

**ZAHRA AL WAHA FOR TRADING COMPANY**  
(A Saudi Joint Stock Company)  
**FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**  
together with the  
Independent Auditor's Report

**KPMG Al Fozan & Partners****Certified Public Accountants**

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Licence No. 46/11/323 issued 11/3/1992

## Independent Auditor's Report

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

### Opinion

We have audited the financial statements of **Zahra Al Waha For Trading Company** ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard (IFRS) that is 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 that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

# Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

## Key Audit Matter (1)

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

Revenue recognition	How the matter was addressed in our audit
<p>During the year ended 31 December 2020, revenue from sales of SR 424.9 million was recognized.</p> <p>Revenue from sales is recognized when the customer obtains control of the goods and this is done when the goods are accepted and delivered to the customer's site and the sales invoice is issued in accordance with the requirements of IFRS 15 'Revenue from Contracts with Customers'.</p> <p>The recognition of revenue from sales was considered as one of the key audit matters since revenue from sales is one of the key performance measurement indicators that includes inherent risk of overstating revenue from sales.</p>	<p>Our audit procedures relating to recognition of revenue from sales included, among others, the following:</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of the Company's accounting policies relating to revenue recognition from sales, including those relating to discounts and incentives, and assessed the compliance with the applicable accounting standards;</li> <li>Assessed the design, implementation, and effectiveness of the operation of the Company's internal controls on the revenue recognition from sales;</li> <li>Conducted analytical review procedures by analyzing revenue trends from sales for the current year according to available information and comparing them with the previous year and determining whether there are any significant trends or fluctuations that need additional assessment;</li> <li>Tested a sample of revenue from sales transactions during the year and assessed the appropriateness of management's estimates of performance obligations, if any;</li> <li>Performed cut-off procedures on the timing of revenue recognition from sales after the products were delivered to the customers and recognized during the correct accounting period;</li> <li>Inquired from the management at various levels to assess their knowledge of the risk of fraud and to determine if actual cases of fraud were observed when recognizing revenue from sales.</li> <li>Evaluating the adequacy of the financial statements disclosures.</li> </ul>



# Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

## Key Audit Matter (2)

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

Impairment of trade receivables	How the matter was addressed in our audit
<p>As at 31 December 2020, the trade receivables amounted to SR 167.1 million.</p> <p>The management of the Company has applied a simplified expected credit loss model to determine the impairment of the trade receivables in accordance with the requirements of IFRS 9 'Financial Instruments'.</p> <p>The expected credit loss model includes the use of historical trends and data for trade receivables, as well as the use of significant future assumptions relating to the Company and the economy in general and in light of the existence of the Covid-19 pandemic.</p> <p>Given that the expected credit loss model is based on substantial estimates and assumptions, we considered that applying the IFRS 9 and calculating the impairment of trade receivables as a key audit matter.</p>	<p>Our audit procedures relating to the impairment of trade receivables included, among others, the following:</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of accounting policies for impairment of trade receivables balances; and assessed the compliance with the applicable accounting standards;</li> <li>Obtained an understanding of the procedure for determining the impairment of trade receivables, assessing the design, implementation and testing the operating effectiveness of management's internal controls in relation to credit sales, debt collection and estimation of impairment;</li> <li>Assessed the validity and classification of trade receivables in the ageing report by matching a sample of trade receivables ageing items with supporting documents and invoices;</li> <li>Assessed the underlying assumptions and estimates used by management, including those related to future economic events used to calculate the probability of default and the expected loss on default and tested the mathematical accuracy of the expected credit loss model;</li> <li>Engaged our specialists to review the approach used in the expected credit loss model, to assess its suitability for the Company's activity.</li> <li>Obtained reconciliations for a selected sample of trade receivables as at 31 December 2020 and took alternative procedures in the absence of a response from customers, which included examining documents supporting the balance as well as collections for the subsequent period after the date of the financial statements.</li> <li>Evaluating the adequacy of the financial statements disclosures.</li> </ul>





## Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha For Trading Company

A Saudi Joint Stock Company

### Other Information

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

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

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

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

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



## Independent auditor's report (continued)

To the Shareholders of Zahra Al Waha for Trading Company

A Saudi Joint Stock Company

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

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

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

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

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

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**



**Dr. Abdullah Hamad Al Fozan**  
License No: 348

Date: 17 Rajab 1442H  
Corresponding to: 1 March 2021

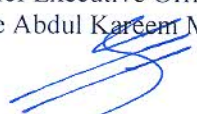


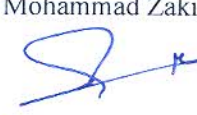
**ZAHRA AL WAHA FOR TRADING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**Statement of Financial Position**  
As at 31 December 2020  
(Saudi Riyals)

	<i>Notes</i>	<u>31 December 2020</u>	<u>31 December 2019</u>
<b><u>ASSETS</u></b>			
Property, plant and equipment	7	240,346,123	238,013,717
Investment properties	8	2,649,000	2,649,000
Intangible assets	9	1,678,633	929,915
<b>Non-current assets</b>		<u>244,673,756</u>	<u>241,592,632</u>
Inventories	10	77,497,264	43,397,705
Investments at FVTPL	11	22,336,709	--
Trade receivables	12	167,055,028	159,253,880
Prepayments and other receivables	13	22,729,696	20,173,480
Cash and cash equivalents		9,805,193	25,376,554
<b>Current assets</b>		<u>299,423,890</u>	<u>248,201,619</u>
<b>Total assets</b>		<u>544,097,646</u>	<u>489,794,251</u>
<b><u>EQUITY</u></b>			
Share capital	14	150,000,000	150,000,000
Statutory reserve	6-13	17,872,598	13,815,352
Retained earnings		84,604,414	59,339,206
Other reserves	15	(138,114)	28,810
<b>Total equity</b>		<u>252,338,898</u>	<u>223,183,368</u>
<b><u>Liabilities</u></b>			
Long-term loans	17-b	48,177,220	82,382,743
Employees' benefits	18-1	1,920,943	1,332,695
<b>Non-current liabilities</b>		<u>50,098,163</u>	<u>83,715,438</u>
Short-term loans	17-a	162,069,666	113,175,031
Long-term loans – current portion	17-b	39,718,046	46,404,878
Trade payables		29,621,600	13,634,608
Accrued expenses and other payables	16	5,817,685	4,887,564
Zakat provision	19	4,271,600	4,660,664
Dividend payables	23	161,988	132,700
<b>Current liabilities</b>		<u>241,660,585</u>	<u>182,895,445</u>
<b>Total liabilities</b>		<u>291,758,748</u>	<u>266,610,883</u>
<b>Total Equity and Liabilities</b>		<u>544,097,646</u>	<u>489,794,251</u>

These financial statements have been approved by the Board of Directors on 12 Rajab 1442H (corresponding to 24 February 2021) and signed on their behalf by:

  
Chairman  
Ahmed Hamoud Al-Thiab

  
Chief Executive Officer  
George Abdul Kareem Moussa

  
Chief Financial Officer  
Mahmoud Mohammad Zaki

The accompanying notes from 1 to 29 form an integral part of these financial statements



**ZAHRA AL WAHA FOR TRADING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the year ended 31 December 2020  
(Saudi Riyals)

	<i>Notes</i>	<b>For the year ended 31 December</b>	
		<b>2020</b>	<b>2019</b>
Sales		424,850,419	519,757,535
Cost of sales	20	(350,665,072)	(431,297,189)
<b>Gross profit</b>		<b>74,185,347</b>	<b>88,460,346</b>
Other expenses / income		(523,471)	852,507
Selling and distribution expenses	21	(9,285,654)	(8,774,604)
General and administrative expenses	22	(7,191,665)	(7,139,962)
<b>Operating profit</b>		<b>57,184,557</b>	<b>73,398,287</b>
Unrealized losses from investments at FVTPL	11	(724,372)	--
Realized gain on sale of investments	11	354,618	--
Finance costs	17-c	(9,886,763)	(13,274,151)
<b>Profit before Zakat</b>		<b>46,928,040</b>	<b>60,124,136</b>
Zakat	19-5	(6,355,586)	(3,488,308)
<b>Profit for the year</b>		<b>40,572,454</b>	<b>56,635,828</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	18-1	(166,924)	(101,238)
<b>Total other comprehensive loss</b>		<b>(166,924)</b>	<b>(101,238)</b>
<b>Total comprehensive income</b>		<b>40,405,530</b>	<b>56,534,590</b>
<b>Basic and diluted earnings per share (SR)</b>	25	<b>2.70</b>	<b>3.78</b>

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**ZAHRA AL WAHA FOR TRADING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**

**Statement of Changes in Equity**

For the year ended 31 December 2020  
(Saudi Riyals)

<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Other reserves</u>	<u>Total</u>
<b>Balance as at 1 January 2019</b>					
The impact of the new IFRS standards	150,000,000	8,151,769	34,616,961	130,048	192,898,778
Restated balance as at 1 January 2019	--	--	--	--	--
	<b>150,000,000</b>	<b>8,151,769</b>	<b>34,616,961</b>	<b>130,048</b>	<b>192,898,778</b>
Profit for the year	--	--	56,635,828	--	56,635,828
Other comprehensive loss	--	--	--	(101,238)	(101,238)
<b>Total comprehensive income</b>	--	--	56,635,828	(101,238)	56,534,590
Dividends distributed	--	--	(26,250,000)	--	(26,250,000)
Transferred to statutory reserve	--	5,663,583	(5,663,583)	--	0
<b>Total transactions with shareholders of the Company</b>	--	5,663,583	(31,913,583)	--	(26,250,000)
<b>Balance as at 31 December 2019</b>	<b>150,000,000</b>	<b>13,815,352</b>	<b>59,339,206</b>	<b>28,810</b>	<b>223,183,368</b>
Profit for the year	--	--	40,572,454	--	40,572,454
Other comprehensive loss	--	--	--	(166,924)	(166,924)
<b>Total comprehensive income</b>	--	--	40,572,454	(166,924)	40,405,530
Dividends distributed	--	--	(11,250,000)	--	(11,250,000)
Transferred to statutory reserve	--	4,057,246	(4,057,246)	--	--
<b>Total transactions with shareholders of the Company</b>	--	4,057,246	(15,307,246)	--	(11,250,000)
<b>Balance as at 31 December 2020</b>	<b>150,000,000</b>	<b>17,872,598</b>	<b>84,604,414</b>	<b>(138,114)</b>	<b>252,338,898</b>

These financial statements have been approved by the Board of Directors on 12 Rajab 1442H (corresponding to 24 February 2021) and signed on their behalf by:

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**ZAHRA AL WAHA FOR TRADING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2020  
(Saudi Riyals)

		For the year ended 31 December	
	<i>Note</i>	2020	2019
<b>Cash flows from operating activities</b>			
Income before Zakat		46,928,040	60,124,136
Adjustments for:			
Depreciation and amortization	(7, 9)	29,358,898	26,993,123
Employees' benefits	18-1	421,324	368,047
Gain from non-cash transactions		--	(327,823)
Gain on disposal of property, plant and equipment		--	(78,143)
Unrealized losses from investments at FVTPL	11	724,372	--
Realized gains on sale of investments	11	(354,618)	--
Finance costs	17-c	9,886,763	13,274,151
		<b>86,964,779</b>	<b>100,353,491</b>
Inventories		(34,099,559)	(10,633,248)
Trade receivables		(7,801,148)	16,404,704
Prepayments and other receivables		(2,556,216)	(13,998,534)
Trade payables		15,986,992	(4,033,484)
Accrued expenses and other payables		930,121	1,677,835
Zakat paid	19-3	(6,744,650)	(3,507,120)
Finance costs paid	17-c	(5,352,516)	(6,811,730)
<b>Net cash generated from operating activities</b>		<b>47,327,803</b>	<b>79,451,914</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment		--	78,143
Additions to property, plant and equipment	7	(32,440,022)	(21,663,002)
Additions to intangible assets	9	--	(40,000)
Purchase of investments at fair value through profit or loss	11	(34,385,978)	--
Proceeds from sale of investments	11	11,679,515	--
<b>Net cash used in investing activities</b>		<b>(55,146,485)</b>	<b>(21,624,859)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans	17-c	355,742,372	405,588,667
Repayment of loans	17-c	(352,274,339)	(428,500,022)
Dividends	23	(11,220,712)	(26,159,568)
<b>Net cash used in financing activities</b>		<b>(7,752,679)</b>	<b>(49,070,923)</b>
<b>Net change in cash and cash equivalents</b>		<b>(15,571,361)</b>	<b>8,756,132</b>
Cash and cash equivalents at beginning of the year		25,376,554	16,620,422
<b>Cash and cash equivalents at the end of the year</b>		<b>9,805,193</b>	<b>25,376,554</b>

The following significant non-cash transactions are excluded:

Eliminate customer indebtedness in exchange for acquisition of assets		--	2,321,177
Actuarial valuation losses	18-1	166,924	101,238
Transfer from property, plant and equipment to investment properties		--	2,649,000
Transfer from projects in progress to intangible assets	7, 9	906,014	966,708

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Chief Financial Officer  
Mahmoud Mohammad Zaki

The accompanying notes from 1 to 29 form an integral part of these financial statements



**ZAHRA AL WAHA FOR TRADING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

**1- ORGANIZATION AND PRINCIPAL ACTIVITIES**

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

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

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

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

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

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

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

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

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

**2- BASIS OF ACCOUNTING**

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

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

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



**ZAHRA AL WAHA FOR TRADING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

**2- BASIS OF ACCOUNTING (CONTINUED)**

Based on these factors, the Company's management believes that the Covid-19 pandemic did not have a material impact on the financial results that were reported for the year ended 31 December 2020.

The Company continues to closely monitor the development of the pandemic even though the management, at this time, is not aware of any expected factors that may change the impact of the pandemic on the Company's operations during or after 2021.

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

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

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

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

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

These financial statements have been approved by the Board of Directors for issuance on 12 Rajab 1442H (corresponding to 24 February 2021).

**3- BASIS OF MASUREMENT**

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

- Accruals for employees' end-of-service benefits provision, which is calculated at the present value of future obligations.
- Valuation of investments at fair value through profit or loss (FVTPL)

**4- FUNCTIONAL AND PRESENTATION CURRENCY**

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

**5- USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS**

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

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

**ZAHRA AL WAHA FOR TRADING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2020

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

The estimates and assumptions are reviewed on an ongoing basis.

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

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

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

**5-1 Impairment of trade receivables**

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

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

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

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

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

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

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

**5-3 Measurement of defined benefit obligations**

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

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

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

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

All assumptions are reviewed on the date of the preparation of financial statements (Note 18).

**5-4 Impairment of inventories**

Inventories are measured at net realizable value, which is the estimated selling price in the normal course of business, less estimated cost of completion and estimated selling expenses.

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



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**6- SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used when preparing these financial statements are in line with what is stated in the notes to the financial statements of the Company for the year ended 31 December 2019.

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

**6-1 Property, plant and equipment**

***6-1-1 Recognition and measurement***

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

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

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

***6-1-2 Subsequent expenditures***

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

***6-1-3 Depreciation***

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

Land is not depreciated.

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

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

The depreciation methods, useful lives and residual values are reviewed in each reporting period and adjusted if necessary.

Capital work in progress is not depreciated. Capital work in progress is stated at cost less impairment loss, if any.

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**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-2 Intangible assets**

**6-2-1 *Recognition and measurement***

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

**6-2-2 *Amortization***

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

The estimated useful lives are 10 years.

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

**6-3 Borrowing costs**

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

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

**6-4 Financial assets**

**6-4-1 *Initial recognition and measurement***

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

**6-4-2 *Classification and subsequent measurement***

*Financial assets – classification*

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

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

A financial asset shall be measured at amortized cost if both of the following conditions are met and is not designated as at FVTPL:

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

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

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



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**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-4 Financial assets (continued)**

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

*Financial assets – classification (continued)*

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

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

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

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

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

**6-4-2 Impairment of financial assets**

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

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

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

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

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

Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12-month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.



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**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-4 Financial assets (continued)**

**6-4-2 *Impairment of financial assets (continued)***

The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

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

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

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

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

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

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

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

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

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

**6-5 *Financial liabilities***

**6-5-1 *Recognition and measurement***

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

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

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



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**6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-6 Impairment of non-financial assets**

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

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

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

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

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

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

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

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

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

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

**6-7 Inventories**

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

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

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

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

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

These discounts are recognized on the basis of accruals based on achieving the agreed quantities in the contracts per year.



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**6. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-8 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognized for future operating losses.

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

The unwinding of the discount is recognized as finance cost.

**6-9 Employees' benefits**

**6-9-1 *Short-term benefits obligations***

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

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

**6-9-2 *Service benefit obligations***

The Company provides end-of-service benefits to its employees in accordance with the requirements of articles 87 and 88 of the Labor Law in Kingdom of Saudi Arabia.

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

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

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

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

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

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

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

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**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-10 Cash and cash equivalents**

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

**6-11 Zakat**

Zakat is calculated in accordance with the Regulations of the General Authority of Zakat & Tax ("GAZT") in the Kingdom of Saudi Arabia and on an accrual basis.

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

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

**6-12 Foreign currency transactions**

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

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

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

Foreign currency differences are generally recognized in profit or loss

**6-13 Statutory reserve**

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

This reserve is not available for distribution.

The reserve allocation is computed on an annual basis.

**6-14 Dividends**

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

Interim dividends are recorded in the period that is approved by the Board of Directors delegated by the General Assembly of shareholders.

**6-15 Earnings per share**

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

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

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

**6-16 Investment properties**

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



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**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-17 Revenue recognition**

<b>Type of product</b>	<b>Nature and timing of satisfaction of performance obligation, including significant payment terms</b>
Plastic preforms and caps.	Revenue is recognized when customers obtain control of goods when the goods are delivered to customers and have been accepted. Invoices are generated and revenue is recognized at that point in time.  Some contracts allow customers to return goods and replace them with other new goods, and no refunds are permitted.

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

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price.	For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The Company recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

**6-18 Expenses**

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

All other expenses are classified as administrative expenses.

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

Segment reporting disclosure agree with the information reviewed by the chief operating decision maker. The Company discloses information on the applicable measurement basis, such as the nature and effect of any differences between measurements used in the information on the sectors to report and those measurements used.

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**6- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**6-19 Segment reporting**

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

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

**6-20 New standards, amendments to standards and interpretations**

There are no new standards issued. However, there are a number of amendments to standards that are effective from 1 January 2020 which are described in the Company's annual financial statements but have no material impact on the financial statements of the Company.

**6-21 New standards and amendments issued:**

A number of new standards are effective for annual periods beginning after 1 January 2020, and earlier application is permitted.

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

Effective for annual periods beginning on or after	New standards and amendments
1 January 2021	Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 – Interest rate reform - second phase
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
	Annual Amendments to IFRSs (2018 - 2020 Cycle)
	Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)
	Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Amendments to IAS 1 “Presentation of Financial Statements” related to classification of liabilities
	IFRS 17 - Insurance Contracts and amendments to IFRS 17 - Insurance Contracts
Available for optional adoption/ effective date deferred indefinitely	Sale or contribution of assets between the investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)



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**7- PROPERTY, PLANT AND EQUIPMENT**

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

<b>Cost:</b>	<b>Lands</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Motor vehicles</b>	<b>Tools and equipment</b>	<b>Furniture</b>	<b>Computers</b>	<b>Work in Progress</b>	<b>Total</b>
Balance at 1 January 2020	30,452,860	35,415,867	261,804,202	2,945,750	282,853	661,141	1,546,514	13,970,241	347,079,428
Additions	--	--	3,888,212	235,000	7,750	15,374	118,087	28,175,599	32,440,022
Transfers during the year	--	33,000	19,215,737	--	--	--	365,025	(19,613,762)	--
Transferred to intangible assets	--	--	--	--	--	--	--	(906,014)	(906,014)
<b>Balance at 31 December 2020</b>	<b>30,452,860</b>	<b>35,448,867</b>	<b>284,908,151</b>	<b>3,180,750</b>	<b>290,603</b>	<b>676,515</b>	<b>2,029,626</b>	<b>21,626,064</b>	<b>378,613,436</b>
<b>Accumulated depreciation:</b>									
Balance at 1 January 2020	--	3,002,312	103,170,351	1,859,416	126,968	202,956	703,708	--	109,065,711
Depreciation during the year	--	1,062,904	27,191,688	552,599	28,547	66,853	299,011	--	29,201,602
<b>Balance at 31 December 2020</b>	<b>--</b>	<b>4,065,216</b>	<b>130,362,039</b>	<b>2,412,015</b>	<b>155,515</b>	<b>269,809</b>	<b>1,002,719</b>	<b>--</b>	<b>138,267,313</b>
<b>Net book value:</b>									
<b>At 31 December 2020</b>	<b>30,452,860</b>	<b>31,383,651</b>	<b>154,546,112</b>	<b>768,735</b>	<b>135,088</b>	<b>406,706</b>	<b>1,026,907</b>	<b>21,626,064</b>	<b>240,346,123</b>
<b>Cost:</b>									
Balance at 1 January 2019	30,452,860	20,706,670	239,992,891	2,935,200	274,233	503,582	1,152,899	30,949,000	326,967,335
Additions	2,649,000	1,494,406	882,921	492,600	18,300	161,194	225,364	18,388,217	24,312,002
Disposal	--	--	--	(482,050)	(9,680)	(3,635)	(88,836)	--	(584,201)
Transfers during the year	--	13,214,791	20,928,390	--	--	--	257,087	(34,400,268)	--
Transferred to intangible assets	--	--	--	--	--	--	--	(966,708)	(966,708)
Transferred to investment properties	(2,649,000)	--	--	--	--	--	--	--	(2,649,000)
<b>Balance at 31 December 2019</b>	<b>30,452,860</b>	<b>35,415,867</b>	<b>261,804,202</b>	<b>2,945,750</b>	<b>282,853</b>	<b>661,141</b>	<b>1,546,514</b>	<b>13,970,241</b>	<b>347,079,428</b>
<b>Accumulated Depreciation:</b>									
Balance at 1 January 2019	--	2,152,713	77,934,461	1,815,008	105,258	144,619	603,605	--	82,755,664
Depreciation during the year	--	849,599	25,235,890	526,458	31,390	61,972	188,939	--	26,894,248
Disposal	--	--	--	(482,050)	9,680))	(3,635)	(88,836)	--	(584,201)
<b>Balance at 31 December 2019</b>	<b>--</b>	<b>3,002,312</b>	<b>103,170,351</b>	<b>1,859,416</b>	<b>126,968</b>	<b>202,956</b>	<b>703,708</b>	<b>--</b>	<b>109,065,711</b>
<b>Net book value:</b>									
<b>At 31 December 2019</b>	<b>30,452,860</b>	<b>32,413,555</b>	<b>158,633,851</b>	<b>1,086,334</b>	<b>155,885</b>	<b>458,185</b>	<b>842,806</b>	<b>13,970,241</b>	<b>238,013,717</b>

- The balance of work in progress represents the amount paid for the purchase of a production line of caps, injection molds and a printing line. The total projected cost of these projects is SR 23.51 million, and these projects are expected to be completed during the third quarter of 2021. As at 31 December 2020, the net book value of land, buildings and plant is mortgaged against the loans amounting to SR 95,635,226 (31 December 2019: SR 115,457,807) (Note 17-B).
- The transfers from projects in progress during the year represent the value of the machinery for operating a new production line.

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**8- INVESTMENT PROPERTIES**

The Company carries all its investment properties at cost.

The investment properties consist of plots of land in Muzahmiya, with a total area of 27,226 square meters.

As at 31 December 2020, the fair value of the investment properties was SR 3.17 million (2019: SR 2,65 million).

The fair value of the investment properties was determined by an external real estate valuer independent of the Company (The valuer: Bader Najm Al-Mutairi, License No. 1210000303).

The fair value of the investment properties is classified as Level 2 for the fair value based on the inputs to the valuation method used.

**9- INTANGIBLE ASSETS**

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

	<b>31 December 2020</b>	31 December 2019
<b>Cost:</b>		
Balance at 1 January	<b>1,056,208</b>	49,500
Additions	--	40,000
Transferred from work in progress	<b>906,014</b>	966,708
<b>Balance at 31 December</b>	<b>1,962,222</b>	1,056,208
<b>Accumulated amortization:</b>		
Balance at 1 January	<b>126,293</b>	27,418
Amortization during the year	<b>157,296</b>	98,875
<b>Balance at 31 December</b>	<b>283,589</b>	126,293
<b>Net book value:</b>	<b>1,678,633</b>	929,915

**10- INVENTORIES**

	<b>31 December 2020</b>	31 December 2019
Raw materials	<b>50,351,242</b>	23,438,483
Finished goods	<b>25,157,156</b>	18,365,270
Spare parts, supplies and oils	<b>1,988,866</b>	1,593,952
	<b>77,497,264</b>	43,397,705

**11- INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>31 December 2020</b>	31 December 2019
Investments in a equity investment portfolio	<b>1,120,703</b>	--
The number of units invested in	<b>19,931</b>	--
Unit price (SR)	<b>22,336,709</b>	--
Total investments	<b>22,336,709</b>	--



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**11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)**

During the year, the Company invested in equity investment portfolio traded in the Saudi Stock Exchange (Tadawul), which represent investing in the equity of a diversified group of companies. The portfolio is managed by Al-Istithmar Company for Securities and Brokerage - Al-Istithmar Capital according to signed agreement.

Equity investments of 1,120,703 shares were measured at fair value, based on quoted market prices for shares on the Saudi Stock Exchange (Tadawul).

This valuation at fair value resulted in unrealized losses of SR 724,372 and realized profits of SR 354,618 for the year ended 31 December 2020, which were presented in the statement of profit or loss. The movement of investments for the year ended 31 December is as follows:

	<b>31 December 2020</b>	31 December 2019
Cost of investment as at January 1	--	--
Purchase of investment units	<b>34,385,978</b>	--
Sale of invested units	<b>(11,679,515)</b>	--
Realized gains on sale of investments	<b>354,618</b>	--
Fair value differences for units	<b>(724,372)</b>	--
<b>Balance as at 31 December</b>	<b>22,336,709</b>	--

**12- TRADE RECEIVABLES**

	<b>31 December 2020</b>	31 December 2019
Trade receivables	<b>147,674,928</b>	135,371,296
Due from related parties (Note 27)	<b>42,705,247</b>	47,207,731
	<b>190,380,175</b>	182,579,027
Less: impairment of trade receivables	<b>(23,325,147)</b>	(23,325,147)
	<b>167,055,028</b>	159,253,880

The movement in impairment of trade receivables is as follows:

	<b>31 December 2020</b>	31 December 2019
Balance at the beginning of the year	<b>23,325,147</b>	23,325,147
Provided during the year	--	--
Balance at the end of the year	<b>23,325,147</b>	23,325,147

Information on the Company's exposure to credit and market risks including the aging of trade receivables is included in Note 26-2.

**13- PREPAYMENTS AND OTHER RECEIVABLES**

	<b>31 December 2020</b>	31 December 2019
Advances to suppliers	<b>1,419,773</b>	4,427,343
VAT, net	<b>1,268,354</b>	426,495
Pre-paid expenses	<b>920,952</b>	1,019,642
Letter of guarantee (Note 19)	<b>1,117,604</b>	1,117,604
Suppliers - debit balances (*)	<b>17,942,703</b>	13,103,233
Other assets	<b>60,310</b>	79,163
	<b>22,729,696</b>	20,173,480

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

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**14- SHARE CAPITAL**

As at 31 December 2020, the Company's authorized and fully paid up share capital amounted to SR 150 million (2019: SR 150 million), divided into 15 million ordinary shares (2019: 15 million ordinary shares) of SR 10 per share (2019: SR 10 per share).

**15- OTHER RESERVES**

The balance represents the actuarial (loss)/gain resulting from re-measurement of employees' benefits, the balance as of 31 December 2020 SR 138,114 (2019: SR 28,810).

**16- ACCRUED EXPENSES AND OTHER PAYABLES**

	<b>31 December 2020</b>	31 December 2019
Accrued expenses – electricity	<b>1,029,017</b>	1,114,337
Accrued expenses - unbilled goods	<b>769,560</b>	--
Accrued expenses – consultations	<b>405,250</b>	852,020
Accrued air tickets	<b>402,596</b>	292,222
Leave entitlements	<b>339,970</b>	258,088
Advances from customers	<b>245,903</b>	616,849
Accrued bonus	<b>971,247</b>	571,438
Remunerations and allowances of the Company's Board of Directors and Committees (Note 27)	<b>499,000</b>	574,000
Others	<b>1,155,142</b>	608,610
	<b>5,817,685</b>	4,887,564

**17- LOANS**

**a) Short-term loans**

	<b>31 December 2020</b>	31 December 2019
Short-term loans (*)	<b>162,069,666</b>	113,175,031
	<b>162,069,666</b>	113,175,031

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

**b) Long-term loans**

	<b>31 December 2020</b>	31 December 2019
Local banks	<b>32,821,593</b>	57,966,231
Saudi Industrial Development Fund (SIDF)	<b>56,630,000</b>	76,016,000
	<b>89,451,593</b>	133,982,231
Less: deferred interests	<b>(1,556,327)</b>	(5,194,610)
	<b>87,895,266</b>	128,787,621
Presented in the statement of financial position as follows:		
Non-current portion shown under non-current liabilities	<b>48,177,220</b>	82,382,743
Current portion shown under current liabilities	<b>39,718,046</b>	46,404,878
	<b>87,895,266</b>	128,787,621
<i>Total loans</i>	<b>249,964,932</b>	241,962,652

As at 31 December 2020, the Saudi Industrial Development Fund loan is secured against the lands, buildings and machines of the Company's plant with a book value of SR 95,635,226 (31 December 2019: SR 115,457,708) and is due for repayment over a period of 1 to 5 years (Note 7).



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**17- LOANS (CONTINUED)**

**c) Total movement in loans**

	<b>31 December 2020</b>	31 December 2019
Balance as at 1 January	<b>241,962,652</b>	258,411,586
Proceeds from loans	<b>355,742,372</b>	405,588,667
Repayment of loans	<b>(352,274,339)</b>	(428,500,022)
Finance costs	<b>9,886,763</b>	13,274,151
Finance costs (paid)	<b>(5,352,516)</b>	(6,811,730)
Balance as at 31 December	<b><u>249,964,932</u></b>	<u>241,962,652</u>

**d) Bank facility agreements**

The Company obtained credit facilities from local banks, long term and short term loans and letters of credit with a financing ceiling of SR 311.4 million.

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

As at 31 December 2020, unused facilities and open letters of credit amounted to SR 61.5 million (2019: SR 149.9 million).

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

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

During the year ended 31 December 2020, financing agreements with some local banks were renewed at values amounting to SR 265.53 million, with the aim of purchasing and importing raw materials, financing working capital, and financing capital expansion. These agreements have been renewed by guaranteeing promissory notes issued by the Company.

As at 31 December 2020, the Company obtained credit facilities from the Saudi Industrial Development Fund amounting to SR 33.50 million (31 December 2019: SR 4.01 million).

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

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

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

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**18- EMPLOYEES' BENEFITS**

**General description of a defined benefit plan for employees:**

The Company is required to pay end of service benefits (defined benefit plan) in accordance with the Saudi Labor Law.

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

**Evaluation methodology and key assumptions for the actuarial study:**

In compliance with the requirements of IAS 19 "Employees' Benefits", the projected unit credit method has been used to determine plan liabilities.

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

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

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

**Key Assumptions**

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

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

The principal assumptions used are:

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

**18-1 Movement in employees' benefits obligation**

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Balance at the beginning of the year	<u>1,332,695</u>	<u>863,410</u>
<b>Included in statement of profit or loss</b>		
Current service cost	<u>384,092</u>	<u>374,894</u>
Interest cost	<u>55,009</u>	<u>49,084</u>
(Paid) during the year	<u>(17,777)</u>	<u>(55,931)</u>
	<u>421,324</u>	<u>368,047</u>
<b>Included in other comprehensive income</b>		
Losses of actuarial revaluation	<u>166,924</u>	<u>101,238</u>
Balance at the end of the year	<u><b>1,920,943</b></u>	<u><b>1,332,695</b></u>

**18-2 Actuarial assumptions**

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Discount rate	<u><b>3.00%</b></u>	<u>3.75%</u>
Future growth in salary	<u><b>5.00%</b></u>	<u>5.00%</u>



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**18- EMPLOYEES' BENEFITS (CONTINUED)**

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

**18-3 Sensitivity analysis**

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

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
Discount rate (1 % movement)	<b>(1,689,309)</b>	<b>2,202,532</b>	(1,170,014)	1,530,524
Future Salary Growth Rate (1% change)	<b>2,193,760</b>	<b>(1,691,334)</b>	1,525,898	(1,170,369)

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

**19- ZAKAT PROVISION**

- 19.1 Zakat declarations were filed for the years from 2012 to 2015, and the General Authority of Zakat and Tax (GAZT) has assessed these years with the amount of SR 1,026,375. These objections are still pending with the General Secretariat of Tax Committees until the date of preparing these financial statements. Furthermore, the Company made a provision for the total amount of these Zakat assessments and believes that the outcome of these objections will be in its favor.
- 19.2 Zakat declarations were filed for the years from 2016 to 2018, and GAZT has assessed these years with the amount of SR 11,083,063. The Company objected to the Zakat assessments for these years during the regulatory period. GAZT partially accepted the objection, and accordingly, after studying the objection, it issued an amended assessment of SR 3,586,926. The Company agreed to the amended assessment and paid the amount due under the amended assessment. The Company confirms that it did not receive any other differences after this assessment.
- 19.3 The Company filed the Zakat declaration for the year 2019, the Zakat payable has been paid based on this declaration, and this declaration is under review by GAZT. A Zakat certificate was issued for this year 2019, and it is valid until 30 April 2021.
- 19.4 Zakat provision for the current year is calculated as follows:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Equity, opening provisions and other Adjustments	<b>324,631,165</b>	317,814,250
Book value for long term assets	<b>(244,673,756)</b>	(241,592,632)
Total	<b>79,957,409</b>	76,221,618
Total adjusted for the effect of the taxpayer's fiscal year days from the Hijri year (354/365)	<b>82,441,961</b>	78,590,086
Zakat profit for the year	<b>47,367,141</b>	60,941,702
Zakat base	<b>129,809,102</b>	139,531,788

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Balance at the beginning of the year	<b>4,660,664</b>	4,679,476
Provided during the year	<b>3,245,227</b>	3,488,308
Zakat adjustments	<b>(476,567)</b>	--
Zakat assessment differences from previous years	<b>3,586,926</b>	--
Charged to the statement of profit or loss and other comprehensive income	<b>6,355,586</b>	3,488,308
Paid during the year	<b>(6,744,650)</b>	(3,507,120)
Balance at the end of the year	<b>4,271,600</b>	4,660,664

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**20- COST OF SALES**

	<i>For the year ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
Raw material cost	296,335,821	376,202,514
Depreciation	27,206,913	26,310,776
Electricity	12,570,659	14,003,871
Salaries and related costs	7,838,670	7,593,221
Others	6,713,009	7,186,807
	<u>350,665,072</u>	<u>431,297,189</u>

**21- SELLING AND DISTRIBUTION EXPENSES**

	<i>For the year ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
Transportation expenses	7,449,873	6,978,550
Selling commissions	183,116	153,407
Salaries and wages	682,506	652,477
Depreciation	26,620	28,809
Miscellaneous expenses	943,539	961,361
	<u>9,285,654</u>	<u>8,774,604</u>

**22- GENERAL AND ADMINISTRATIVE EXPENSES**

	<i>For the year ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
Professional and consultancy fees	1,371,283	1,060,973
Salaries and wages	3,655,625	3,482,736
Defective goods	139,695	97,189
Depreciation and amortization	418,469	344,537
Remunerations and allowances of the Company's Board of Directors and Committees	499,000	931,000
Miscellaneous expenses	1,107,593	1,223,527
	<u>7,191,665</u>	<u>7,139,962</u>

**23- DIVIDENDS PAID**

In its meeting held on 19 April 2020, the Extraordinary General Assembly approved the distribution of cash dividends for the second half of the fiscal year ended 31 December 2019, at an amount of SR 0.75 per share and with a total amount of SR 11,250 million of the retained earnings, representing 7.5% of the share capital (2019: SR 26.250 million).

As at 31 December 2020, dividends that were not received by shareholders amounted to SR 161.988 (2019: SR 132.700).



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**24- CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND OTHER LIABILITIES**

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be reasonably measured.

Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

As 31 December 2020, contingent liabilities related to uncovered letter of credit amounted to SR 46,198,340 (31 December 2019: SR 5,140,625).

As at 31 December 2020, the capital commitments related to projects in progress amounted to SR 1,881,513, represent mainly in contracting for a new production line (31 December 2019: SR 12,238,818).

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

**25- EARNINGS PER SHARE**

**Basic and diluted earnings per share**

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Income for the year	<b>40,572,454</b>	56,635,828
<b><u>No. of shares</u></b>		
Weighted average number of shares (Note 14)	<b>15,000,000</b>	15,000,000
<b>Basic and diluted earnings per share (Saudi Riyals)</b>	<b>2.70</b>	3.78

**26- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES**

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

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

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

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

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

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

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

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Fair value measurement using the minimum input required for the fair value measurement (unobservable inputs).

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

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

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



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

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

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

		31 December 2019				Fair value	
		Carrying amount					
		Amortized cost	Level 1	Level 2	Level 3	Total	
		FVOCI	Total				Total
Financial assets							
Trade receivables	--	159,253,880	159,253,880	--	--		159,253,880
Cash and cash equivalents	--	25,376,554	25,376,554	--	--		25,376,554
Suppliers - debit balances (Note 13)	--	13,103,233	13,103,233	--	--		13,103,233
Total	--	197,733,667	197,733,667	--	--		197,733,667
Financial liabilities							
Loans	--	113,175,031	113,175,031	--	--		113,175,031
Short-term							
Loans	--	82,382,743	82,382,743	--	--		82,382,743
Long-term							
Borrowings - current portion	--	46,404,878	46,404,878	--	--		46,404,878
Trade payables	--	13,634,608	13,634,608	--	--		13,634,608
Total	--	255,597,260	255,597,260	--	--		255,597,260

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

- credit risk;
- Liquidity risk
- Market risk



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

**26-1 *Risk management framework***

***Board of Directors***

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

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

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

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

***Audit committee***

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

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

**26-2 *Credit risk***

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

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

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

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

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

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

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

Assets amounting to SR 217.1 million (31 December 2019: SR 197.7 million) of total assets amounting to SR 543.4 million (31 December 2019: SR 489.7 million) are subject to credit risk.

The significant concentrations of the Company's risks by sector and geographical region are assessed in Notes 26-2-1 and 28-2.

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

	<b>31 December 2020</b>	31 December 2019
Trade receivables	<b>167,055,028</b>	159,253,880
Cash and cash equivalents	<b>9,805,193</b>	25,376,554
Investments at FVTPL	<b>22,336,709</b>	--
Suppliers - debit balances (Note 13)	<b>17,942,703</b>	13,103,233
	<b>217,139,633</b>	197,733,667

**26-2-1 *Credit quality of financial assets***

As at 31 December 2020, the trade receivables balances include a balance of SR 42.5 million (31 December 2019: SR 61.6 million) for two of the Company's customers.

At 31 December 2020, the ageing analysis of trade receivables was as follows:

	<b>31 December 2020</b>	31 December 2019
Current (not past due)	<b>89,881,159</b>	100,151,212
1-90 days	<b>44,660,338</b>	47,089,264
91-180 days	<b>26,993,029</b>	9,289,233
181-270 days	<b>12,625,030</b>	8,471,549
271-360 days	<b>2,241,770</b>	3,836,217
More than 360 days	<b>13,978,849</b>	13,741,552
<b>Balance</b>	<b>190,380,175</b>	182,579,027

Management believes that the amounts that have not been impaired and that are past due for more than 90 days are still fully collectible based on the previous payment behavior and comprehensive analysis of the customer's credit risk, including the customer's underlying credit ratings, if available.

The Company establishes a provision for all balances past due for more than 270 days (2019: 270 days). As at 31 December 2020, the allowance for doubtful debts amounted to SR 23,325,147 (Note 12) (2019: SR 23,325,147).

As at 31 December 2020, the Company maintains cash and cash equivalents of SR 9.8 million (31 December 2019: SR 25.4 million) with banks having sound credit rating.

**26-3 *Liquidity risk***

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

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

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

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

The Company has unused bank facilities and open letters of credit amounted of SR 61.5 million (31 December 2019: SR 149.9 million) as at the date of the statement of financial position to meet liquidity requirements (Note 17-d).



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

The following is an analysis of the undiscounted contractual maturities of the Company's financial liabilities as at 31 December 2020.

<u>31 December</u> <u>2020</u>	<u>Less than one</u> <u>year</u>	<u>From one</u> <u>year to</u> <u>3 years</u>	<u>More than 3</u> <u>years</u>	<u>Accrued</u> <u>interests for</u> <u>future</u> <u>periods</u>	<u>Total</u> <u>contractual</u> <u>agreements</u>	<u>Carrying</u> <u>amount</u>
<i>Non-derivative financial liabilities</i>						
Loans	201,787,713	48,177,219	--	2,521,409	252,486,341	249,964,932
Trade payables	29,621,600	--	--	--	29,621,600	29,621,600
Accrued expenses and other payables	5,817,685	--	--	--	5,817,685	5,817,685
	<u>237,226,998</u>	<u>48,177,219</u>		<u>2,521,409</u>	<u>287,925,626</u>	<u>285,404,217</u>
<u>31 December</u> <u>2019</u>	<u>Less than one</u> <u>year</u>	<u>From one</u> <u>year to</u> <u>3 years</u>	<u>More than 3</u> <u>years</u>	<u>Accrued</u> <u>interests for</u> <u>future</u> <u>periods</u>	<u>Total</u> <u>contractual</u> <u>agreements</u>	<u>Carrying</u> <u>amount</u>
<i>Non-derivative financial liabilities</i>						
Loans	159,579,909	71,752,743	10,630,000	5,194,610	247,157,262	241,962,652
Trade payables	13,634,608	--	--	--	13,634,608	13,634,608
Accrued expenses and other payables	4,887,564	--	--	--	4,887,564	4,887,564
	<u>178,102,081</u>	<u>71,752,743</u>	<u>10,630,000</u>	<u>5,194,610</u>	<u>265,679,434</u>	<u>260,484,824</u>

The Company has no significant liquidity risks.

**26-4 Market risk**

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

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

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

**26-4-1 Foreign currency risk**

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

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

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

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

**26-4-2 Interest rate risk**

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

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

		<b>Increase / decrease in base points related to commission rates</b>	<b>Effect on income of the year</b>
<u>31 December 2020</u>	SR	+100	<b>(2,499,649)</b>
	SR	-100	<b>2,499,649</b>
<u>31 December 2019</u>	SR	+100	(2,419,627)
	SR	-100	2,419,627

**26-4-3 Capital management**

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

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

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

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

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

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

	<b>At 31 December 2020</b>	<b>At 31 December 2019</b>
Total loans	<b>249,964,932</b>	241,962,652
Less: Cash and cash equivalents	<b>(9,805,193)</b>	(25,376,554)
Adjusted net debt (a)	<b>240,159,739</b>	216,586,098
Total equity	<b>252,338,898</b>	223,183,368
Adjusted equity and net debt (b)	<b>492,498,637</b>	439,769,466
Adjusted debt ratio from adjusted equity (a) / (b)	<b>49%</b>	49%

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

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



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**27- RELATED PARTY TRANSACTION**

- 27-1** In the ordinary course of its activities, the Company transacts business with related parties including companies owned by some shareholders, Board of Directors and key management personnel of the Company.

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

	For the year ended 31 December 2020	For the year ended 31 December 2019
<b><u>Transactions:</u></b>		
Sales of goods to Hana Water Company	52,996,673	95,730,068
Purchases of goods from Hana Water Company	113,367	1,773,334
Annual salaries, allowances and remuneration for Key Management Personnel	2,888,204	2,758,865
Allowance to attend meeting of the Company's Board of Directors and Committees	144,000	189,000
Board of Directors' remunerations	430,000	742,000
<b><u>Balances</u></b>		
Due from related parties included in trade receivables (Hana Water Company) (Note 12)	42,705,247	47,207,731
Key Management Personnel included in other receivables	78,479	86,301
Key management personnel included under other payables	47,000	71,000
Key Management Personnel End of Service Benefits	640,215	433,617
Allowance to attend meeting of the Company's Board of Directors and Committees included under accrued expense (Note 16)	144,000	144,000
Board of Directors remuneration included under accrued expenses (Note 16)	355,000	430,000

**28- SEGMENT INFORMATION**

**28-1 Basis for segmentation**

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

The following summary describes the operations of each reporting segment.

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

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

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**28- SEGMENT REPORTING (CONTINUED)**

**28-2 Information about reporting segments**

Information related to each reportable segment is set out below.

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

<b>SR</b>	<b>Segment reporting</b>		<b>Total</b>
	<b>Plastic bottles preforms segment</b>	<b>Plastic caps segment</b>	
<b><u>For the year ended 31 December 2020</u></b>			
Sales	352,403,119	72,447,300	424,850,419
Cost of sales	(301,636,659)	(49,028,413)	(350,665,072)
<b>Gross profit</b>	<b>50,766,460</b>	<b>23,418,887</b>	<b>74,185,347</b>
Other income	(440,792)	(82,679)	(523,471)
Selling and distribution expenses	(7,141,223)	(2,144,431)	(9,285,654)
General and administrative expenses	(6,182,166)	(1,009,499)	(7,191,665)
<b>Operating profit</b>	<b>37,002,279</b>	<b>20,182,278</b>	<b>57,184,557</b>
Finance costs	(8,482,094)	(1,404,669)	(9,886,763)
<b>Income before Zakat</b>	<b>28,520,185</b>	<b>18,777,609</b>	<b>47,297,794</b>
<b><u>As at 31 December 2020</u></b>			
Segments Net assets	<b>116,993,915</b>	<b>37,532,074</b>	<b>154,525,989</b>
<b><u>For the year ended 31 December 2019</u></b>			
Sales	442,757,824	76,999,711	519,757,535
Cost of sales	(384,871,435)	(46,425,754)	(431,297,189)
<b>Gross profit</b>	<b>57,886,389</b>	<b>30,573,957</b>	<b>88,460,346</b>
Other income	388,639	463,868	852,507
Selling and distribution expenses	(6,829,750)	(1,944,854)	(8,774,604)
General and administrative expenses	(6,323,570)	(816,392)	(7,139,962)
<b>Operating profit</b>	<b>45,121,708</b>	<b>28,276,579</b>	<b>73,398,287</b>
Finance costs	(11,821,693)	(1,452,458)	(13,274,151)
<b>Income before Zakat</b>	<b>33,300,015</b>	<b>26,824,121</b>	<b>60,124,136</b>
<b><u>As at 31 December 2019</u></b>			
Segments net assets	<b>114,364,400</b>	<b>46,142,952</b>	<b>160,507,352</b>



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**28- SEGMENT REPORTING (CONTINUED)**

**28-2 Information about reporting segments (Continued)**

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

<u>Revenue for the year ended</u>	<u>Local sales</u>	<u>Export sales</u>	<u>Total sales</u>
<u>31 December 2020</u>	303,166,337	121,684,082	424,850,419
<u>31 December 2019</u>	396,056,298	123,701,237	519,757,535

Export sales are as follows:

	<i>For the year ended 31 December</i>	
	<u>2020</u>	<u>2019</u>
Yemen	<b>103,161,707</b>	106,313,178
Oman	<b>7,194,097</b>	9,184,124
Bahrain	<b>6,073,336</b>	5,040,904
Sudan	<b>3,087,224</b>	1,819,267
Kuwait	<b>2,114,918</b>	1,155,284
Jordan	<b>52,800</b>	188,480
<b>Total export sales</b>	<b>121,684,082</b>	123,701,237

**28-3 The main customer and supplier**

As at 31 December 2020, sales from the main two customers of the Company represent 45% of the Company's total revenue in the amount of SR 191.9 million (31 December 2019: 40% in the amount of SR 208.2 million) of the Company's total sales.

As at 31 December 2020, the balances of local customers amounted to SR 157.4 million (31 December 2019: SR 156.6 million) and the balances of export customers as at 31 December 2020 amounted to SR 33 million (31 December 2019: SR 26 million).

As at 31 December 2020, purchases from the major supplier of the Company represent 90% of total purchases of raw materials amounting to SR 313.1 million (31 December 2019: 94% amounting to SR 382.3 million) of the Company's total purchases.

**29- SUBSEQUENT EVENTS**

- On 24 January 2021, the Company signed a loan contract with the Saudi Industrial Development Fund in the amount of SR 12.65 million, for the period from 24 January 2021 to 12 January 2028, for the purpose of financing the purchase of fixed assets.  
The Company provided a collateral against the value of the loan.

- The Board of Directors, at its meeting held on 24 February 2021 (corresponding to 12 Rajab 1442H), recommended distributing cash dividends amounting to SR 15 million for the fiscal year 2020 at SR 1 per share. To be disbursed to the restricted stakeholders at the end of the second trading day following the date of holding General Assembly of the shareholders of the company, for which its timing will be announced subsequently after obtaining the necessary approvals from the competent authorities.