

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

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INDEPENDENT AUDITORS' REVIEW REPORT
ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To The Shareholders

**FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
 (A SAUDI JOINT STOCK COMPANY)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **FILLING AND PACKING MATERIALS MANUFACTURING COMPANY (A SAUDI JOINT STOCK COMPANY)** (the "Company") and its subsidiary together (the "Group") as at September 30, 2022 and the related interim condensed consolidated statements of comprehensive income for the three and nine months then ended, changes in shareholder equity and cash flows for the nine-month period ended at September 30, 2022 and a summary of significant accounting policies and other notes.

The Company's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard No. (34) "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the international standard on review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditors of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries primarily to persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with international standards on auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as at September 30, 2022, are not prepared, in all material respects, in accordance with International Accounting Standard No. 34 endorsed in the Kingdom of Saudi Arabia.

Other Matters

The Company's consolidated financial statements for the year ended December 31, 2021, were audited by another auditor, who expressed an unmodified opinion on Shaaban 19, 1443 H, March 22, 2022.

The Company's interim condensed consolidated financial statements of the period of three, nine month ended September 30, 2021 have been reviewed by another auditor who expressed unmodified conclusion on the report on Rabi' Al Thani 03, 1443 H, November 08, 2021.

For Al-Kharashi Co.



Abdullah S. Al-Msned
Certified Public Accountant
License No. (456)



Riyadh:

October 31, 2022 G
 Rabi' Al Thani 6, 1444 H

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As of September 30, 2022
(All amounts in Saudi Riyal unless otherwise stated)

	<u>Note</u>	<u>September</u> <u>30, 2022</u> <u>(Unaudited)</u>	<u>December</u> <u>31, 2021</u> <u>(Audited)</u>
<u>ASSETS</u>			
<u>Non- current assets</u>			
Property, plant and equipment (net)	4	150,480,936	148,266,480
Right of use assets (net)	5-A	6,573,981	6,946,091
Total non- current assets		<u>157,054,917</u>	<u>155,212,571</u>
<u>Current assets</u>			
Inventories (net)	6	66,292,444	62,994,111
Trade receivables (net)	7	54,009,332	48,030,950
Prepayments and other receivables	8	18,112,254	18,560,223
Investments in equity at fair value through profit or loss	9	6,031,492	6,513,192
Cash and cash equivalents	10	4,557,778	12,133,800
Total current assets		<u>149,003,300</u>	<u>148,232,276</u>
Total assets		<u>306,058,217</u>	<u>303,444,847</u>
<u>EQUITY AND LIABILITIES</u>			
<u>EQUITY</u>			
Share capital	11	115,000,000	115,000,000
Statutory reserve	12	16,408,804	16,408,804
Differences of non-controlling interests acquisition	19	(25,358,702)	(25,358,702)
Retained earnings		17,544,873	14,037,893
Total equity		<u>123,594,975</u>	<u>120,087,995</u>
<u>LIABILITIES</u>			
<u>Non-current liabilities</u>			
Non-current portion long-term loans	13-A	48,684,680	56,680,705
Lease liabilities	5-B	6,913,548	7,327,222
Employees' end of service benefits	16	13,768,169	12,504,280
Contingent liability against non-controlling interests acquisition	19	20,631,926	19,564,865
Total non-current liabilities		<u>89,998,323</u>	<u>96,077,072</u>
<u>Current liabilities</u>			
Current portion of (long-term loans)	13-B	18,012,949	13,322,449
Short-term loans	13-C	24,405,929	28,657,781
Trade payables		26,572,105	24,772,427
Lease liabilities	5-B	413,664	393,965
Accrued expenses and other payables	14	20,117,780	17,462,038
Provision for zakat	17	2,942,492	2,671,120
Total current liabilities		<u>92,464,919</u>	<u>87,279,780</u>
Total liabilities		<u>182,463,242</u>	<u>183,356,852</u>
Total equity and liabilities		<u>306,058,217</u>	<u>303,444,847</u>

Chief Financial Officer



Vice Chairman and Managing Director



Chairman



The accompanying notes are an integral part of these interim condensed consolidated financial statements.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(UNAUDITED)
FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022
(All amounts in Saudi Riyal unless otherwise stated)

	<u>Note</u>	<u>FOR THE THREE MONTHS</u>		<u>FOR THE NINE MONTHS</u>	
		<u>ENDED SEPTEMBER 30</u>		<u>ENDED SEPTEMBER 30</u>	
		<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Revenue		62,509,627	54,924,931	196,664,029	162,268,268
Cost of revenues		(51,734,631)	(48,984,955)	(166,304,002)	(142,538,632)
Gross profit		10,774,996	5,939,976	30,360,027	19,729,636
Selling and distribution expenses		(2,803,795)	(3,400,142)	(9,950,352)	(8,642,175)
General and administrative expenses		(4,299,745)	(4,135,554)	(13,118,572)	(13,241,034)
Expected credit losses	7	-	-	(2,451,042)	(3,235,803)
Other income / (expenses), net		489,402	63,602	2,997,044	(128,173)
Operating profit / (loss)		4,160,858	(1,532,118)	7,837,105	(5,517,549)
Finance costs		(1,729,549)	(933,554)	(4,142,628)	(2,846,901)
Unrealized gain of investments at fair value through profit or loss	9	778,121	12,137	2,410,299	115,167
Realized gain of investments at fair value through profit or loss	9	31,195	-	372,204	1,034,016
Profit / (loss) before zakat		3,240,625	(2,453,535)	6,476,980	(7,215,267)
Zakat	17	(990,000)	(990,000)	(2,970,000)	(2,970,000)
Profit / (loss) for the period		2,250,625	(3,443,535)	3,506,980	(10,185,267)
<u>Other comprehensive income for the period:</u>					
Items that will not be reclassified subsequently to profit or loss:					
Other comprehensive income for the period		-	-	-	-
Total comprehensive income / (loss) for the period		2,250,625	(3,443,535)	3,506,980	(10,185,267)
Profit / (loss) per basic & diluted share based on profit / (loss) for the period	15	0.20	(0.30)	0.30	(0.89)

Chief Financial Officer



Vice Chairman and Managing Director



Chairman



The accompanying notes are an integral part of these interim condensed consolidated financial statements.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022
(All amounts in Saudi Riyal unless otherwise stated)

	<u>Share Capital</u>	<u>Statutory Reserve</u>	<u>Differences of non- controlling interests acquisition</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at January 01, 2021 (Audited)	115,000,000	16,408,804	(25,358,702)	22,653,603	128,703,705
Loss for the period	-	-	-	(10,185,267)	(10,185,267)
Other comprehensive income for the period	-	-	-	-	-
Balance as of September 30, 2021(Unaudited)	<u>115,000,000</u>	<u>16,408,804</u>	<u>(25,358,702)</u>	<u>12,468,336</u>	<u>118,518,438</u>
Balance at January 01, 2022 (Audited)	115,000,000	16,408,804	(25,358,702)	14,037,893	120,087,995
Profit for the period	-	-	-	3,506,980	3,506,980
Other comprehensive income for the period	-	-	-	-	-
Balance as of September 30, 2022 (Unaudited)	<u>115,000,000</u>	<u>16,408,804</u>	<u>(25,358,702)</u>	<u>17,544,873</u>	<u>123,594,975</u>

Chief Financial Officer

Vice Chairman and Managing Director

Chairman

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2022
(All amounts in Saudi Riyal unless otherwise stated)

		<u>For the nine months period ended</u>	
	<u>Note</u>	<u>September 30, 2022 (Unaudited)</u>	<u>September 30, 2021 (Unaudited)</u>
<u>Cash flows from operating activities</u>			
Profit / (loss) before zakat		6,476,980	(7,215,267)
<u>Adjustments:</u>			
Depreciation of property, plant and equipment	4	5,996,877	5,831,318
Amortization of right-of-use assets	5	372,110	372,112
Provision for slow moving inventory, no longer required	6	(869,331)	(950,000)
Additions of expected credit losses		2,451,042	3,235,803
Losses from disposal property, plant and equipment		-	606,162
Current service cost of employees' end of service benefits		1,510,920	1,583,496
Unrealized gain of investments at fair value through profit or loss		(2,410,299)	(1,149,183)
Finance costs		4,142,628	2,846,901
		<u>17,670,927</u>	<u>5,161,342</u>
<u>Changes in working capital:</u>			
Inventories		(2,429,002)	(9,139,948)
Trade receivables		(8,429,424)	(18,791,043)
Prepayments and other receivables		447,969	(1,943,144)
Trade payables		1,799,678	8,888,228
Accrued expenses and other payables		2,655,741	1,116,300
Cash flows from / (used in) operating activities		<u>11,715,889</u>	<u>(14,708,265)</u>
Employees' end of service benefits paid		(543,471)	(756,180)
Zakat paid		(2,698,628)	(3,246,104)
Net cash flows from / (used in) operating activities		<u>8,473,790</u>	<u>(18,710,549)</u>
<u>Cash flows from investing activities</u>			
Payment of purchase property, plant and equipment	4	(8,211,333)	(3,387,670)
Proceeds from disposal property, plant & equipment		-	14,522
Proceeds from sale of investments at fair value through profit or loss		3,738,463	39,872,803
Payment of purchase investments at fair value through profit or loss		(846,464)	(5,011,727)
Net cash flows (used in) / from investing activities		<u>(5,319,334)</u>	<u>31,487,928</u>
<u>Cash flows from financing activities</u>			
Proceeds from loans and facilities		57,452,204	5,000,000
Payments of loans and facilities		(65,289,735)	(20,302,546)
Payments of lease liabilities		(780,014)	(780,024)
Finance costs paid		(2,112,933)	(1,375,021)
Cash flows (used in) financing activities		<u>(10,730,478)</u>	<u>(17,457,591)</u>
(Decrease) in cash and cash equivalents		<u>(7,576,022)</u>	<u>(4,680,212)</u>
Cash and cash equivalents at the beginning of the period		12,133,800	8,636,253
Cash and cash equivalents at end of the period		<u>4,557,778</u>	<u>3,956,041</u>

Chief Financial Officer



Vice Chairman and Managing Director



Chairman



The accompanying notes are an integral part of these interim condensed consolidated financial statements.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

(All amounts in Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION

1-1 Filling and Packing Materials Manufacturing Company ("the Company") is a Saudi Joint Stock Company, registered in Kingdom of Saudi Arabia under commercial Registration numbered 1010084155 is issued from Riyadh city dated on Dhul Hijjah 04, 1411 H corresponding to June 17, 1991. The Company was established according to Ministerial Decision No. 851 dated Shawwal 17, 1411 H corresponding to May 02, 1991 and Ministerial Decision No.953 dated Dhul-Qa'dah 29, 1411 corresponding to June 12, 1991.

1-2 The Company's activity:

The Company's activity is represented in the following activities

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

The Company conducts its activities through the following branches:

<u>Branch name</u>	<u>Branch Commercial Registration No.</u>	<u>Date and location of issuance</u>	<u>Activity</u>
Branch of a company Filling and Packing Materials Manufacturing Company	1010608121	Sha'aban 11, 1438 H Riyadh.	Weaving textiles from industrial yarns such as nylon, making bags from plastics
Branch of a company Filling and Packing Materials Manufacturing Company	1010675111	Jumada I 05, 1442 H Riyadh.	Manufacture of plastics (plastics) in their primary forms, isolation and preparation of vegetable fibers such as hemp and kenaf.

1-3 The Financial year for the entity begins on the first of January of each year and ends on December 31 of the same year.

1-4 The head office of the Company is located at 7305, Phase - New Industrial City- Unit No. 7306 , PO Box 14335 -Riyadh-2483.

1-5 The Group's Information

The accompanying interim condensed consolidated statements include the financial statements for Filling and Packing Materials Manufacturing Company ("Company") or ("The Parent Company") and its domestic subsidiary Company (collectively referred to as "the Group") where doing the Group as collectively to produce and marketing the bags which are woven from liner polypropylene inside and outside the kingdom of Saudi Arabia and unlined from polyethylene is diluted the density and the big size bags and strapping bands and the plastic fillers and woven bags these are used for packing vegetables and fruits and rolls woven from polypropylene and the liners of polyethylene and the recycling of plastic waste, construction and building contracting, in addition to the production and marketing of technical fabrics covered with materials of polyvinyl chloride, polytetrafluoroethylene, polyurethane, silicone and acrylic in different dimensions and sizes.

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022

(All amounts in Saudi Riyal unless otherwise stated)

<u>Company name</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>		
		<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
FPC Co. for Industry Factory	Kingdom of Saudi Arabia	100%	100%	100%

The subsidiary Company also carries out its activities through the following branches from inside and outside Riyadh :

The subsidiary company is engaged in its activity of cutting and detailing tents and sails, cutting and detailing car covers and furniture, cutting and detailing machine and goods covers, manufacturing bags, flags, banners, sun umbrellas and bonds ... etc. made of cloth according to the main commercial registration number 1010468446 issued from the city of Riyadh on Jumad Al-Thani 02, 1438 H corresponding to March 01, 2017 G.

<u>Branch name</u>	<u>Branch Commercial Registration No.</u>	<u>Date and location of issuance</u>	<u>Activity</u>
FPC Co. for Industry Factory	1010468794	Jumada II 13, 1438 H Riyadh	Manufacture of ready-made textiles except for apparel - activity code 1392
Makamen Supply Company for Trade and Contracting	1010499598	Rabia II 11, 1440 H Riyadh	Retail sale of textiles and fabrics of all kinds (other than clothing) including curtains, retailing of tents
West Makamen Co. for Tents Sole partnership	4030381209	Ramadan 27, 1441 H Jeddah	Retail sale of textiles and fabrics of all kinds (other than clothing) including curtains, retailing of tents
Dammam Makamen Co. for Tents	2050143023	Rajab 17, 1442 H Dammam	Retail sale of all kinds of wearable textiles and fabrics, retail sale of textiles and all kinds of fabrics (other than clothing) including curtains, retailing of tents
Al-Qassim Makamen Co. for Tents	1131311975	Rajab 17, 1442 H Buraydah	Retail sale of all kinds of wearable textiles and fabrics, retail sale of textiles and all kinds of fabrics (other than clothing) including curtains, retailing of tents
Zilal Al Dana Co. for Tents Sole partnership	1010822409	Safar 01, 1444 H Riyadh	Blacksmithing workshop

2. BASIS OF PREPARATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2-1 Accounting standards applied

- These interim condensed consolidated financial statements have been prepared in accordance with IAS (34) Interim Financial Reporting which is endorsed in The Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") These interim condensed consolidated financial statements must be read with the Group's prior year consolidated financial statements as of December 31, 2021.

2. BASIS OF PREPARATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- These interim condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements, however, accounting policies and selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements that has been issued at December 31, 2021. In addition, the results for the nine month period ended September 30, 2022 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2022.

2-2 Basis of measurement

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

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

2-3 Functional and presentation currency

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

2-4 Basis for consolidating the interim condensed consolidated financial statements

The interim condensed consolidated financial statements include the interim condensed consolidated statement of financial position, the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flow statement as well as the notes to the Group's interim condensed consolidated financial statements, where It includes the assets, liabilities, and results of the company's business and its subsidiary, as shown in Note (1). The Company and its subsidiary are collectively referred to as the Group.

Subsidiaries are companies controlled by a Group. The Group controls the Company when it has the right to variable revenues as a result of its participation in the Company and its ability to influence these revenues through its control of the Company. Subsidiaries are consolidated from the date on which the Group controls them and until they cease to exercise that control.

The non-controlling interest is measured by the proportion of its share of the net assets of the controlling interest at the date of the acquisition. The share in profit or loss and net assets not owned by the Group is presented as a separate line item in the interim condensed consolidated statement of profit or loss and within equity in the interim condensed consolidated statement of financial position.

Both transactions as well as balances and unrealized profits and losses arising from intra-group transactions are eliminated. Accounting policies of subsidiaries are modified when necessary to ensure consistency with the policies adopted by the Group. The Company and its subsidiary prepare their financial statements for the same period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3-1 New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, there are number of amendments to standards which are effective from January 01, 2022 and has been explained in Group annual Consolidated Financial Statements, but they do not have a material effect on the Group's interim condensed Consolidated Financial Statements.

The Group was not required to change its accounting policies or make retrospective adjustments as a result of the application of these amended standards.

3-2 Accounting Policies Applied

The accounting policies used in preparing the interim condensed consolidated financial statements are in line with those used in preparing the annual consolidated financial statements of the Group for the financial year ended December 31, 2021.

3-3 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application accounting policies and affect on the amounts of revenues, expenses, assets and liabilities disclosed and disclosure of contingent liabilities as at the reporting date. Uncertainty about these assumptions and estimates may result in results that may require a material adjustment to the carrying amount of the assets or liabilities that will be affected in future periods. These estimates and assumptions are based on experience and other factors that are believed to be reasonable under the circumstances and are used to judge the carrying amounts of assets and liabilities that are difficult to obtain from other sources. Core estimates and assumptions are reviewed on an on-going basis. An audit of the accounting estimates is recorded in the period in which the estimates are revised or in the period of the revision and future periods if the revised estimates affect current and future periods.

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

Judgments:

Compliance with performance obligations

The Group has to assess each of its contracts with customers to determine whether performance obligations have been met over time or at a point of time in order to determine the appropriate method of income recognition. The Group assessed this based on the sales and purchase agreements it had entered into with the customers and the provisions of the relevant laws and regulations .

Determine transaction prices

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

Estimates and assumptions

Defined Benefit Programs

The cost of defined benefit programs and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making many different assumptions that differ from actual developments in the future. This includes setting discount rates, future salary increases, mortality, and employee turnover. Due to the complexities of the valuation process and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the reporting date. The measurement criteria most subject to change are the discount rate and future salary increase. In determining the appropriate discount rate, management relies on the market yield on quality corporate bonds. Future salary increases are dependent on future rates of inflation, seniority, promotion, and supply and demand in the employment market. The mortality rate is based on available country specific mortality tables. Extrapolations of mortality tables may change over time in response to population changes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group operates a defined benefit plan (as defined in IAS 19) that provides a bonus when an employee leaves the company, in line with the current labor law in the Kingdom of Saudi Arabia.

The amount of the entitlement is calculated according to the labor laws in the Kingdom, and this is based on the years of service and the salary on the date of departure. The plan and its obligations are therefore more sensitive to changes in future salary increases, future withdrawal rates, and the discount rate used in evaluating the obligations.

The company is not required to fund the plan, so the company has chosen to honor the payment of benefits at the due date.

Expected credit losses

Expected credit losses are measured as financial assets measured at amortized cost and requires the use of complex models and significant assumptions about future economic conditions and credit behavior. There are a number of significant judgements required in the application of accounting standards to measure the expected credit losses:

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

The Group recognizes an provision for expected credit losses for financial instruments that are measured at amortized cost.

The Group measures the loss provision at an amount equal to the expected credit losses over the useful life of the financial instrument, except for:

- The following financial instruments for which the provision for expected credit losses is measured over a 12-month period.
- Financial assets with low credit risk at the reporting date and financial instruments in which credit risk has not increased significantly since its initial recognition.

Useful life of property, plant and equipment

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

Impairment of non-financial assets

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIODS ENDED SEPTEMBER 30, 2022
(All amounts in Saudi Riyal unless otherwise stated)

4- PROPERTY, PLANT & EQUIPMENT (net)

	<u>Buildings & Construction on Leased land</u>	<u>Machinery & Equipment</u>	<u>Leasehold Improvements</u>	<u>Vehicles</u>	<u>Furniture, Fixtures & Office Equipment</u>	<u>Tools</u>	<u>Capital Works in Progress*</u>	<u>Total</u>
Cost:								
Balance as at January 1, 2022	36,894,418	257,918,606	11,838,079	3,619,168	9,210,526	653,564	4,412,975	324,547,336
Additions during the period	10,030	69,526	-	-	243,229	-	7,888,548	8,211,333
Transferred from Capital Works in Progress	-	1,139,964	-	-	-	-	(1,139,964)	-
BALANCE AS AT SEPTEMBER 30, 2022	36,904,448	259,128,096	11,838,079	3,619,168	9,453,755	653,564	11,161,559	332,758,669
Accumulated Depreciation:								
Balance as at January 1, 2022	28,097,230	135,647,412	884,475	3,163,628	8,363,365	124,746	-	176,280,856
Depreciation for the period	882,167	4,310,670	266,357	207,853	269,330	60,500	-	5,996,877
BALANCE AS AT SEPTEMBER 30, 2022	28,979,397	139,958,082	1,150,832	3,371,481	8,632,695	185,246	-	182,277,733
Net book value:								
BALANCE AS AT SEPTEMBER 30, 2022	7,925,051	119,170,014	10,687,247	247,687	821,060	468,318	11,161,559	150,480,936
BALANCE AS AT DECEMBER 31, 2021	8,797,188	122,271,194	10,953,604	455,540	847,161	528,818	4,412,975	148,266,480

- Major of property , plant, and equipment are pledged to The Saudi Industrial Development Fund (SIDF) opposite the received loans (Note 13).
- Property , Plant, and Equipment as of September 30, 2022 includes assets which fully depreciated and still work, with cost amounting to 76,646,125 SAR.

*Capital works in progress are represented in the following:

	<u>September 30, 2022 (Unaudited)</u>	<u>December 31, 2021 (Audited)</u>
Machinery and Equipment	10,280,309	3,531,725
Programs and Computer's system	881,250	881,250
	11,161,559	4,412,975

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5- **RIGHT OF USE ASSETS AND LEASE LIABILITIES, NET**

A- **Right of use assets (net)**

The Group leases two Lands from the Saudi Authority for Industrial Cities and Technology Zones, "Modon" in the second industrial city in Riyadh, one of them is the Company's factory and its subsidiary, and other which is a residential building in the city. Contracts end on Rajab 27, 1457 H corresponding to September 06, 2035. Contracts are renewable after the approvals of the parties.

	<u>September 30,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Cost:		
Balance at the beginning of the period/year	9,426,841	9,426,841
Balance at the ending of the period/year	9,426,841	9,426,841
Accumulated amortization:		
Balance at the beginning of the period/year	2,480,750	1,984,600
Amortization of the period/year – (Included in the cost of revenue)	372,110	496,150
Balance at the ending of the period/year	2,852,860	2,480,750
Net Book value at the end of the period /Year	6,573,981	6,946,091

B- **The deferred lease liabilities and financing expenses resulting from these contracts are as follows:**

	<u>September 30, 2022 (Unaudited)</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Liabilities from lease contracts	780,024	9,360,298	10,140,322
Deferred financing expenses	(366,360)	(2,446,750)	(2,813,110)
Balance at the ending of the period/year	413,664	6,913,548	7,327,212

	<u>December 31, 2021 (Audited)</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Liabilities from lease contracts	780,024	10,140,312	10,920,336
Deferred financing expenses	(386,059)	(2,813,090)	(3,199,149)
Balance at the ending of the period/year	393,965	7,327,222	7,721,187

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

<u>Year</u>	<u>Minimum future lease payments</u>
2023	780,024
2024	780,024
2025	780,024
After that	7,800,250
	10,140,322

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6- INVENTORIES, Net

	<u>September 30, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Raw material	22,471,743	28,412,904
Work In Progress	11,592,347	12,386,552
Finished goods	20,606,832	12,417,170
Spare parts	7,562,365	7,525,857
Materials and other supplies	4,947,327	2,936,221
Goods in Transit	1,992,418	3,065,326
	<u>69,173,032</u>	<u>66,744,030</u>
Less: Provision for slow moving inventory	(2,880,588)	(3,749,919)
	<u>66,292,444</u>	<u>62,994,111</u>

6-1 The movement of the provision for slow moving inventory is as follows:

	<u>September 30, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Balance at the beginning of the period/year	3,749,919	4,699,919
No longer required, during the period/year	(869,331)	(950,000)
Balance at the end of the period/year	<u>2,880,588</u>	<u>3,749,919</u>

7- TRADE RECEIVABLES, Net

	<u>September 30, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Trade receivables	63,265,869	54,836,445
Less :		
Expected credit losses	(9,256,537)	(6,805,495)
Trade Receivables(Net)	<u>54,009,332</u>	<u>48,030,950</u>

7-1 The fair value of the financial assets listed above approximates the book value. There are no penalties for late payments The trade receivables disclosed above include amounts past due on the invoice date (aging analysis of overdue trade receivables below). At the end of the reporting period, the Group did not make any additional provisions for doubtful debts because there were no significant changes in the credit quality of the debtors.

7-2 The movement of the expected credit losses is as follows:

	<u>September 30, 2022</u> (Unaudited)	<u>December 31, 2021</u> (Audited)
Balance at the beginning of the period/year	6,805,495	2,915,420
Additions during the period/year	2,451,042	4,044,137
Utilized during the period/year	-	(154,062)
Balance at the end of period/year	<u>9,256,537</u>	<u>6,805,495</u>

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7-3 The aging of trade receivables as at the date of the financial statements were as follows:

	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Not due	33,988,270	31,664,223
from 0 to 60 days - After the due date	12,991,222	11,566,548
from 60 to 90 days - After the due date	2,839,303	4,577,249
from 90 to 365 days - After the due date	6,727,537	1,752,199
More than 365 days - After the due date	6,719,537	5,276,226
	<u>63,265,869</u>	<u>54,836,445</u>

8- PREPAYMENTS AND OTHER RECEIVABLES

	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Advance payments to suppliers	6,857,737	5,116,265
Accrued bonus from suppliers	5,478,563	6,639,019
Prepaid expenses	3,942,091	4,200,600
Value added tax for the Parent Company	-	1,467,355
Value added tax for the Subsidiary	319,860	-
Staff receivables	442,148	570,376
Letters of credit	358,235	246,428
Other debit receivables	713,620	320,180
	<u>18,112,254</u>	<u>18,560,223</u>

9- INVESTMENTS IN EQUITY AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Balance at the beginning of the period /year	6,513,192	37,989,409
Additions for the period /year	846,464	4,403,283
Disposals for the period /year	(4,110,667)	(37,718,348)
Unrealized gain from investments at fair value through profit or loss	2,410,299	804,832
Realized gain of investments at fair value through profit or loss	372,204	1,034,016
	<u>6,031,492</u>	<u>6,513,192</u>

The balance of investments as of September 30, 2022 is mainly represented in shares in listed company in the Saudi financial market. The Group has classified these investments through profit and loss according to fair value. When sold during the financial period ending on September 30, 2022 profit 372,204 SR, the Group resulted in a profit of Saudi riyals, which was presented within the profits from financial investments at fair value in the statement of profit or loss.

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10- CASH AND CASH EQUIVALENTS:

	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
Cash on hand	892,571	165,681
Cash at banks – current accounts	3,665,207	11,968,119
	<u>4,557,778</u>	<u>12,133,800</u>

11- SHARE CAPITAL:

On September 30, 2022 The Company's capital was determined at SR 115,000,000 (2021: SR 115,000,000), divided into 11,500,000 shares (2020: 11 500 000 shares), the value of each is SR 10, fully paid.

12- STATUTORY RESERVE:

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

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

13- LOANS:

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

	<u>Note</u>	<u>September 30, 2022</u> <u>(Unaudited)</u>	<u>December 31, 2021</u> <u>(Audited)</u>
Saudi Industrial Development Fund Loan	(13-1)	38,546,960	37,886,808
Riyadh Bank	(13-2)	34,798,440	38,116,346
Albilad Bank	(13-3)	17,758,158	22,657,781
		<u>91,103,558</u>	<u>98,660,935</u>

13-1 Saudi Industrial Development Fund Loan:

During 2008, the Parent Company signed an agreement with the Saudi Industrial Development Fund, in total amounting SR 38.3 million to finance the expansion of the factory, through the purchase of production lines for the manufacturing of plastic cement bags and the expansion of the large bags division and container liner manufacturing machines. During 2021, the Parent Company signed an agreement with the Saudi Industrial Development Fund, in total amounting SR 15.1 million to finance the Purchasing new machines to raise production capacity. During 2022, the Parent Company signed an agreement with the Saudi Industrial Development Fund, in total amounting SR 5.78 million to finance the working capital.

During 2018, the subsidiary Company signed an agreement with the Saudi Industrial Development Fund, in total amounting SR 35.3 million.

Guarantees : the mortgage of the Property, Plant & Equipment – Note 5 - in order to finance the development of the factory's production lines, and the details of loan is as follows:

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13-LOANS (CONTINUED)

13-1 Saudi Industrial Development Fund Loan (Continued):

	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Total granted loan and facilities	88,137,000	82,357,000
Paid from the loan	(48,107,000)	(42,707,000)
Granted loan at the end of the period/year	40,030,000	39,650,000
Prepaid administrative fees	(1,483,040)	(1,763,192)
Balance at the end of the period/year	38,546,960	37,886,808
Current portion	12,779,313	4,895,526
Non-current portion	25,767,647	32,991,282
	38,546,960	37,886,808

- The administrative fees paid in advance represent amounts of administrative fees paid on the loan granted by the Saudi Industrial Development Fund and are amortized over the periods of the loan repayment. The amortization expense charged to the statement of comprehensive income during the period ending on September 30, 2022 amounted to 381,302 SAR (September 30,2021: 421,127 SAR).
- The Company bears additional expenses by the Saudi Industrial Development Fund during the term of the loan, which are project follow-up expenses, and it is charged to the statement of comprehensive income on an accrual basis. Expenses charged to statement of comprehensive income during the period ended September 30, 2022 amounted to 297,000 SAR (September 30, 2021: 362,582 SAR).

13-2 Riyadh Bank

At April 9, 2017, the Group signed an Islamic finance agreement with Riyadh Bank, amounting to SR 49 million, for the purpose of partial finance of a project to produce one of the manufacturing products of the subsidiary that was established during 2017 for this purpose. At March 28, 2018, the Islamic finance agreement was renewed and the finance limit increased to SR 72 million, in July 19, 2018, the Group reduced the value of the financing by canceling the short-term temporary loan SR 21 million, to be the finance limit to SR 51 million. At March 10, 2019, the group raised the value of the finance by increasing the long-term facilities by SR 15 million and amending the credit limits for short-term facilities to bring the total of the short-term facilities to SR 25 million, and the finance limit is SR 66 million, On May 15, 2022, the group renewed the facilities and it expired on April 13, 2024 , and the credit limit became 77.24 million Saudi riyals, used from the credit limit until September 30, 2022 (34.79 million Saudi riyals, and the contingent liabilities amounted to 4,886,138 Saudi riyals (note - 20). **Guarantees** : financing is secured by signing a promissory note from the group for the total amount of financing.

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13- LOANS (CONTINUED)

13-3 Albilad Bank

On September 16, 2018, the Group signed a Islamic-compliant credit facility contract with Bank Albilad in the amount of 30 million Saudi riyals, for the purpose of obtaining a short-term Murabaha to finance the working capital of the company and its subsidiary. The group renewed the facility contract on April 18, 2022, and the credit limit became 18.90 million Saudi riyals. **Guarantees :** financing is secured by signing a promissory note from the group for the total amount of financing.

- Loans classification in the statement of financial position:

		<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
13-A Non-current portion of long-term loans			
Saudi Industrial Development Fund	(13-1)	25,767,647	32,991,282
Riyadh Bank	(13-2)	22,917,033	23,689,423
		48,684,680	56,680,705
13-B Current portion of long-term loans			
Saudi Industrial Development Fund	(13-1)	7,092,034	4,895,526
Riyadh Bank	(13-2)	10,920,915	8,426,923
		18,012,949	13,322,449
13-C Short term loans			
Saudi Industrial Development Fund Loan	(13-1)	5,687,279	-
Riyadh Bank	(13-2)	960,492	6,000,000
Albilad Bank	(13-3)	17,758,158	22,657,781
		24,396,929	28,657,781
		91,103,558	98,660,935

14- ACCRUED AND OTHER LIABILITIES:

	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Accrued expenses	7,598,037	8,826,195
Advanced payment from receivables	6,416,568	2,353,143
Accrued dividends*	5,149,274	5,149,274
Value added tax on the Parent Company	673,119	-
Value added tax on the subsidiary	-	524,564
Other payables	280,782	608,862
	20,117,780	17,462,038

* The dividends not claimed by the shareholders for the years from 2003 to 2007 amounted to SR 5,149,274 as at September 30, 2022 (December 31, 2021: SR 5,149,274).

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

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15- EARNING PER SHARE :

	<u>For the three months period ended</u>		<u>For the nine months period ended</u>	
	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2021</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>September 30,</u> <u>2021</u> <u>(Unaudited)</u>
Net income / (loss) for the period	2,250,625	(3,443,535)	3,506,980	(10,185,267)
Weighted average of shares	11,500,000	11,500,000	11,500,000	11,500,000
Basic and diluted share				
Income / (loss) from net profit / (loss) for the period	0.20	(0.30)	0.30	(0.89)

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

16- EMPLOYEE DEFINED BENEFITS OBLIGATIONS:

	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Balance as at the beginning of the period/year	12,504,280	11,304,488
Add: included in the statement of other comprehensive income		
Current service cost	1,510,920	1,990,809
Interest cost	296,440	344,941
	1,807,360	2,335,750
Less :Actuarial losses*	-	(447,357)
Movement in cash:		
Less :Benefits paid of the period/year	(543,471)	(688,601)
Balance at the end of the period/year	13,768,169	12,504,280

The current service cost has been charged as follows:

	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Activity cost	924,963	1,453,887
Selling and distribution expenses	261,324	161,004
General and administrative expenses	324,633	375,918
	1,510,920	1,990,809

* The assessment of employees' defined benefit obligations is prepared with the assistance of the Group's actuary at the end of each year.

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16- DEFINED EMPLOYEE BENEFIT OBLIGATIONS (CONTINUED)

16-2 Actuarial Assumptions:

The assessment of the defined benefit obligations of the employees' end of service benefit plan has been prepared with the assistance of the Group's actuary using the following key assumptions:

	<u>2022</u>	<u>2021</u>
Discount rate	3.16% - 3.17%	3.16% - 3.17%
Expected rate of salary increase	4.5%	4.5%
Assumed retirement age for males (in years)	55-65	55-65
Assumed retirement age for females (in years)	55-65	55-65
Average turnover rate (staff turnover)	Average 12 %	Average 12%
Death rate	AM 92 Ultimate	AM 92 Ultimate

17- PROVISION FOR ZAKAT:

17-1 Zakat provision movements:

	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Opening balance period/year	2,671,120	3,011,577
Charged during the period /year	2,970,000	3,044,006
Adjustments	-	952,550
Paid during the period/year	(2,698,628)	(4,337,013)
Balance at the end of the period/year	<u>2,942,492</u>	<u>2,671,120</u>

17-2 Zakat Status:

Group consolidated Zakat declaration

During the year 2021, the group obtained the approval of General Authority of Zakat and Tax to file a consolidated zakat declaration for the parent Company and its subsidiary Company.

Filling and Packaging Material Manufacturing Company (Parent Company)

Years from 2013 to 2016

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

Years from 2017 to 2018

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

Year 2019,2020

During the year 2021, Zakat, Tax and Customs Authority issued a zakat assessment, resulting zakat differences due for payment on the group for the years 2019 and 2020 amounting to SR 718,022, and the company paid it, the zakat assessment for the year 2020 includes the differences in the consolidated return of its subsidiaries.

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17-PROVISION FOR ZAKAT:

FPC Company (Subsidiary)

Years till 2019

The Company submitted the zakat declaration for this years and obtained a certificate, During the year 2022, Zakat, Tax and Customs Authority issued a zakat assessment, resulting zakat differences due for payment for the year 2019 amounting to SR 4,730.

Year 2020

During the year 2021, the Zakat, Tax and Customs Authority issued a zakat assessment on the consolidated return of the parent company and its subsidiary company, and this resulted in zakat differences due for payment on the group as shown in the zakat Status of the parent company.

18- UNUTILIZED CAPACITY

During the period ended September 30, 2022 there is not unutilized capacity from production expenditures in accordance with International Accounting Standard No. (2) "Inventory". This amounted during the period ending (September 30, 2021: 1,056,787 Saudi riyals).

19- THE ACQUISITION OF SUBSIDIARY

The parent company acquired the full shares in FPC for Industry (the subsidiary company). During the month of March 2020, the company signed an agreement requiring the partner to waive his full 20% shares in FPC for Industry with its rights and obligations in favor of the parent company, in exchange for obtaining On the percentage of 20% of the net accounting profit according to the audited financial statements at the end of each fiscal year for a period of ten years only (the period of validity of the agreement) until the end of the fiscal year ending on December 31, 2029, and accordingly, the company prepared a study of the contingent liability was calculated according to For the best estimate in light of the available data, as this potential liability as on September 30, 2022 amounted to 20,631,926 SR (December 31, 2021: 19,564,865 Saudi riyals), it has been classified under the non-current liabilities in the financial position list, and this potential liability will be re-assessed Periodically, throughout the term of the agreement, this acquisition resulted in an amount of 25,358,702 Saudi riyals, which represents the difference in the purchase of the rights of the non-controlling interest, which has been classified under the equity clause. The following is a statement of the contingent liability movement and the non-controlling interest purchase difference as on September 30, 2022 and December 31, 2021:

19-1 Contingent Liability against Non-Controlling Interests Acquisition

	<u>September 30, 2022</u>	<u>December 31, 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Opening balance period/year	19,564,865	20,325,000
Change in liability during the period /year	-	(2,182,883)
Interest expense during the period/year	1,067,061	1,422,748
Balance at the ending of the period/year	20,631,926	19,564,865

20- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

- As of September 30, 2022, the amount of the contingent liabilities related to the banks' letters of guarantee and letters of credit which issues by domestic banks on behalf of the group amounted to 4,886,138 SR (December 31, 2021: SR 17,694,629).
- As of September 30, 2022 the capital commitments for the group amounted to 220,753 SR (December 31, 2021: SR 8,322,430).

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21- SEGMENTS REPORTS

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

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

An operating segment is a component of the Group that engages in business activities from which

The segment represents the group's activities for the period as follows:

September 30, 2022 (Unaudited)				
	<u>Packing & Packaging Sector</u>	<u>Technical Textiles Sector</u>	<u>Intercompany transactions</u>	<u>Total</u>
Revenues	155,976,635	40,687,394	-	196,664,029
Cost of revenues	(128,381,781)	(38,110,351)	188,130	(166,304,002)
Gross profit	27,594,854	2,577,043	188,130	30,360,027
September 30,2021 (Unaudited)				
	<u>Packing & Packaging Sector</u>	<u>Technical Textiles Sector</u>	<u>Intercompany transactions</u>	<u>Total</u>
Revenues	124,588,908	37,679,360	-	162,268,268
Cost of revenues	(110,551,700)	(32,175,062)	188,130	(142,538,632)
Gross profit	14,037,208	5,504,298	188,130	19,729,636

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

September 30, 2022 (Unaudited)				
	<u>Packing & Packaging Sector</u>	<u>Technical Textiles Sector</u>	<u>Intercompany transactions</u>	<u>Total</u>
Non-current assets	132,401,836	82,823,649	(58,170,568)	157,054,917
Total assets	289,915,936	134,598,296	(118,456,015)	306,058,217
Total liabilities	133,298,992	109,449,697	(60,285,447)	182,463,242
December 31,2021 (Audited)				
	<u>Packing & Packaging Sector</u>	<u>Technical Textiles Sector</u>	<u>Intercompany transactions</u>	<u>Total</u>
Non-current assets	93,604,360	84,038,191	(22,429,980)	155,212,571
Total assets	268,733,461	125,212,836	(90,501,450)	303,444,847
Total liabilities	123,537,589	111,719,641	(51,900,378)	183,356,852

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
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21-SEGMENTS REPORTS (CONTINUED)

Geographical segment

A geographic sector is a group of assets, operations, or companies that carry out revenue-generating activities in a specific economic environment that are subject to risks and returns that are different from those operating in other economic environments. The group's operations are mainly conducted in the Kingdom of Saudi Arabia. The financial information presented, which represents revenue during the period, is classified according to geographical sectors as follows:

	For the three months period ended			
	September 30,	%	September 30,	%
	2022		2021	
	(Unaudited)		(Unaudited)	
Kingdom of Saudi Arabia	45,503,534	72.79	34,198,877	62.26
Other countries	17,006,093	27.21	20,726,054	37.74
	62,509,627		54,924,931	
	For the Nine months period ended			
	September 30,	%	September 30,	%
	2022		2021	

	(Unaudited)		(Unaudited)	
Kingdom of Saudi Arabia	138,348,036	70.35	106,701,562	65.76
Other countries	58,315,993	29.65	55,566,706	34.24
	196,664,029		162,268,268	

22- THE TRANSACTIONS WITH RELATED PARTIES

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

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

	September 30, 2022 (Unaudited)			
	Members of boards of directors	Key management personnel and senior executives	Members of the committees emanating from the Board of Directors	Total
Salaries and wages	-	2,073,121	-	2,073,121
Allowances	97,500	728,485	18,000	843,985
Bonus	540,000	-	187,500	727,500
	637,500	2,801,606	205,500	3,644,606
	September 30, 2021 (Unaudited)			
	Members of boards of directors	Key management personnel and senior executives	Members of the committees emanating from the Board of Directors	Total
Salaries and wages	-	1,663,860	-	1,663,860
Allowances	66,000	583,434	30,000	679,434
Bonus	540,000	670,000	187,500	1,397,500
	606,000	2,917,294	217,500	3,740,794

23- FINANCIAL INSTRUMENTS:

23-1 Fair value measurement of financial instruments

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

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

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

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

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

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

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. During the period/year ended September 30, 2022 and December 31, 2021, there were no transfers between Level 1 and Level 2 fair value levels.

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

23-2 Financial instruments risk management:

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

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

Financial risk management framework

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

The Board of Directors has overall responsibility for establishing and overseeing the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The work team conducts meetings regularly,

and any changes or matters related to compliance with policies are reported to the Board of Directors through the Audit Committee.

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23- FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Market risk

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

Interest rate risk

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

<u>Financial instruments at interest rates variable</u>	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Short & long term loans	52,556,598	60,774,127

Foreign currency risk:

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

credit risk

Credit risk is the risk that one party to a financial instrument will fail to meet its obligations, which will lead to the other party incurring a financial loss. The Group is exposed to credit risk on its bank balances and receivables as follows:-

Financial asset

	<u>September</u> <u>30, 2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Trade receivables (Net)	54,009,332	48,030,950
Cash and cash equivalent	4,557,778	12,133,800
Other debit receivables	7,312,426	9,040,054
	<u>65,879,536</u>	<u>69,204,804</u>

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each individual customer. However, management also considers factors that may have an impact on the credit risk of the group's customer base, including the risk of default in the customer's sector. The Group establishes an allowance for expected credit losses, which on September 30, 2022 amounted to 9,256,537 SR (December 31, 2021 amounted to SR 6,805,495).

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23-FINANCIAL INSTRUMENTS (CONTINUED)

The Group maintains cash in the fund and with banks as of September 30, 2022, in the amount of 4.6 million Saudi riyals (December 31, 2021: 12.1 million Saudi riyals). Liquidity risk represents the risk that the group will encounter difficulty when meeting its obligations associated with its settled financial liabilities. By paying in cash or through other financial assets, the Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity, as far as possible, to meet its obligations as they fall due, under normal and stressed conditions, without incurring losses or jeopardizing the Group's reputation.

Liquidity risk:

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

Capital management:

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

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

	<u>September 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2021</u> <u>(Audited)</u>
Total liabilities	182,463,242	183,356,852
Less: Cash and cash equivalent	(4,557,778)	(12,133,800)
Net liabilities	177,905,464	171,223,052
Total Equity	123,594,975	120,087,995
Ratio of debt to adjusted capital	1.44	1.43

24- SIGNIFICANT EVENTS:

The Board of Directors decided in its meeting held on Rajab 20, 1443 AH corresponding to February 21, 2022 G, to recommend to the Extraordinary General Assembly to increase the company's capital by issuing Pre-emptive shares with a total amount of SR 115 million, provided that the eligibility is for the shareholders who own the shares on the day of the Extraordinary General Assembly which It will be decided to increase the capital by offering Pre-emptive shares, whose names appear in the issued company's shareholder register at the Depository Center at the end of the second trading day following the date of that assembly, after obtaining the approvals of the relevant official authorities and the extraordinary general assembly.

The company submitted a file for approval to increase the company's capital by offering priority rights shares to the Capital Market Authority on August 9, 2022, through the financial advisor appointed for this purpose (Capital Brokerage), and the company announced this on the Saudi Stock Exchange website (Tadawul) on August 10, 2022, until now, pending the approval of the Capital Market Authority, in order to call for the Extraordinary Assembly.

25- SUBSEQUENT EVENTS:

Except as mentioned in note (24), the Group management believes that there are no significant subsequent events since the end of the period that may require disclosure or amendment to these interim condensed consolidated financial statements.

26- INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS APPROVAL

The interim condensed consolidated Financial Statements have been approved by Board of Directors on 6 Rabi al Thani 1444 H corresponding to 31 October 2022 G .