustment to any transaction rates regarding the time value of money. However, if any such situation is identified, the relevant amounts are remeasured in order to adjust the time value of the funds.
- **Warranty obligations**
  The Group provides guarantees regarding the sold goods when certain terms and conditions are applied, and accordingly the Group is subject to the requirements of the International Financial Reporting Standard No. 15 with regard to deferring the recognition of revenues and recording contract obligations.

3-2-12 Costs Of Revenue

- All expenditures are recognized on an accrual basis, and operating costs are recognized on the basis of historical cost. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw materials, direct labor and other related indirect costs. Other costs such as selling costs are recorded as selling and distribution expenses, while all other remaining expenses are shown as general and administrative expenses.

3-2-13 Expenses

- Selling and marketing expenses and general and administrative expenses include direct and indirect costs that are not specifically considered part of the cost of revenues .
- Selling and marketing expenses in those expenses arising from the Group's underlying sales and marketing functions .
- All expenses except for financial charges, amortization, depreciation and impairment losses are classified as general and administrative expenses .
- Other joint expenses are allocated between the cost of revenue, selling and marketing costs and general and administrative expenses on a consistent basis where necessary.

3-2-14 Income Tax and Zakat

Zakat

- Zakat is calculated in accordance with zakat regulations issued by the General Authority for Zakat and Income in the Kingdom of Saudi Arabia ("the Authority" .
- Zakat is charged to the profit or loss.
- Any additional obligations and settlement of adjustments resulting from the Zakat, if any, that may become due upon completion of the assessment are recorded in the same fiscal year in which the zakat assessment is recognized.

Withholding tax

- The Group deducts taxes on certain transactions with non-resident entities in Saudi Arabia as required in accordance with the applicable tax regulations in the Kingdom of Saudi Arabia. The withholding tax relating to foreign payments is recognized as a liability

Transaction tax

1- Income, expenses and assets are recognized net of transaction tax (including VAT), except for:
   - Where the transaction tax incurred in the purchase of an asset or service is not recoverable from the tax authority, in which case the transaction tax is recognized as part of the cost of the asset or as part of the expense, where applicable،
   - Accounts receivable and payables that have been included with the transaction tax amount.

2- The net amount of the transaction tax recoverable from, or payable to, the tax authority is included as part of the receivables or payables in the statement of financial position.

3-2-15 Foreign currency transactions and balances

- Foreign currency transactions are translated into Saudi Riyals (functional currency) at the rates of exchange ruling at the date of the financial statements. Gains and losses arising from changes in exchange rates are recognized in profit or loss.
- Non-monetary items that are measured at the historical cost of a foreign currency are retranslated using the exchange rates at the date of the initial transactions and are not subsequently adjusted. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date that the fair value was determined. The gain or loss arising on the translation of non-monetary items measured at fair value is accounted for in accordance with the recognition of profit or loss from changes in the fair value of the related item.

3-2-16 Provisions

A. Provisions are recognized when the Group has an obligation (legal or constructive) arising from a past event and there is a possibility that the Group will be required to settle this obligation through cash flows from outside the Group that reflect economic benefits and a significant estimate of the amount of the obligation can be made. Where the Group expects to repay some or all of the provision - for example - under an insurance contract, the payment is recognized as an independent asset but only when the payment is actually confirmed. The expense for the provision is presented in to profit or loss after any payment.

B. If the effect of the time value of money is significant, the provisions is determined by discounting the expected future cash flows at the current discount rate before the tax that reflects current market assessments of the time value of money and the risks related to the obligation. When the discount is used, the excess of the provision is recognized as a result of the passage of time as the cost of financing in the profit or loss.

C. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If a flow of required external resources with economic benefits to settle the obligation is no longer probable, the provision is reversed.

D. Cessation of operations costs (assets related to the removal of assets)

A provision to suspend operations is recognized when the Group is responsible for the restoration or rehabilitation of the land. The degree of suspension of the required operations and related costs depends on the requirements of current laws and regulations.

Costs included and included in the provision include all expected cessation liabilities over the life of the assets. The provision for suspending operations is discounted to its present value and capitalized as part of the assets under property, plant and equipment and is amortized over the life of the asset.

Adjustments to the estimated amount and time of cash flows to discontinue operations are normal in light of the significant judgments and estimates involved. These adjustments are recorded as an increase in liabilities offset by an increase in the related assets. Factors affecting these adjustments include:

- Technology development.
- Regulatory requirements and environmental management strategies.
- Changes in the estimated threshold and expected costs of activities, including the effects of inflation.
- Changes in economic sustainability.

3-2-17 Employee benefits

A. Defined Benefit Programs

- The Group provides a defined benefit plan to its employees in accordance with the Saudi Labor Law. The Group's net liability in respect of defined benefit plans is calculated by estimating and deducting the amount of future benefits acquired by the employee in the current and prior periods. The defined benefit obligations are calculated annually by a qualified actuary by the projected unit credit method, which takes into account the provisions of the Saudi Labor Law and Group policy.
- The defined benefit obligation is periodically re-measured by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by deducting estimated future cash outflows and due to the lack of a deep market for government bonds / skunk or corporate bonds / skunk in Saudi Arabia, the discount rate is determined by reference to the Dow Jones Skunk Dividend. The net commission cost is calculated by applying the discount rate to the net balance of defined benefit obligation and the fair value of the program assets.

- The defined benefit obligation costs are calculated using actuarially defined retirement costs at the end of the previous year, adjusted for significant market fluctuations and any significant one-time events such as program adjustment, manpower reduction and reimbursement. In the absence of such significant market fluctuations and one-time events, the actuarial liability is extended based on the assumptions at the beginning of the year. If there are significant changes in assumptions or arrangements during the initial period, they are considered for re-measurement of these liabilities and related costs.
- Re-measurement of the net liability of defined benefit schemes consisting of actuarial gains and losses is recognized directly in other comprehensive income. The Group calculates net interest by applying the discount rate used to measure the net defined benefit obligation or asset. Net interest expense and other related expenses are recognized in the profit or loss programs as defined in the profit or loss.
- When the benefits of a program change or when the duration of the program is reduced, the resulting change in benefit relating to the past service, profit or loss from the immediate reduction in profit or loss is recognized.

B. Short-term employee benefits

A liability is recognized for benefits to employees relating to wages and salaries including non-monetary benefits, annual leave, sick leave and travel tickets during the period in which the service is provided, as well as the undiscounted amount of the benefits expected to be paid for that service on the basis that the related service may Performed. Recognized liabilities relating to short-term employee benefits are measured at the amount that is not deductible and is expected to be paid for the service rendered.

C. Employee benefits after end of service

The Group pays retirement contributions to its Saudi employees to the Social Insurance Institution and represents a specific contribution plan and the payments are considered as expenses when incurred.

3-2-18 Liabilities and contingent assets

A. Contingent liabilities are obligations that are likely to arise from past events and are confirmed to exist only through the occurrence or absence of one or more uncertain future events that are not within the overall control of the Group. or an existing obligation that is not proved because it is unlikely that there will be a need for the flow of resources to settle the obligation. In the event that the amount of the obligation cannot be measured reliably enough, the Group does not demonstrate the contingent liabilities but discloses them in the financial statements.

B. The potential assets are not recognized in the financial statements but are disclosed when economic benefits are probable.

3-2-19 Earnings per Share

- Basic earnings per share is calculated by dividing the net income attributable to the Group's shareholders by the weighted average number of shares outstanding during the year.

- Reduced earnings per share is calculated by dividing the profit attributable to the group's shareholders (after adjusting for interest on convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that will be issued when converting all potential reduced ordinary shares into shares normal.
- Since the Group does not have any convertible shares, the basic earnings per share equals the reduced earnings per share.

3-2-20 Cash dividends of the Group's Shareholders

- The Company recognizes the obligations related to the payment of cash dividends to the Company's shareholders when the distribution is approved
- In accordance with the Companies Law in Saudi Arabia, dividends are approved by the shareholders.
- Initial dividends, if any, are recorded upon approval by the Board of Directors. The amount of the consideration is recognized directly in equity.

3-2-21 Prepaid expenses

Prepaid long-term expenses (if any) are recognized at cost less any accumulated impairment losses.

3-2-22 Segments Reports

- The business segment is a group of assets, operations, or facilities:
  1) Conducts its business in commercial activities through which it is possible to generate revenues and incur expenses including revenues and expenses related to transactions with other components of the Group;
  2) The results of its operations are analyzed on an ongoing basis by the Chief Operating Officer in order to make decisions related to resource allocation and performance evaluation; and
  3) On which accurate information is available separately.
- The geographical segment provides products or services within a specific economic environment that is exposed to risks and returns that differ from operating sectors in other economic environments.

4 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities disclosed and disclosure of contingent liabilities as at the reporting date. Uncertainty about these assumptions and estimates may result in results that may require a material adjustment to the carrying amount of the assets or liabilities that will be affected in future periods.

These estimates and assumptions are based on experience and other factors that are believed to be reasonable under the circumstances and are used to judge the carrying amounts of assets and liabilities that are difficult to obtain from other sources. Core estimates and assumptions are reviewed on an on-going basis. An audit of the accounting estimates is recorded in the period in which the estimates are revised or in the period of the revision and future periods if the revised estimates affect current and future periods.

Significant accounting judgments, estimates and assumptions have been made which have a material impact on the financial statements as following:

4-1 Judgments

Compliance with performance obligations

- The Group has to assess each of its contracts with customers to determine whether performance obligations have been met over time or at a specific time in order to determine the appropriate method of income recognition. The Group assessed this based on the sales and purchase agreements it had entered into with the customers and the provisions of the relevant laws and regulations .
- The Group has chosen to apply the input method in the transaction price distribution for the performance obligation where the revenue is recognized based on the Group's efforts to meet the performance obligation, providing the best reference to the income actually earned .

Determine transaction prices

- The Group is required to set transaction prices in relation to each of its contracts with customers. In making such a judgment, the Group evaluates the impact of any variable price in the contract as a result of discounts or fines, the presence of any significant financing component in the contract and any non-monetary price in the contract.

Consolidation of subsidiaries

- The Group evaluated all investee companies to see if they exercise control over them in accordance with International Financial Reporting Standard No. (10) "Consolidated Financial Statements". The Group evaluated, among other things, the stake it owns, the applicable contractual arrangements, their capacity, and the limits of their participation in the related activities. In investee companies, to determine whether they exercise control over them or not.

Coronavirus (COVID-19)

- The Group has reviewed the main sources of the uncertainty estimates disclosed in the recent consolidated financial statements in the context of the Coronavirus (Covid-19) epidemic. Management believes that, other than expected credit losses of financial assets, the impairment loss for non-financial assets and all sources for other uncertainty estimates remain the same as those disclosed in the annual consolidated financial statements. Management will continue to monitor the situation and any required changes will be reflected in the future reporting period - note (30).

4-2 Estimates and assumptions

Defined Benefit Programs

- The cost of the defined benefit programs and the present value of the obligation are determined using actuarial valuations. The actuarial valuation includes many different assumptions that differ from actual developments in the future. This includes the determination of discount rates, future salary increases, mortality rates and the rate of movement of staff. As a result of the complexity and long-term nature of the valuation process, the commitment of specific benefits is highly sensitive to changes in these assumptions. All assumptions are examined at the reporting date. The most commonly used measurement criteria are the discount rate and the future salary increase.

When determining the appropriate discount rate, management relies on market yield on high quality corporate bonds. Future salary increases depend on future inflation rates, seniority, promotion, supply and demand in the employment market. The mortality rate is based on the mortality tables available for specific countries. The extrapolation of mortality tables may change over time in response to population changes. Further details on staff benefit obligations are provided in the clarification (14).

Expected credit losses

Expected credit losses are measured as financial assets measured at amortized cost and requires the use of complex models and significant assumptions about future economic conditions and credit behavior.

There are a number of important provisions required in the application of accounting standards

- Define criteria for substantial increase in credit risk;
- Selecting appropriate formats and assumptions to measure expected credit losses;
- Determine the number and relative weight of future assumptions for each type of product and market
- Create a pool of potential financial assets to measure air credit losses.

Productive useful life of property, equipment

The Group determines the estimated useful lives of property, equipment and investment properties for depreciation. This estimate is determined after taking into account the expected period of use of the asset and the natural damage. The management examines the estimated useful lives and the method of depreciation periodically to ensure that the method and duration of depreciation are consistent with the expected model of the economic benefits of these assets.and changes in depreciation expense are adjusted in current and future periods, if any,

Impairment of non-financial assets.

The Group assesses at each reporting date whether there are indications of impairment of the non-financial assets at each reporting date. Non-financial assets are selected to determine impairment in the event of indications that the carrying amounts cannot be recovered .

When the value in use is calculated, the management estimates the future cash flows of the asset or unit of cash and selects the appropriate discount rate to calculate the present value of these cash flows.

Going concern

The management of the Group has assessed its ability to continue on the basis of the going concern and has concluded that it has the resources to continue its activity in the foreseeable future. In addition, management is not aware of any material uncertainty that may cast doubt on the Group's ability to continue in accordance with the going concern. Consequently, the financial statements have been prepared on the basis of the going concern.

(Expressed in Saudi Riyal unless otherwise stated)

5 PROPERTY, PLANT & EQUIPMENT (net)

5-1 PROPERTY, PLANT & EQUIPMENT

	Buildings & Construction on Leased land	Machinery & Equipment	Leasehold Improvements	Vehicles	Furniture, Fixtures & Office Equipment	Tools	Capital Works in Progress	Total
Cost:								
At January 1, 2020	36 500 740	252 882 991	11 332 068	3 537 168	8 606 108	354 774	9 500 745	**322 714 594**
Additions during the year	-	1 654 310	323 286	281 000	52 955	38 230	11 450 823	**13 800 604**
Disposals during the year	-	(7 290 265)	-	-	-	-	-	**(7 290 265)**
Transfer from Capital works in progress	34 400	12 513 423	80 614	-	372 437	45 270	(13 046 144)	-
At December 31, 2020	**36 535 140**	**259 760 459**	**11 735 968**	**3 818 168**	**9 031 500**	**438 274**	**7 905 424**	**329 224 933**
Accumulated Depreciation:								
At January 1, 2020	25 780 928	140 066 706	186 638	2 650 563	7 644 529	7 015	-	**176 336 379**
Depreciation for the year	1 161 094	4 801 098	344 726	346 856	358 336	55 120	-	**7 067 230**
Accumulated Depreciation of disposals	-	(7 290 262)	-	-	-	-	-	**(7 290 262)**
At December 31, 2020	**26 942 022**	**137 577 542**	**531 364**	**2 997 419**	**8 002 865**	**62 135**	-	**176 113 347**
Net book value:								
At December 31, 2020	**9 593 118**	**122 182 917**	**11 204 604**	**820 749**	**1 028 635**	**376 139**	**7 905 424**	**153 111 586**
At December 31, 2019	**10 719 812**	**112 816 285**	**11 145 430**	**886 605**	**1 961 579**	**347 759**	**9 500 745**	**146 378 215**

- Major of Property , Plant, and Equipment are pledge to The Saudi Industrial Development Fund (SIDF) opposite the received loans.(Note No. 14).
- Property , Plant, and Equipment as of 31 December 2020 includes assets which fully depreciated and still work, costing amounting to SR 79 283 491.

(Expressed in Saudi Riyal unless otherwise stated)

Capital works in progress represented in the following:

	December 31, 2020	December 31, 2019
Machinery and Equipment	6 066 187	2 486 761
Leasehold Improvements	583 449	610 125
LC and Suppliers Down Payments	1 255 788	6 131 294
Other	-	272 565
	7 905 424	**9 500 745**

Depreciation of Property, Plant, and Equipment is charged as follows:

	2020	2019
Cost of Revenues	6 341 319	5 748 839
Selling and Distribution Expenses	156 575	101 576
General and Administrative Expenses	569 336	684 014
	7 067 230	**6 534 429**

(Expressed in Saudi Riyal unless otherwise stated)

5-2 PROPERTY, PLANT & EQUIPMENT

	Buildings & Constructions on Leased land	Machinery & Equipment	Leasehold Improvements	Vehicles	Furniture, Fixtures & Office Equipment	Tools	Capital Works in Progress	Total
Cost:								
At January 1, 2019	36 497 390	200 177 202	1 960 238	2 995 238	8 265 020	-	65 025 478	**314 920 566**
Additions during the year	3 350	4 212 490	5 686 924	620 035	355 443	354 774	10 669 402	**21 902 418**
Disposals during the year	-	(17 356 615)	-	(78 105)	(5 239)	-	-	**(17 439 959)**
Impairment reversal	-	3 340 685	-	-	-	-	-	**3 340 685**
Adjustments	-	-	-	-	(9 116)	-	-	**(9 116)**
Transfer from Capital works in progress	-	62 509 229	3 684 906	-	-	-	(66 194 135)	-
At December 31, 2019	**36 500 740**	**252 882 991**	**11 332 068**	**3 537 168**	**8 606 108**	**354 774**	**9 500 745**	**322 714 594**
Accumulated Depreciation:								
At January 1, 2019	24 611 268	137 605 633	6 256	2 453 078	7 264 594	-	-	**171 940 829**
Depreciation for the year	1 169 660	4 516 165	180 382	275 589	385 618	7 015	-	**6 534 429**
Accumulated Depreciation of Disposals	-	(2 055 092)	-	(78 104)	(2 051)	-	-	**(2 135 247)**
Adjustments	-	-	-	-	(3 632)	-	-	**(3 632)**
At December 31, 2019	**25 780 928**	**140 066 706**	**186 638**	**2 650 563**	**7 644 529**	**7 015**	-	**176 336 379**
Net book value:								
At December 31, 2019	**10 719 812**	**112 816 285**	**11 145 430**	**886 605**	**961 579**	**347 759**	**9 500 745**	**146 378 215**
At December 31, 2018	**11 886 122**	**62 571 569**	**1 953 982**	**542 160**	**1 000 426**	-	**65 025 478**	**142 979 737**

- Major of Property , Plant, and Equipment are pledged to The Saudi Industrial Development Fund (SIDF) opposite the received loans.(Note No.14).
- Property , Plant, and Equipment as of 31 December 2019 includes assets which fully depreciated and still work , costing amounting to SR 85 203 847.
- The Group has obtained approval to release the mortgage from The Saudi Industrial Development Fund (SIDF) for selling the machinery of production line "FFS" Accordingly, the Board of Directors decided in its meeting, dated in 16 April 2019 selling it, amounting SR 15 297 619.

(Expressed in Saudi Riyal unless otherwise stated)

Capital works in progress represented in the following:

	December 31, 2019	December 31, 2018
Machinery and Equipment	2 486 761	62 509 229
Leasehold Improvements	610 125	2 516 249
LC and Suppliers Down Payments	6 131 294	-
Other	272 565	-
	9 500 745	**65 025 478**

Depreciation of Property, Plant, and Equipment is charged as follows:

	2020	2019
Cost of Revenues	5 748 839	5 768 018
Selling and Distribution Expenses	101 576	473 767
General and Administrative Expenses	684 014	26 486
	6 534 429	**6 268 271**

6 RIGHT-OF-USE ASSETS (net)

The Group leases two Lands from the Saudi Authority for Industrial Cities and Technology Zones, "Modon" in the second industrial city in Riyadh, one of them is the company's factory and its subsidiary, and other which is a residential building in the city. Contracts end on 9/6/2035G. Contracts are renewable after the approvals of the parties.

Cost:	December 31, 2020	December 31, 2019
As at the beginning of the year	9 426 841	9 426 841
Additions during the year	-	-
	9 426 841	**9 426 841**
Accumulated amortization:		
As at the beginning of the year	1 488 450	992 300
Amortization of the year – (Included in the cost of revenue)	496 150	496 150
	1 984 600	**1 488 450**
	7 442 241	**7 938 391**

The liabilities and deferred financing expenses resulting from these contracts are as follows:

	31 December 2020		
	Current	Non-current	Total
Liabilities from lease contracts	780 024	10 920 336	**11 700 360**
Deferred financing expenses	(404 819)	(3 199 149)	**(3 603 968)**
	375 205	**7 721 187**	**8 096 392**
	31 December 2019		
	Current	Non-current	Total
Liabilities from lease contracts	780 024	11 700 360	**12 480 384**
Deferred financing expenses	(422 686)	(3 603 968)	**(4 026 654)**
	357 338	**8 096 392**	**8 453 730**

(Expressed in Saudi Riyal unless otherwise stated)

- The minimum future lease payments (lease liabilities) as at the date of the consolidated financial position, in total , are as follows:

Year	minimum future lease payments
2021	780 024
2022	780 024
2023	780 024
After 2023	9 360 288
	11 700 360

7 INVENTORIES (net)

	Note	December 31, 2020	December 31, 2019
Raw material		19 293 797	21 869 393
Work In Progress		10 851 439	9 684 924
Finished goods		12 858 747	13 497 969
Spare parts		6 842 902	6 501 662
Materials and other supplies		2 550 841	2 364 972
Letters of Credit		207 962	118 869
		52 605 688	**54 037 789**
Less: Allowance for slow moving items	(7-1)	(4 699 919)	(6 439 096)
		47 905 769	**47 598 693**

7-1 The movement of the allowance for slow moving items is as follows:

	December 31, 2020	December 31, 2019
At the beginning of the year	6 439 096	1 752 036
Formed during the year	190 646	4 687 060
No longer requires, during the year	(1 929 823)	-
	4 699 919	**6 439 096**

8 TRADE RECEIVABLES (net)

	Note	December 31, 2020	December 31, 2019
Trade receivables		43 167 652	52 594 727
Less			
Impairment loss	(8-3)	(2 915 420)	(4 192 386)
		40 252 232	**48 402 341**

(Expressed in Saudi Riyal unless otherwise stated)

8-1 As of December 31, 2020, trade receivables impaired with amounting of SR 2 915 420 (2019:SR 4 192 386).the impairment loss on trade receivables was calculated according to the expected credit loss in line with the requirements of IFRS 9.

8-2 Trade receivables include amount of SR 22 053 904 (2019: SR 40 464 494) which not impaired, and override their due date more than the normal collection cycle, but not impaired. The Group's management believes that these amounts are fully collectible based on the previous payment behaviors and a comprehensive analysis of the credit risk of the customer, including the basic credit ratings of the customer, if available.

8-3 The movement of the impairment loss is as follows:

	December 31, 2020	December 31, 2019
At the beginning of the year	4 192 386	3 032 238
Impairment for the year	-	1 160 148
Utilized during the year	(420 750)	-
Impairment loss, no longer requires	(856 216)	-
	2 915 420	**4 192 386**

8-4 The aging of trade receivables as at the date of the financial statements were as follows:

	December 31, 2020	December 31, 2019
Not due	18 198 328	7 937 847
Till 2 months	14 105 601	23 785 839
From 2 months to 3 months	8 236 604	7 836 093
From 3 months to one year	1 748 644	11 533 357
More than one year	878 475	1 501 591
	43 167 652	**52 594 727**

9 PREPAYMENTS AND OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
Accrued bonus & advance payments to suppliers	9 515 875	9 354 794
Prepaid expenses	4 035 997	4 867 688
Employee deposits	771 314	1 323 789
Value added tax	-	496 917
Other	-	7 815
	14 323 186	**16 051 003**

(Expressed in Saudi Riyal unless otherwise stated)

10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	19 606 108	21 179 811
Additions for the year	60 585 344	15 328 404
Disposal for the year	(42 585 345)	(17 580 904)
Unrealised Gain of Investments at fair value through Profit or Loss	423 759	678 797
Realised Loss of Investments at fair value through Profit or Loss	(40 457)	-
	37 989 409	**19 606 108**

The balance of investments as of December 31, 2020 is mainly represented in two investment portfolios managed by one of the local financial companies, where investment is in instruments of cash and trading market. The Group has classified these investments through profit and loss according to fair value. Unrealised profits in 2020 amounted to SR 423 759 (2019: SR 678 797).

During the year 2019, the Group acquires shares of Saudi companies, and when disposed it during the year 2020, resulted loss amounted SR 40 457, which was presented in the statement of Profit or Loss.

11 CASH AND CASH EQUIVALENTS:

	December 31, 2020	December 31, 2019
Cash at banks – current accounts	8 510 209	6 017 958
Cash on hand	126 044	199 102
	8 636 253	**6 217 060**

12 SHARE CAPITAL:

On December 31, 2020, the Company's capital was determined at SR 115 000 000 (2019: SR 115 000 000), divided into 11 500 000 shares (2019: 11 500 000 shares), the value of each is SR 10, fully paid.

13 STATUTORY RESERVE:

In accordance with the Regulations for the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company shall transfer 10% of the net profit for the year to statutory reserve until such reserve reaches 30% of its capital.

The statutory reserve in the consolidated financial statements is related to the parent Company. This reserve is not available for distribution to shareholders.

(Expressed in Saudi Riyal unless otherwise stated)

14 LOANS AND FACILITIES:

The following information reflects the contractual terms of the group's loans, which are measured at amortized cost:

	Note	December 31, 2020	December 31, 2019
Saudi Industrial Development Fund Loan	(14-1)	36 454 080	25 860 440
Bank loans & facilities	(14-2)	72 684 083	67 270 475
Total		**109 138 163**	**93 130 915**

14-1 Saudi Industrial Development Fund Loan:

During 2008, the parent Company signed an agreement with the Saudi Industrial Development Fund, in total amounting SR 38.3 million to finance the expansion of the factory, through the purchase of production lines for the manufacturing of plastic cement bags and the expansion of the large bags division and container liner manufacturing machines.

During 2018, the subsidiary Company signed an agreement with the Saudi Industrial Development Fund, in total amounting SR 35.3 million to guarantee the mortgage of the factory assets - Note No. (5) - in order to finance the purchase of the factory's production lines, and the details of loan is as follows:

	December 31, 2020	December 31, 2019
Total granted loan	74 807 000	64 712 688
Paid from the loan	(36 607 000)	(36 607 000)
Remaining of granted loan	**38 200 000**	**28 105 688**
Prepaid administrative fees	(1 745 920)	(2 245 248)
Net balance at the end of the year	**36 454 080**	**25 860 440**
Short-term loans	5 941 730	3 645 435
Long –term loans	30 512 350	22 215 005

- The administrative fees paid in advance represent in amounts paid on the loan granted by the Saudi Industrial Development Fund and are amortized over the periods of the loan repayment years. Amortization expenses charged to the statement of profit or loss during the year 2020 amounted to SR 499 328 (2019: SR 309 703).
- The Group charged additional expenses by the Saudi Industrial Development Fund during the term of the loan, which are project follow-up expenses, and are charged to the statement of profits or losses on an accrual basis. Expenses charged to the statement of profit or loss during the year 2020 amounted to SR 660 668(2019: SR 668 378)

(Expressed in Saudi Riyal unless otherwise stated)

14-2 Bank Loans:

	December 31, 2020	December 31, 2019
Short term loans	59 746 583	52 895 475
Long term loans	12 937 500	14 375 000
	72 684 083	**67 270 475**

Riyadh Bank

At April 9, 2017, the Group signed an Islamic finance agreement with Riyadh Bank, amounting to SR 49 million, for the purpose of partial finance of a project to produce one of the manufacturing products of the subsidiary that was established during 2017 for this purpose.

At March 28, 2018, the Islamic finance agreement was renewed and the finance limit increased to SR 72 million, in July 19, 2018, the group reduced the value of the financing by canceling the short-term Temporary loan SR 21 million, to be the finance limit to SR 51 million.

At March 10, 2019, the group raised the value of the finance by increasing the long-term facilities by SR 15 million and amending the credit limits for short-term facilities to bring the total of the short-term facilities to SR 25 million, and the finance limit is SR 66 million, noting that this finance is guaranteed by signing a bond for an order. From the group total financing amount, at April 9, 2020, the Group renewed the short-term facilities in the amount of SR 25 million, which will be ended at April 9, 2021.

The utilized amounts of this agreement reached the following until December 31, 2020:-

1- SR 465 000 in the form of letters of guarantee.

2- SR 33.7 million in the form of long-term Islamic murabaha loans (the short – term loans of it is SR 5.8 million and the long – term loans is SR 27.9 million)

3- SR 12.6 million in the form of short-term Islamic murabaha loans.

4- SR 8.7 million Saudi riyals in the form of letters of credit.

Bank Albilad

At September 16, 2018, The Group signed a credit facility in line with Islamic Sharia with Bank Albilad ,amounting SR 30 million, With a purpose of obtaining a short-term Islamic murabaha loan to finance the working capital of the Company and its subsidiary. The Group renewed the facility contract at April 27, 2020.

As of December 31, 2020, the utilized amount of these facilities amounted to SR 26.4 million as an Islamic short-term murabaha loan (the current part), and SR 7.6 million in the form of documentary credits, and this finance was obtained with the guarantee of a promissory note in favor of Bank Albilad.

(Expressed in Saudi Riyal unless otherwise stated)

14-3 Loans & facilities presentation in the statement of financial position:

	December 31, 2020	December 31, 2019
The non-current portion of long-term loans		
Saudi Industrial Development Fund Loan	30 512 350	22 215 005
Bank Loans	12 937 500	14 375 000
	43 449 850	**36 590 005**
The current portion of long-term loans		
Saudi Industrial Development Fund Loan	5 941 730	3 645 435
Bank Loans	5 750 000	5 750 000
	11 691 730	**9 395 435**
Short term loans		
Bank Loans	53 996 583	47 145 475
	109 138 163	**93 130 915**

15 ACCRUED AND OTHER LIABILITIES:

	December 31, 2020	December 31, 2019
Accrued expenses	8 391 081	7 045 856
Advanced payment from receivables	2 153 482	1 395 547
Accrued discounts to receivables	-	1 345 199
Accrued dividends	5 151 746	5 152 118
Value added tax	1 081 201	168 236
Other	293 440	417 317
	17 070 950	**15 524 273**

* The dividends not claimed by the shareholders for the years from 2003 to 2007 amounted to SR 5 151 746 as at December 31, 2020 (December 31, 2019: SR 5,152,118).

16 EMPLOYEES' END OF SERVICE BENEFITS

- The group operates a defined benefit plan (as defined in IAS 19) that provides a total remuneration when an employee leaves service in the Group, in line with the current labor law in the Kingdom of Saudi Arabia.
- The amount of entitlement is calculated according to the labor laws in the Kingdom and it is based on years of service and salary at the date of departure. Therefore the plan and its liabilities are more sensitive to changes in future salary increases, future withdrawal rates and the discount rate used in assessing liabilities.
- The Group is not required to finance the plan, and so the Group has chosen to fulfill the payment of the benefits when they are due.
- The plan's liabilities were evaluated using the projected unit credit method in accordance with the requirements of International Accounting Standard No. (19). Since the amount and timing of future benefits receivable is not currently known, assumptions have been made to place a value for liabilities related to past service, and separately for liabilities related to cost of accrual. In the future, these assumptions were derived using methodologies that are consistent with the requirements of IAS 19.

(Expressed in Saudi Riyal unless otherwise stated)

- Any changes in the assumptions over time reflect changes in financial, economic and demographic conditions. When future experiences do not match the applicable assumptions, that change is included in the statement of other comprehensive income in future financial years.

16-1 The movement in the net defined benefits obligation:

	December 31, 2020	December 31, 2019
Balance at 1 January	**9 737 238**	**9 389 380**
Add: charged to profit or loss statement		
Current service cost	1 885 733	1 971 499
Interest cost	307 632	433 921
	2 193 365	**2 405 420**
Add: charged to OCI statement:		
Actuarial (gain)/ loss	563 049	(954 936)
Cash flow:		
Paid benefits	(1 189 163)	(1 102 627)
Balance at 31 December	**11 304 488**	**9 737 237**

The current service cost has been charged as follows:

	2020	2019
Cost of revenues	1 277 404	1 276 672
Selling and distribution expenses	165 496	236 737
General and administrative expenses	442 833	458 090
	1 885 733	**1 971 499**

16-2 Actuarial Assumptions:

The assessment of the defined benefit plan of the employees' end of service benefits plan was prepared by an actuarial expert at the Group using the following key assumptions:

	December 31, 2020	December 31, 2019
Discount rate	%3.17-2.97%	%3.079
The expected rate of salary increase	%4.5	%4.5
Retirement rate for males (per year)	60	60
Retirement rate for females (per year)	55	55
Average employment turnover (employee turnover)	Moderate%12	Moderate%12
Mortality rate	AM92 Ultimate	AM92 Ultimate

(Expressed in Saudi Riyal unless otherwise stated)

16 -3 Sensitivity Analysis

The sensitivity of defined benefit obligations to changes in the weighted key assumptions is:

		2020		2019	
	Changes in assumptions	Changes in liability	Percentage of change	Changes in liability	Percentage of change
Discount	%1+	11,062,397	%2.14-	9,514,919	%2.28-
rate	%1-	13,225,890	%17.00+	11,357,414	%16.64+
Salaries	%1+	13,259,248	17.29+%	11,387,340	%16.95+
inflation	%1-	11,013,675	%2.57-	9,472,057	%2.72-
Turnover	%1+	11,853,190	%4.85+	10,183,608	%4.58+
rate	%1-	12,283,299	%8.66+	10,558,851	8.44+%
Death	120%	12,047,933	%6.58+	10,354,172	%6.34+
rate	%80	12,064,695	%6.72+	10,369,257	+%6.49

The sensitivity analysis above are based on no change in the assumption with all other assumptions. In practice, this is unlikely to happen, as changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method is applied (the present value of the defined benefits calculated using the projected unit credit method at the end of the reporting period) when calculating the defined benefits recognized in the statement of financial position.

17 EARNING PER SHARE :

	December 31, 2020	December 31, 2019 (Adjusted Note No. 32)
Net loss for the year attributable to the shareholders of the parent Company	(2 976 031)	(20 259 567)
Weighted average of shares	11 500 000	11 500 000
Basic share loss from net loss for the year	**(0,26)**	**(1,76)**

There is no liability convertible to equity instruments, so the diluted profit /loss per share is not different from the basic profit /loss per share.

18 PROVISION FOR ZAKAT:

18-1 Zakat Calculation:

	December 31, 2020
Net Profit Adjusting	
Net profit before zakat	347 756
Total adjustments for net profit	1 511 672
Adjusted net profit	**1 859 428**
Components of Zakat base	
Items subject to zakat base	296 050 229
Items deducted from zakat base	(167 396 740)
Zakat base	**128 653 489**
Zakat	**3 323 787**

(Expressed in Saudi Riyal unless otherwise stated)

18-2 Zakat provision movements:

	December 31, 2020	December 31, 2019
Opening balance	4 180 886	4 125 730
Formed during the year	3 323 787	4 180 886
Adjustments	-	(591 133)
Utilized during the year	(4 493 096)	(3 534 597)
	3 011 577	**4 180 886**

18-3 Zakat Status:

Filling and Packaging Material Manufacturing Company (Parent Company)

Years from 2013 to 2016

During the year 2019 , General Authority of Zakat and Tax issued the Zakat assessment for the years from 2013 to 2016, resulting zakat differences due from the Company, amounting to SR 116 491, and the Company paid it during 2019.

Years from 2017 to 2019

During the year 2020, General Authority of Zakat and Tax issued a zakat assessment, resulting zakat differences due from the Company amounting to SR 274 485, and the company paid it.

Year 2019

The company submitted the zakat declaration based on its view and obtained a certificate from the General Authority of Zakat and Tax (GAZT) valid until 30 April 2021, the Company has not received any zakat assessments from the General Authority of Zakat and Tax for yet.

FPC (Subsidiary)

Years before 2019

The Company submitted the zakat declaration for this years and obtained a certificate, the Company has not received any zakat assessments related these years yet.

Year 2019

The Company submitted the zakat declaration based on its view and obtained a certificate from the General Authority of Zakat and Tax (GAZT) valid until 30 April 2021, the Company has not received any zakat assessments from the General Authority of Zakat and Tax for yet.

Group consolidated Zakat declaration

During the year 2020, the group obtained the approval of General Authority of Zakat and Tax to file a consolidated zakat declaration for the parent Company and its subsidiary Company.

19 REVENUES

	2020	2019
Revenues of sale of filling and packing products	146 151 231	151 218 918
Revenues of sale of textile products	35 361 591	12 920 926
	181 512 822	**164 139 844**

(Expressed in Saudi Riyal unless otherwise stated)

20 COST OF REVENUES

	2020	2019
Used material	101 610 410	99 388 192
Salaries	26 805 030	26 495 370
Depreciation and amortization	6 807 920	5 826 573
Other operation expenses	17 502 960	20 160 721
Changes in finished goods and working in progress inventories	(521 117)	(8 367 925)
	152 205 203	**143 502 931**

21 SELLING AND DISTRIBUTION EXPENSES

	2020	2019
Salaries and wages	3 444 618	3 919 806
Transportation	3 512 140	3 139 970
Advertising	390 752	987 784
Depreciation of property, plant and equipment	156 575	101 576
Other	1 267 524	1 100 801
	8 771 609	**9 249 937**

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Employee costs	11 071 351	12 838 083
Professional fees	891 370	1 548 427
Board of Directors remuneration	676 044	510 547
Depreciation	1 657 675	386 017
Transportation	296 915	44 999
Rent	130 817	145 315
Security	211 200	201 600
Research and development expenditure	221 505	171 022
Insurance	212 839	132 322
Unused capacity *	2 590 317	15 915 133
Other	1 736 750	1 782 364
	19 696 783	**33 675 829**

* Unutilized capacity has been calculated according to International Accounting Standard No. 2 "Inventory" and classifies as other expenses where it does not consider a part of the cost of revenue for the reason of factory non-running.

(Expressed in Saudi Riyal unless otherwise stated)

23 OTHER INCOME/ (EXPENSES), (net)

	2020	2019
Refund amounts from the combined bill to pay the residence	-	1 271 364
Amount received from The High Institute for Plastic	315 333	-
Revenue from Small and Medium Enterprises Authority	485 039	-
Fine delay repayment of amounts due to customers	630 189	-
Employees adjustments	278 450	-
Scrap sales	147 969	30 509
Foreign currency exchanges	(48 643)	(58 278)
Reverse of impairment of property, plant, and equipment.	-	3 340 685
Other	325 787	497 023
	2 134 123	**5 081 303**

24 FINANCING COSTS

	2020	2019
Follow-up expenses for the loan of SIDF	515 717	338 452
Amortization of deferred finance expenses	589 328	329 926
Loan interests of facilities from banks	2 059 736	3 294 206
Lease interest expenses	392 700	351 047
Interest cost related to defined benefits obligations	307 632	433 921
	3 865 113	**4 747 552**

25 THE ACQUISITION OF SUBSIDIARY

The parent Company has owned the whole quotas in the FPC Company (the subsidiary), where the Company during March 2020 signing an agreement which states the Partner's waiver of all his quotas of the 20% in FPC Company with all its rights and obligations in favor of the parent Company, Against obtaining a percentage 20% from net profit according to auditing financial statements at the end of each year over ten years (duration of the agreement) till the end of a financial year ended on 31 December 2029, Accordingly, The Company has prepared a final study for the contingent liability as of December 31, 2020, And that a contingent liability was calculated by the best estimate in the light of available data, amounted the contingent liability on that date SR 20 325 000, it has been classified within non-current liabilities in the financial position and will re-estimate this a contingent liability annually over the duration of the agreement. This acquisition has resulted in an amount of SR 25 358 702 that represents the difference of a purchase the rights of Non-controlling interest which have been classified within the equity, as the following the summarized of this treatment:

	December 31, 2019 Adjusted	Acquisition Impact Adjustments	December 31, 2020
Contingent Liability against Non-Controlling Interests Acquisition	-	20 325 000	20 325 000
Equity for non-controlling interests	(5 033 702)	5 033 702	-
Effect of Non-Controlling Interests Acquisition	-	25 358 702	25 358 702

(Expressed in Saudi Riyal unless otherwise stated)

26 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

- As of December 31, 2020, the amount of the contingent liabilities related to the banks' letters of guarantee and letters of credit which issues by domestic banks on behalf of the group amounted to SR 9 848 798 (December 31, 2019: SR 15 977 372).
- As of December 31, 2020 the capital commitments for the group amounted to SR 955 743 (December 31, 2019: SR 15 972 573).

27 SEGMENTS REPORTS

The segments reports are related to the activities and business of the group which adopted by the management as a basis for preparing the financial data their own and they are in line with the reporting methods of the inside.

The Group practices its business through two operating segments present in the production and sale of packing materials for the parent Company and Technical textiles for the subsidiary.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's management.

	December 31,2020			
	The sector of products of packing and packaging	The sector of technical textiles	Adjustments transactions intercompany	Total
Revenues	146 151 231	35 361 591	-	181 512 822
Cost of revenues	(121 238 117)	(31 217 926)	250 840	(152 205 203)
Profit/ (loss) of the year	8 681 760	(11 908 631)	250 840	(2 976 031)

	December 31,2019			
	The sector of products of packing and packaging	The sector of technical textiles	Adjustments transactions intercompany	Total
Revenues	151 218 918	12 920 926	-	164 139 844
Cost of revenues	(130 850 395)	(12 903 376)	250 840	(143 502 931)
Profit/ (loss) of the year	2 556 150	(28 833 196)	250 840	(26 026 206)

The details of using the assets of the group before the segments and liabilities for the relevant represents as follows:

	December 31,2020			
	The sector of products of packing and packaging	The sector of technical textiles	Adjustments transactions intercompany	Total
Non-current assets	140 371 889	85 942 762	(66 760 835)	160 553 827
Total assets	300 004 598	121 850 170	(112 193 992)	309 660 676
Total liabilities	126 396 094	125 719 641	(71 158 764)	180 956 971

(Expressed in Saudi Riyal unless otherwise stated)

	December 31,2019			
	The sector of products of packing and packaging	The sector of technical textiles	Adjustments transactions intercompany	Total
Non-current assets	64 112 871	83 821 613	6 382 122	154 316 606
Total assets	260 666 618	110 060 206	(78 535 014)	292 191 810
Total liabilities	105 881 605	124 795 327	(91 052 907)	139 624 025

Geographical segment

A geographical segment is a Group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments. The Group's operation is conducted mainly in the Kingdom of Saudi Arabia. The selected financial information covering the revenue as at December 31, 2020 and 2019, categorized by these geographic segments is as follows:

	2020	%	2019	%
Kingdom of Saudi Arabia	128 685 291	%71	106 292 853	%65
Other countries	52 827 531	%29	57 846 991	%35
	181 512 822		**164 139 844**	

28 THE TRANSACTIONS WITH RELATED PARTIES

The related parties represented in the shareholders and the members of the board of directors and senior management personnel in the Company and the institutions which own or manage by these actors or individuals as well the institutions which practice on these actors/individuals collectively or individually common control and significant influence.

Benefits, rewards, and compensation for key management personnel represent in as follows:

	December 31,2020			
	Members of boards of directors	Key management personnel and senior executives	Members of the committees emanating from the Board of Directors	Total
Salaries and wages	-	3 050 319	-	**3 050 319**
Allowances	87 000	1 093 632	141 000	**1 321 632**
Bonus	874 500	150 000	550 000	**1 574 500**
End of service	-	110 955	-	**110 955**

	December 31,2019			
	Members of boards of directors	Key management personnel and senior executives	Members of the committees emanating from the Board of Directors	Total
Salaries and wages	-	2 890 030	-	**2 890 030**
Allowances	102 000	1 046 573	117 000	**1 265 573**
Bonus	1 414 500	296 111	250 000	**1 960 611**
End of service	-	28 000	-	**28 000**

(Expressed in Saudi Riyal unless otherwise stated)

29 FINANCIAL INSTRUMENTS:

29-.1 Fair value measurement of financial instruments

Fair value is the amount for which an asset could be disposed of or a liability settled between knowledgeable willing parties in an arm's length transaction at the measurement date. Under the definition of fair value, there is an assumption that a Group is a going concern as there is no intention or condition to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is considered to be active in an active market if quoted prices are readily and regularly available from a foreign exchange dealer, broker, industry group, pricing service or regulator and that these prices represent market transactions that have occurred in an actual and regular manner on a commercial basis.

In measuring fair value, the Group uses observable market information whenever possible. Fair values are classified into different levels in the fair value hierarchy based on the inputs used in valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for similar assets or liabilities that may be obtained at the measurement date.

Level 2: inputs other than quoted prices that are included in Level 1 which are directly observable for assets or liabilities (eg prices) or indirectly (derived from prices).

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

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, the fair value measurement is fully classified at the same level of the fair value hierarchy as the lowest level of inputs is considered material to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. During the periods ended December 31, 2020 and December 31, 2019, there were no transfers between Level 1 and Level 2 fair value levels.

Where the Group's financial instruments are grouped on a historical cost basis, except for investments and derivative financial instruments carried at fair value, differences may arise between the carrying amounts and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

	December 31, 2020 Book value		
	Financial assets measured at fair value	Financial assets at amortized cost	Total
Financial assets			
Trade receivables (Net)	-	40 252 232	**40 252 232**
Investments at fair value through profit or loss	37 989 409	-	**37 989 409**
Prepayments and other receivables	-	771 314	**771 314**
Cash and cash equivalents	-	8 636 253	**8 636 253**
	37 989 409	**49 659 799**	**87 649 208**

(Expressed in Saudi Riyal unless otherwise stated)

	December 31, 2020		
	Liabilities measured at fair value	Liabilities assets at amortized cost	Total
Financial liabilities			
Loans	-	109 138 163	**109 138 163**
Trade Payables	-	12 010 401	**12 010 401**
Lease Liabilities	-	8 096 392	**8 096 392**
Contingent Liability against Non-Controlling Interests Acquisition	20 325 000	-	**20 325 000**
Accrued and Other Liabilities	-	13 836 267	**13 836 267**
	20 325 000	**143 081 223**	**163 406 223**

	December 31, 2019 Book value		
	Financial assets measured at fair value	Financial assets at amortized cost	Total
Financial assets			
Trade receivables (Net)	-	48 402 341	**48 402 341**
Investments at fair value through profit or loss	19 606 108	-	**19 606 108**
Prepayments and other receivables	-	1 323 789	**1 323 789**
Cash and cash equivalents	-	6 217 060	**6 217 060**
	19 606 108	**55 943 190**	**75 549 298**

	December 31, 2019		
	Liabilities measured at fair value	Liabilities assets at amortized cost	Total
Financial liabilities			
Loans	-	93 130 915	**93 130 915**
Trade Payables	-	8 596 984	**8 596 984**
Lease Liabilities	-	8 453 730	**8 453 730**
Accrued and Other Liabilities	-	12 615 291	**12 615 291**
	-	**122 796 920**	**122 796 920**

29-2 Financial instruments risk management:

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk and capital management risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial risk management framework

The risk management policy is implemented by the senior management in accordance with the policies approved by the Board of Directors. The senior management identifies, assesses and hedges financial risks in close cooperation with the Group's operating units. The most important types of risk are credit risk, currency risk, fair value and interest rates for cash flows.

The Board of Directors has overall responsibility for establishing and overseeing the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The work team conducts meetings regularly, and any changes or matters related to compliance with policies are reported to the Board of Directors through the Audit Committee.

The risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the group's activities. The Group aims, through training, management standards and procedures, to develop a responsible and constructive control environment in which all employees are aware of their roles and obligations.

The Audit Committee oversees management's compliance with the Group's risk management policies and procedures, and reviews the appropriateness of the risk management framework in relation to the risks faced by the Group.

The financial instruments included in the balance sheet include cash and cash equivalents, trade and other receivables, loans, trade and other payables. The methods of evidence used are disclosed in the policy statement for each clause.

Market risk

Market risk is the risk that the fair value or cash flows of financial instruments may fluctuate due to changes in market prices. Market risk consists of three types of risks: interest rate risk, currency risk, and other price risk.

Interest rate risk

The following are the loans obtained by the Group, which carry variable interest according to the interest rates prevailing in the market.

Financial instruments at interest rates variable	December 31,2020	December 31,2019
Short & long term loans	72 684 083	67 270 475

Foreign currency risk:

Currency risk is the fluctuation in the value of a financial instrument due to fluctuations in foreign exchange rates. The Group is not substantially exposed to fluctuations in foreign exchange rates during its normal business cycle, given that the Group's significant transactions during the year were carried out in Saudi riyals and the US dollar, and as the exchange rate of the Saudi riyal is fixed against the US dollar, so there are no significant risks associated with transactions and balances.

Credit risk:

Credit risk is the risk that one party to a financial instrument will not be able to meet its obligations, and this will cause the other party to incur a financial loss. Credit risk is the risk that the Group will incur a financial loss if the customer or counterparty fails to fulfill its contractual obligations. It arises mainly from trade receivables, cash and cash equivalents. The carrying amount of financial assets represents the maximum exposure to credit risk.

(Expressed in Saudi Riyal unless otherwise stated)

	December 31,2020	December 31,2019
Trade accounts receivables	40 252 232	48 402 341
Cash and cash equivalent	8 636 253	6 217 060
	48 888 485	**54 619 401**

Trade receivables:

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each individual customer. However, management also considers factors that may have an impact on the credit risk of the group's customer base, including the risk of default in the customer's sector. The Group establishes an allowance for expected credit losses, which on December 31, 2020 AD amounted to SAR 2,915,420 (December 31, 2019 amounted to SR 4,192,386).

Cash and cash equivalents:

The Group maintains cash in the fund and with banks in an amount of 8.6 million Saudi riyals (December 31, 2019: 6.2 million Saudi riyals). Liquidity risk is the risk that the group will encounter difficulty in fulfilling its obligations associated with its financial liabilities that are settled by paying in cash or Through other financial assets, the group's approach to managing liquidity aims to ensure that it always has sufficient liquidity, as far as possible, to meet its liabilities when due, under normal and critical circumstances, without incurring losses or jeopardizing the group's reputation.

Liquidity risk:

Liquidity risk is the difficulty that an entity will encounter in raising funds to meet obligations related to financial instruments. Liquidity risk can result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring liquidity on an ongoing basis and ensuring that sufficient financial resources are in place. Concentration in liquidity risk may arise from conditions of repayment of financial obligations, sources of financing and loans, or reliance on a specific market to obtain liquid assets. The following are the maturities of the financial liabilities at the end of the year, which are presented as following:

		December 31, 2020		
	Book value	**On demand or less than one year**	**From 1 year to 5 years**	**More than 5 years**
Financial liabilities				
Loans	109 138 163	65 688 313	43 449 850	-
Accounts Payable – Trade	12 010 401	12 010 401	-	-
Lease liability	8 096 392	375 205	7 721 187	-
Contingent Liability against Non-Controlling Interests Acquisition	20 325 000	-	6 317 000	14 008 000
Accrued and Other Creditors	17 070 950	17 070 950	-	-
	166 640 906	**95 144 869**	**57 488 037**	**14 008 000**

(Expressed in Saudi Riyal unless otherwise stated)

		December 31, 2019		
	Book value	On demand or less than one year	From 1 year to 5 years	More than 5 years
Financial liabilities				
Loans	93 130 915	41 540 910	51 590 005	-
Accounts Payable – Trade	8 596 984	8 596 984	-	-
Lease liability	8 453 730	357 338	8 096 392	-
Accrued and Other Creditors	15 524 273	15 524 273	-	-
	125 705 902	**66 019 505**	**59 686 397**	-

Capital management:

The Group's goal when managing capital is to maintain the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders. And maintaining a strong capital base to support the sustainable development of its business.

The following is an analysis of the Group's net debt-to-equity ratios:

	December 31, 2020	December 31, 2019
Total liabilities	180 956 971	139 624 025
Less: Cash and cash equivalent	(8 636 253)	(6 217 060)
Net liabilities	**172 320 718**	**133 406 965**
Total Equity	**128 703 705**	**152 567 785**
Ratio of debt to adjusted capital	**1.34**	**0.87**

30 The impact of Corona virus (Covid-19):

In response to the spread of the Coronavirus (Covid-19) at the beginning of 2020 and its spread in several geographical regions around the world and the resulting disruptions to economic activities and businesses, the group formed a working group to assess the expected effects on the group's business inside the Kingdom. The Group has also taken a series of preventive measures to ensure the health and safety of its employees, customers and society to ensure the continuity of its operations.

The effects of the pandemic on the group's activities included the production process being affected relatively for some time as a result of taking precautionary measures directed by government authorities, which were mainly represented in isolating influential workers suspected of being infected and applying the legal procedures related to travel and movement restrictions as well as the delay in the arrival of some raw materials necessary for the production process. And the effect extended on selling prices in some products and also there was an impact on demand in other products, in addition to some difficulties that the group faced in its export operations and high freight rates. Given the levels of production results for all products, they remained at their normal levels, and therefore do not expect the occurrence of substantial effects. Due to the emerging corona virus (Covid-19) on the balance sheet and results for the fiscal year ending on December 31, 2020.

(Expressed in Saudi Riyal unless otherwise stated)

Since the extent and duration of these effects are still uncertain and depend on future developments that cannot be predicted accurately at the present time, management and those responsible for governance will continue to monitor the situation in the Kingdom and all geographical areas with which the group deals with the purpose of reviewing and assessing potential risks related to the supply chain. Raw materials, human resources, current stock levels, ensuring the continuity and operation of the production facilities of the group companies without interruption and providing stakeholders with developments as required by laws and regulations.

31 Subsequent events:

Management believes that there have not been any significant subsequent events since the end of the year that would require disclosure or amendment to these consolidated financial statements.

32 Comparative figures:

- The comparative figures for some items of the consolidated balance sheet have been reclassified in order to be in line with the current presentation of the financial statements.
- Some comparative figures have been amended for some items of the balance sheet. The following is the effect of reclassification / amendment on the consolidated financial statements:

32-1 Consolidated Statement of Financial Position

	Note	Balances 2019 as previously presented	Reclassification Debit/ (Credit)	Balances 2019 after reclassification
Property, plant, and equipment	(A)	140 246 918	6 131 297	146 378 215
Inventory	(B)	47 479 824	118 869	47 598 693
Prepaid and other debit balances	(A,D)	22 780 135	(6 729 133)	16 051 002
End of services benefits	(D)	(10 216 208)	478 971	(9 737 237)
Retained earnings	(D)	24 106 005	2 086 678	26 192 683
Non-controlling interest	(D)	(2 947 024)	(2 086 678)	(5 033 702)

32-2 Statement of Profits or Losses

	Note	Balances 2019 as previously presented	Reclassification Debit/ (Credit)	Balances 2019 after reclassification
Cost of revenues	(E)	141 674 459	1 828 472	143 502 931
General and administrative expenses	(E)	35 938 221	(2 262 392)	33 675 829
Financing cost	(E)	4 313 632	433 920	4 747 552

(Expressed in Saudi Riyal unless otherwise stated)

32-3 Loss per share

	Note	Balances 2019 as previously presented	Adjustment	Adjusted 2019
Basic share loss from net loss for the year	(D)	(1.94)	(0.18)	(1.76)

- There is no material impact on the cash flow statement of the above amendments.
  A) Advance payments to suppliers and documentary credits related to the purchase of property, machinery and equipment have been reclassified under the property, plant and equipment item.
  B) Letters of credits have been reclassified to the inventory item.
  C) Payments to employees have been reclassified under the end of service gratuity account as a reduction from employee benefit obligations.
  D) The balance of the non-controlling interests has been adjusted as a result of an amendment in the statement of profits and losses of the subsidiary and accordingly, the balance of retained earnings and the share of loss per share had to be adjusted.
  E) Some expenses have been reclassified under cost of revenues and financing expenses instead of general and administrative expenses.

33 CONSOLIDATED FINANCIAL STATEMENTS APPROVAL

The Consolidated Financial Statements have been approved by Board of Directors on 13 Rajab 1442 H corresponding to 25 February 2021 G.