ZAHRAT AL WAHA FOR TRADING COMPANY

(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2022
<u>WITH INDEPENDENT AUDITOR'S REPORT</u>

ZAHRAT AL WAHA FOR TRADING COMPANY

(A Saudi Joint Stock Company)

INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

الدكتور محمد العمري وشركاه
Dr. Mohamed Al-Amri & Co.

Head office: Moon Tower - 8 Floor
P.O. Box 8736, Riyadh 11492
Unified Number : 92 002 4254
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INDEPENDENT AUDITOR'S REPORT

To The Shareholders of
Zahrat Al Waha For Trading Company
A Saudi Joint Stock Company

Riyadh - Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zahrat Al Waha For Trading Company - a Saudi Joint Stock Company ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and the notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements endorsed 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 professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the Company's financial statements, and we have fulfilled our 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.

Other Matter

The Company's financial statements for the year ended 31 December 2021 were audited by another auditor, who expressed an unmodified opinion on those financial statements in his report dated 30 Rajab 1443 H corresponding to 3 March 2022.

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Independent Auditors' Report for the audit of Zahrat Al Waha for Trading Company's financial statements for the year ended 31, December 2022 (continued)

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.

Key audit matter (1)	How the matter was addressed during our audit
Revenue Recognition	
During the year ended 31 December 2022, revenue from sales of SR 624.7 million was recognized. Revenue from sales is recognized when the customer obtains control of the goods and this is done when the goods are accepted and delivered to the customer and the sales invoice is issued in accordance with the requirements of International Financial Reporting Standard No. (15) Revenue from Contracts with Customers. The recognition of revenue from sales was considered as one of the key audit matters, given that revenue from sales is one of the key performance indicators that include inherent risks of overstating revenue from sales.	Our audit procedures relating to recognition of revenue from sales included, among others, the following: - Assessed the appropriateness of the company's accounting policies relating to revenue recognition from sales, including those relating to discounts, as well as the extent of compliance with the requirements of applicable accounting standards; - Conducted analytical review procedures based on available information and compared it to the previous year, determining if there were any significant trends or changes that required additional audit procedures; - Tested samples of revenue from sales transactions during the year and assessed the appropriateness of management's estimates of performance obligations. - Performed Cut-off procedures on the timing of revenue recognition from sales after the products were delivered to the customers and recognized during the correct accounting period; - Inquired from 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. - Evaluate the adequacy of the financial statements' disclosures.
For more details, refer to notes No. (5-17) regarding the accounting policy, (29-2) and (29-3) regarding the segment report, explaining the revenues in details.	

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Independent Auditors' Report for the audit of Zahrat Al Waha for Trading Company's financial statements for the year ended 31, December 2022 (continued)

Key audit matters (continued)

Key audit matter (2)	How the matter was addressed during our audit
Expected credit losses in the balance of trade receivables	
As at 31 December 2022, the net trade receivables balance amounted to SR 195.7 million, and the balance of expected credit losses amounted to SR 27.49 million. The Company's management applied a simplified expected credit loss model to determine the impairment of the trade receivable in accordance with the requirements of International Financial Reporting Standard No. (9) Financial Instruments. Given that the expected credit loss model is based on significant estimates and assumptions, we have considered the application of International Financial Reporting Standard No. 9 and calculating the impairment in trade receivables balances as one of the key audit matters.	Our audit procedures relating to expected credit losses on trade receivable balances included, among others, the following: - Assessed the appropriateness of accounting policies related to credit losses in trade receivable balances and assessed the compliance with the requirements of applicable accounting standards; - Obtained an understanding of the procedure for determining credit losses in trade receivables; - Assessed the Validity and classification of trade receivables in the ageing of trade receivables report by matching a sample of trade receivables ageing items with invoices and supporting documents; - Assessed the underlying assumptions and estimates used by management, including those related to future economic events used in calculating the probability of default and expected loss given default and testing the mathematical accuracy of the expected credit loss model; - Assessed the adequacy of the financial statements' disclosures.
For more details, refer to notes No. (4-2) regarding accounting estimates, (5-4-3) regarding accounting policy, (12) regarding trade receivables, (27-2-1) regarding the credit quality of financial assets.	

Other information

Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information included in its annual report.

Our opinion on the financial statements does not cover 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 identified above 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.

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Independent Auditors' Report for the audit of Zahrat Al Waha for Trading Company's financial statements for the year ended 31, December 2022 (continued)

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 International Financial Reporting Standards ("IFRSs") that are endorsed in the kingdom of Saudi Arabia, and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Article of Association, and for such internal control as the management determine 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 the Management either intend to liquidate the Company or to cease operations, or has no realistic alternative but not to do so.

Those Charged with Governance, in particular the Audit Committee, 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 the 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the company's financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditors' Report for the audit of Zahrat Al Waha for Trading Company's financial statements for the year ended 31, December 2022 (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 period 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 Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

د. محمد العمري وشركاه - محاسبون قانونيون
س. ت : ١٠١٠٤٣٣٩٨٢
Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Date: 14 Shaaban 1444H
Corresponding to: 6 March 2023

ZAHRAT AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Saudi Riyals)

	Notes	**31 December 2022**	31 December 2021
ASSETS			
Property, plant and equipment	7	**219,141,011**	220,237,506
Investment properties	8	**1,674,000**	1,674,000
Intangible assets	9	**1,459,011**	1,467,976
Non-current assets		**222,274,022**	223,379,482
Inventories	10	**97,587,857**	81,021,324
Investments at fair value through profit or loss	11	**18,163,446**	-
Trade receivables	12	**195,720,141**	185,201,975
Prepayments and other receivables	13	**48,767,926**	28,920,605
Cash and cash equivalents	14	**1,792,722**	48,740,619
Current assets		**362,032,092**	343,884,523
TOTAL ASSETS		**584,306,114**	567,264,005
EQUITY			
Share capital	15	**225,000,000**	150,000,000
Statutory reserve		**25,903,683**	24,329,766
Retained earnings		**44,384,175**	127,718,929
Other reserves	16	**476,919**	(140,344)
TOTAL EQUITY		**295,764,777**	301,908,351
LIABILITIES			
Long-term loans	18-b	**10,530,000**	23,153,280
Employees' benefits	19-1	**2,243,626**	2,416,207
Non-current liabilities		**12,773,626**	25,569,487
Short-term loans	18-a	**230,968,712**	166,313,802
Long-term loans – current portion	18-b	**12,623,280**	36,723,939
Trade payables		**18,366,466**	23,104,300
Accrued expenses and other payables	17	**6,750,564**	6,188,708
Zakat provision	20-6	**6,896,035**	7,292,764
Dividend payables	24	**162,654**	162,654
Current liabilities		**275,767,711**	239,786,167
TOTAL LIABILITIES		**288,541,337**	265,355,654
TOTAL EQUITY AND LIABILITIES		**584,306,114**	567,264,005

These financial statements have been approved by the Board of Directors on 10 Shaaban 1444H (corresponding to 2 March 2023) and signed by:

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

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

ZAHRAT 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 2022
(Saudi Riyals)

	Notes	For the year ended 31 December 2022	2021
Sales		**624,740,216**	549,011,303
Cost of sales	21	**(567,043,787)**	(461,185,281)
Gross profit		**57,696,429**	87,826,022
Selling and distribution expenses	22	**(10,059,837)**	(9,170,372)
General and administrative expenses	23	**(7,817,180)**	(7,326,165)
Expected credit losses on trade receivables	12	**(2,432,521)**	(1,739,670)
Impairment in inventory value	10	**(4,503,328)**	-
Other income/(expenses)		**2,055,838**	2,297,210
Operating profit		**34,939,401**	71,887,025
Unrealized losses from revaluation of investments at fair value through profit or loss	11	**(2,767,894)**	-
Realized (loss)/gain from sale of investments at fair value through profit or loss	11	**(184,522)**	6,167,832
Dividends received from investments at fair value through profit or loss	11	**316,516**	316,906
Finance costs	18-c	**(12,575,607)**	(7,615,435)
Profit before Zakat		**19,727,894**	70,756,328
Zakat	20-6	**(3,988,731)**	(6,184,645)
Profit for the year		**15,739,163**	64,571,683
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurements of employees' benefits	19-1	**617,263**	(2,230)
Total other comprehensive income		**617,263**	(2,230)
Total comprehensive income		**16,356,426**	64,569,453
Basic and diluted earnings per share (SR)	26	**0.70**	2.87

These financial statements have been approved by the Board of Directors on 10 Shaaban 1444H (corresponding to 2 March 2023) and signed by:

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

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

ZAHRAT AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
(Saudi Riyals)

	Notes	Share capital	Statutory reserve	Retained earnings	Other reserves	Total
Balance as at 1 January 2021		150,000,000	17,872,598	84,604,414	(138,114)	252,338,898
Profit for the year		-	-	64,571,683	-	64,571,683
Other comprehensive income		-	-	-	(2,230)	(2,230)
Total comprehensive income		-	-	64,571,683	(2,230)	64,569,453
Dividends distributed		-	-	(15,000,000)	-	(15,000,000)
Transferred to statutory reserve		-	6,457,168	(6,457,168)	-	-
Balance as at 31 December 2021		150,000,000	24,329,766	127,718,929	(140,344)	301,908,351
Balance as at 1 January 2022		**150,000,000**	**24,329,766**	**127,718,929**	**(140,344)**	**301,908,351**
Profit for the year		-	-	**15,739,163**	-	**15,739,163**
Other comprehensive income		-	-	-	**617,263**	**617,263**
Total comprehensive income		-	-	**15,739,163**	**617,263**	**16,356,426**
Additional Capital		**75,000,000**	-	**(75,000,000)**	-	-
Dividends distributed	24	-	-	**(22,500,000)**	-	**(22,500,000)**
Transferred to statutory reserve		-	**1,573,917**	**(1,573,917)**	-	-
Balance as at 31 December 2022		**225,000,000**	**25,903,683**	**44,384,175**	**476,919**	**295,764,777**

These financial statements have been approved by the Board of Directors on 10 Shaaban 1444H (corresponding to 2 March 2023) and signed by:

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

ZAHRAT AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Saudi Riyals)

	Notes	For the year ended 31 December 2022	2021
Cash flows from operating activities			
Profit before Zakat		**19,727,894**	70,756,328
Adjustments for:			
Depreciation and amortization	7, 9	**30,633,257**	30,846,453
Employees' benefits	19-1	**444,682**	493,034
Unrealized losses from revaluation of investments at fair value through profit or loss	11	**2,767,894**	-
Realized Losses /(Gains) from sale of investments at fair value through profit or loss	11	**184,522**	(6,167,832)
(Gains)/ Losses from disposal of property, plant and equipment		**(131,735)**	5,512
Gain from sale of investment properties		-	(1,443,000)
Finance costs	18-c	**12,575,607**	7,615,435
		66,202,121	102,105,930
Change In:			
Inventories		**(16,566,533)**	(3,524,060)
Trade receivables		**(10,518,166)**	(18,146,947)
Prepayments and other receivables		**(19,847,321)**	(6,190,909)
Trade payables		**(4,737,834)**	(6,517,300)
Accrued expenses and other payables		**561,857**	371,023
Zakat paid	20-6	**(4,385,460)**	(3,163,481)
Finance costs paid	18-c	**(1,291,379)**	(2,195,290)
Net cash generated from operating activities		**9,417,285**	62,738,966
Cash flows from investing activities			
Purchase of property, plant and equipment	7	**(29,527,798)**	(10,532,691)
Proceeds from disposal of property, plant and equipment		**131,735**	-
Purchase of investments at fair value through profit or loss	11	**(23,905,034)**	(21,705,707)
Proceeds from sale of investments fair value through profit or loss	11	**2,789,172**	50,210,248
Proceeds from sale of investment properties		-	2,418,000
Net cash (used in) / generated from investing activities		**(50,511,925)**	20,389,850
Cash flows from financing activities			
Proceeds from loans	18-c	**718,353,730**	589,841,900
Repayment of loans	18-c	**(701,706,987)**	(619,035,956)
Dividends Paid	24	**(22,500,000)**	(14,999,334)
Net cash used in financing activities		**(5,853,257)**	(44,193,390)

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

ZAHRAT AL WAHA FOR TRADING COMPANY
(A SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Saudi Riyals)

Net change in cash and cash equivalents		**(46,947,897)**	38,935,426
Cash and cash equivalents at beginning of the year		**48,740,619**	9,805,193
(deducted): Restricted Cash	**14**	**(150,000)**	
Cash and cash equivalents at the end of the year	**14**	**1,642,722**	48,740,619
The following non-cash transactions are excluded:			
Actuarial valuation (Gains)/Losses	**19-1**	**(617,263)**	2,230
Transfer from work in progress to intangible assets	**7, 9**	**210,098**	-
Transfer from work in progress to property, plant and equipment	**7, 9**	**9,360,772**	3,919,677

These financial statements have been approved by the Board of Directors on 10 Shaaban 1444H (corresponding to 2 March 2023) and signed by:

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

1- REPORTING ENTITY

Zahrat 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. On Shawwal 8, 1443 AH (corresponding to May 9, 2022), the company's extraordinary general assembly approved increasing the company's capital to SR 225 million, divided into 22.5 million ordinary shares, with a nominal value of SR 10 per share, by granting bonus shares to the company's shareholders as a transfer from the retained earnings.

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).

The legal procedures for amending the company's bylaws to convert it from a closed Saudi joint stock company to 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:

Zahrat 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

2-1 Statement of compliance

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

2-2 BASIS OF PREPARATION

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)

2-3 FUNCTIONAL AND PRESENTATION CURRENCY

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

3- FINANCIAL YEAR

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

4- 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. 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:

4-1 Going Concern

The company has no doubts about its ability to continue as a going concern. Accordingly, the financial statements have been prepared on the going concern basis.

4-2 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).

4-3 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).

4-4 Measurement of defined benefit obligations

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

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

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

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

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

4-5 Impairment of inventories

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

5 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 2021.

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

5-1 Property, plant and equipment

5-1-1 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.

5-1-2 Subsequent expenditures

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

5-1-3 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 and equipment	10-13.3 years
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.

5-2 Intangible assets

5-2-1 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.

5-2-2 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.

5-3 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.

5-4 Financial assets

5-4-1 Initial recognition and measurement

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

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

5-4-2 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.

Financial assets are measured at amortized cost if they meet both of the conditions below and are not allocated at fair value through profit or loss:

- If held within a business model aimed at holding assets in order to collect contractual cash flows. and

- If its contractual clauses generate, on specified dates, cash flows limited to payments of the principal amount and interest on the outstanding principal amount.

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

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

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

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

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

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized value is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of profit or loss. Any gain or loss on derecognition is recognized in statement of profit or loss.
Financial assets at FVOCI - Debt investments	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in statement of profit or loss. Other net gains and losses are recognized in statement of other comprehensive income. On derecognition, gains and losses accumulated in statement of other comprehensive income are reclassified to statement of profit or loss.
Financial assets at FVOCI - Equity Instruments	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.

5-4-3 Expected Credit loss 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.
An assessment of whether the credit risk of a financial instrument has increased significantly since its initial recognition is done by considering the change in the risk of default that occurs over the remaining life of the financial instrument.

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

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

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

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

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

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

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

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

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

5-5 Financial liabilities

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.

5-6 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

5-7 Inventories

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

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

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

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

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

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

5-8 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.

5-9 Employees' benefits

5-9-1 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.

5-9-2 Service benefit obligations

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

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

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.

5-10 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.

5-11 Zakat

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

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

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

5-12 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.

5-13 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.

5-14 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.

5-15 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.

5-16 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.

5-17 Revenue recognition

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

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.

5-18 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.

5-19 Segment reporting

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

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

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

6 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The company has applied the following new standards and amendments for the first time, for their annual reporting period commencing 1 January 2022:

6-1 Amendments to IAS 16, IAS37:

- IAS 16 "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment the amounts received from the sale of items produced while the company prepares an asset for its intended use. Instead, a company will recognize these sales proceeds and related costs in the profit statement or loss.

- IAS 37 "Provisions, Liabilities and Contingent Assets" specifies which costs a company includes when assessing whether a contract will be loss-making.

Standards issued but not yet effective:

6-2 Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted, however the Company has not early adopted them in preparing these financial statements.

- Amendments to IAS 1 "Presentation of Financial Statements", on the classification of liabilities.
These amendments to IAS 1 "Presentation of Financial Statements", clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period, classification is unaffected by the entity's expectations or events after the reporting date.

- Amendments to IAS 1, Practice Statement 2 and IAS 8.
The amendments aim to improve accounting policy disclosures and help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

- Amendments to IAS 12 "Deferred Tax" related to assets and liabilities arising from a single transaction
These amendments require companies to record deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

(Saudi Riyals)

7- PROPERTY, PLANT AND EQUIPMENT

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

	Lands	Buildings	Machinery and equipment	Motor vehicles	Tools and equipment	Furniture	Computers	Work in Progress (1)	Total
Cost:									
Balance at 1 January 2022	**34,767,131**	**35,448,867**	**289,031,434**	**3,608,072**	**316,603**	**681,014**	**2,081,379**	**22,958,315**	**388,892,815**
Additions	**-**	**370,860**	**294,975**	**257,292**	**8,700**	**25,922**	**45,213**	**28,671,550**	**29,674,512**
Disposals	**-**	**-**	**-**	**(798,250)**	**-**	**-**	**-**	**(146,714)**	**(944,964)**
Transfers during the year (2), (3)		**65,756**	**9,295,016**	**-**	**-**	**-**	**-**	**(9,570,870)**	**(210,098)**
Balance at 31 December 2022	**34,767,131**	**35,885,483**	**298,621,425**	**3,067,114**	**325,303**	**706,936**	**2,126,592**	**41,912,281**	**417,412,265**
Accumulated depreciation:									
Balance at 1 January 2022	**-**	**5,128,719**	**159,088,291**	**2,571,235**	**185,354**	**333,824**	**1,347,886**	**-**	**168,655,309**
Depreciation for the year	**-**	**1,067,840**	**28,626,537**	**367,142**	**29,530**	**65,560**	**257,586**	**-**	**30,414,195**
Disposals	**-**	**-**	**-**	**(798,250)**	**-**	**-**	**-**	**-**	**(798,250)**
Balance at 31 December 2022	**-**	**6,196,559**	**187,714,828**	**2,140,127**	**214,884**	**399,384**	**1,605,472**	**-**	**198,271,254**
Net book value:									
At 31 December 2022	**34,767,131**	**29,688,924**	**110,906,597**	**926,987**	**110,419**	**307,552**	**521,120**	**41,912,281**	**219,141,011**
Cost:									
Balance at 1 January 2021	30,452,860	35,448,867	284,908,151	3,180,750	290,603	676,515	2,029,626	21,626,064	378,613,436
Additions	4,314,271	-	256,106	613,322	26,000	9,299	56,253	5,251,928	10,527,179
Transfers during the year	-	-	(52,500)	(186,000)	-	(4,800)	(4,500)	-	(247,800)
Transferred to intangible assets	-	-	3,919,677	-	-	-	-	(3,919,677)	-
Balance at 31 December 2021	34,767,131	35,448,867	289,031,434	3,608,072	316,603	681,014	2,081,379	22,958,315	388,892,815
Accumulated Depreciation:									
Balance at 1 January 2021	-	4,065,216	130,362,039	2,412,015	155,515	269,809	1,002,719	-	138,267,313
Depreciation for the year	-	1,063,503	28,778,752	345,220	29,839	68,815	349,667	-	30,635,796
Disposals	-	-	(52,500)	(186,000)	-	(4,800)	(4,500)	-	(247,800)
Balance at 31 December 2021	-	5,128,719	159,088,291	2,571,235	185,354	333,824	1,347,886	-	168,655,309
Net book value:									
At 31 December 2021	34,767,131	30,320,148	129,943,143	1,036,837	131,249	347,190	733,493	22,958,315	220,237,506

1- 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 74,46 million, and these projects are expected to be completed during the second quarter of 2023, the net book value of land, buildings and plant is mortgaged against the loans amounting to SR 99,535,331 As at 31 December 2022 (31 December 2021: SR 113,643,858) (Note 18-B).
2- The transfers from work in progress during the year represent the value of the machinery and equipment for operating a new production line.
3- There are transfers to intangible assets from work in progress amounted to SR (210,098).

(Saudi Riyals)

8- INVESTMENT PROPERTIES

The company records all investment properties at cost. The investment property consists of plots of land as on 31 December 2022 in Muzahimiyah, with a total area of 12,113 square meters (2021: 12,113 square meters), The value of the investment property as of 31 December 2022 amounted to 1.7 million Saudi riyals (31 December 2021: 1.7 million Saudi riyals).

The fair value of the investment property as of 31 December 2022 amounted to 4.65 million Saudi riyals (2021: 4.21 million Saudi riyals), The fair value of the real estate investment was determined by an external real estate valuer independent of the company (Valuer: Qiam Real Estate Company, license number 804/18/323)The fair value of investment properties has been categorized as Level 2 fair value based on the inputs to the valuation method used.

9- INTANGIBLE ASSETS

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

	31 December 2022	31 December 2021
Cost:		
Balance at 1 January	**1,962,222**	1,962,222
Transferred from work in progress (note 7)	**210,098**	-
Balance at 31 December	**2,172,320**	1,962,222
Accumulated amortization:		
Balance at 1 January	**494,247**	283,589
Amortization during the year	**219,062**	210,657
Balance at 31 December	**713,309**	494,246
Net Book Value	**1,459,011**	1,467,976

10- INVENTORIES

	31 December 2022	31 December 2021
Raw materials and packaging materials	**37,884,113**	40,045,027
Finished goods	**52,732,452**	38,408,399
Goods in transit	**8,732,385**	-
Spare parts, supplies and oils	**2,742,235**	2,567,898
	102,091,185	81,021,324
Decrease in inventory value*	**(4,503,328)**	-
	97,587,857	81,021,324

***** The decrease in the value of inventory represented in raw materials and packaging materials with an amount of 1,588,583 Saudi riyals and finished goods with an amount of 2,914,745 Saudi riyals.

(Saudi Riyals)

11- INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Investments in shares of listed companies	**11,060,478**	-
Investments in an investment fund	**7,102,968**	-
Total investments	**18,163,446**	-

During the year 2022, the company invested in a portfolio of investment shares that are traded in the Saudi Stock Exchange (Tadawul), represented by investing in the equity of a diversified group of companies.

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

Equity investments are valued at fair value based on the traded prices of shares on the Saudi Stock Exchange (Tadawul). This resulted in realized losses of SAR 184,522 and unrealized losses amounted to SAR 2,767,894 and dividends received during the year amounted to SAR 316,516 which were presented in the profit or loss statement. The investment movement for the year ended December 31 is as follows:

	31 December 2022	31 December 2021
Cost of investment as at January 1	**-**	22,336,709
Purchase of investment units	**23,905,034**	21,705,707
Sale of invested units	**(2,789,172)**	(50,210,248)
Realized (Loss) / gains on sale of investments	**(184,522)**	6,167,832
Fair value differences for units	**(2,767,894)**	-
Balance as at 31 December	**18,163,446**	-

12- TRADE RECEIVABLES

	31 December 2022	31 December 2021
Trade receivables	**159,363,044**	160,067,358
Due from related parties (Note 28)	**63,854,435**	50,199,434
	223,217,479	210,266,792
Less: Expected Credit Loss of trade receivables	**(27,497,338)**	(25,064,817)
	195,720,141	185,201,975

The movement in Expected Credit Loss of trade receivables is as follows:

	31 December 2022	31 December 2021
Balance at beginning of the year	**25,064,817**	23,325,147
Net Movement during the year	**2,432,521**	1,739,670
Balance at end of the year	**27,497,338**	25,064,817

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

(Saudi Riyals)

13- PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
Suppliers - debit balances (*)	**21,032,226**	22,074,146
VAT, net	**-**	4,830,906
Pre-paid expenses	**2,278,280**	1,750,181
Advances to suppliers	**25,044,261**	227,572
Other assets	**413,159**	37,800
	48,767,926	28,920,605

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

14- CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	**1**	2,815
Bank balances (*)	**1,792,721**	48,737,804
	1,792,722	48,740,619

*There is a balance amounted 150,000 SAR in the banks considered as a restricted cash until the date of issuance of these financial statements.

For the purposes of preparing the statement of cash flows, the restricted cash balances mentioned above have been eliminated, As follows:

	31 December 2022	31 December 2021
Cash and cash Equivalent	**1,792,722**	48,740,619
(Deduct): Restricted Cash	**(150,000)**	-
	1,642,722	48,740,619

15- SHARE CAPITAL

As at 31 December 2022, the Company's authorized and fully paid-up share capital amounted to SR 225 million (2021: SR 150 million), divided by 22.5 million ordinary shares (2021: 15 million ordinary shares) of SR 10 per share (2021: SR 10 per share).

On 9 May 2022 (corresponding to 8 Shawwal 1443 H), the Extraordinary General Assembly of the Company approved the recommendation of the Board of Directors of the Company held on 15 November 2021 (corresponding to 10 Rabi' Al-Thani 1443 H) to increase the Company's capital from SAR 150 million to SAR 225 million by granting bonus shares to the Company's shareholders as a conversion from the retained profits by granting one share for every two shares due to the shareholders who own the shares at the end of trading on the Extraordinary General Assembly Day of the Company. Those who are registered in the Company's shareholders register at the Depository Center at the end of the second trading day following the date of the General Assembly. The Capital Market Authority approved the company's request for a capital increase on March 28, 2022, the company completed the procedures related to the capital increase on June 1, 2022 after fulfilling the regulatory requirements.

16- OTHER RESERVES

The balance represents the re-measurement of employees' benefits resulted from actuarial report, the balance as of 31 December 2022 SR 476,919 (31 December 2021: SR (140,344).

(Saudi Riyals)

17- ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2022	31 December 2021
Accrued expenses – electricity	**885,643**	1,246,610
Value Added Taxes	**1,240,874**	-
Accrued bonus	**885,743**	765,724
Remunerations and allowances of the Company's Board of Directors and Committees (Note 28)	**730,000**	638,000
Accrued expenses – consultations	**216,500**	498,412
Accrued air tickets	**555,960**	484,103
Leave Vacations entitlements Accruals	**451,304**	399,955
Advances from customers	**447,071**	54,489
Accrued expenses - unbilled goods	**-**	10,350
Others	**1,337,469**	2,091,065
	6,750,564	6,188,708

18- LOANS

a) Short-term loans

	31 December 2022	31 December 2021
Short-term loans (*)	**230,968,712**	166,313,802
	230,968,712	166,313,802

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

b) Long-term loans

	31 December 2022	31 December 2021
Local banks (1)	**838,939**	12,929,257
Saudi Industrial Development Fund (SIDF) (2)	**23,280,000**	48,280,000
	24,118,939	61,209,257
Less: deferred interests	**(965,659)**	(1,332,038)
	23,153,280	59,877,219
Presented in the statement of financial position as follows:		
Non-current portion shown under non-current liabilities	**10,530,000**	23,153,280
Current portion shown under current liabilities	**12,623,280**	36,723,939
	23,153,280	59,877,219
Total loans	**254,121,992**	226,191,021

(1) Local Banks balance is represented in a balance with the Saudi Investment bank amounted to SR 838,939.

(2) The Company has obtained two loans from the Saudi Industrial Development Fund dated respectively 2 November 2016; 13 January 2021 amounted to respectively SR 10,630,000 – 12,650,000 as of the year ended 2022. the two loans are repayable in semi-annual installments and are repayable over a period of 5 years. the loans are secured against the lands, buildings and machines of the Company’s plant with a book value of SR 99,535,331 (31 December 2022: SR 113,643,858) (Note 7).

(Saudi Riyals)

c) Total movement in loans

	31 December 2022	31 December 2021
Balance as at 1 January	**226,191,021**	249,964,932
Proceeds from loans	**718,353,730**	589,841,900
Repayment of loans	**(701,706,987)**	(619,035,956)
Finance costs	**12,575,607**	7,615,435
Finance costs (paid)	**(1,291,379)**	(2,195,290)
Balance as at 31 December	**254,121,992**	226,191,021

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 314.12 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 2022, unused facilities and open letters of credit amounted to SR 57.7 million (2021: SR 23.39 million). The credit facility agreements are secured by promissory notes issued by the Company. The facility agreements include covenants that relate to restrictions on dividends and other things, they require a minimum net value and certain financial ratios that must be maintained accordingly. At the beginning of the year, the Company obtained approval from the bank to breach one of the bank's covenants.

During the year ended 31 December 2022, financing agreements with some local banks were renewed at values amounting to SR 324.29 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.

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

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

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

19- EMPLOYEES' BENEFITS

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

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

(Saudi Riyals)

19 EMPLOYEES' BENEFITS (CONTINUED)

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.

19-1 Movement in employees' benefits obligation

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

	31 December 2022	31 December 2021
Balance at the beginning of the year	**2,416,207**	1,920,943
Included in statement of profit or loss		
Current service cost	**430,207**	468,146
Interest cost	**96,434**	67,429
(Paid) during the year	**(81,959)**	(42,541)
	444,682	493,034
Included in other comprehensive income		
(Gains)/Losses of actuarial revaluation	**(617,263)**	2,230
Balance at the end of the year	**2,243,626**	2,416,207

19-2 Actuarial assumptions

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

	31 December 2022	31 December 2021
Discount rate	**5.00%**	3.25%
Future growth in salary	**5.00%**	5.00%

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

19-3 Sensitivity analysis

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

	31 December 2022		31 December 2021	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1 % movement)	**(2,028,377)**	**2,503,656**	(2,142,792)	2,745,991
Future Salary Growth Rate (1% change)	**2,501,010**	**(2,026,454)**	2,736,608	(2,144,590)

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

(Saudi Riyals)

20 ZAKAT PROVISION

20.1 Zakat declarations were filed for the years from 2012 to 2015, and the Zakat, Tax and Customs Authority (ZATCA) (the Authority) has assessed these years with the amount of SR 1,026,375, The company objected to the General Secretariat of the Zakat, Tax and Customs Committees, and the 2012 objection was accepted, the 2013 objection was partially accepted, and the objection was rejected for the years 2014 and 2015. The company appealed this rejection during the statutory period. Furthermore, the company made a provision for the total amount of these zakat assessments, and the company believes that the results of this appeal will be in its favor.

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

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

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

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

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

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

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

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

20.4 The Company filed the Zakat declaration for the year 2021, the Zakat payable has been paid based on this declaration, A Zakat certificate was issued for this year 2021, and it is valid until 30 April 2023.

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

	31 December 2022	31 December 2021
Equity, opening provisions and other Adjustments	**332,273,875**	322,721,608
Book value for long term assets	**(222,274,022)**	(223,379,482)
Total	**109,999,853**	99,342,126
Zakat profit for the year	**27,272,307**	72,944,205
Zakat base	**137,272,160**	172,286,331

(Saudi Riyals)

20 ZAKAT PROVISION (CONTINUED)

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

	31 December 2022	31 December 2021
Balance at the beginning of the year	**7,292,764**	4,271,600
Provided during the year	**3,431,804**	4,307,158
Provision	**556,927**	77,487
Zakat assessment differences from previous years	**-**	1,800,000
Charged to the statement of profit or loss and other comprehensive income	**3,988,731**	6,184,645
Paid during the year	**(4,385,460)**	(3,163,481)
Balance at the end of the year	**6,896,035**	7,292,764

21- COST OF SALES

	For the year ended 31 December	
	2022	2021
Raw material cost	**507,340,647**	403,054,691
Depreciation	**27,879,421**	28,204,313
Electricity	**13,974,363**	13,998,103
Salaries and related costs	**10,606,814**	8,863,304
Others	**7,242,542**	7,064,870
	567,043,787	461,185,281

22- SELLING AND DISTRIBUTION EXPENSES

	For the year ended 31 December	
	2022	2021
Transportation expenses	**8,499,707**	7,328,888
Salaries and wages	**786,324**	771,291
Selling commissions	**137,182**	112,000
Depreciation	**23,960**	18,235
Miscellaneous expenses	**612,664**	939,958
	10,059,837	9,170,372

23- GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2022	2021
Salaries and wages	**3,583,602**	3,656,829
Professional and consultancy fees	**862,544**	1,041,057
Remunerations and allowances of the Company's Board of Directors and Committees	**730,000**	638,000
Depreciation and amortization	**395,746**	370,895
Defective goods	**850,791**	316,104
Miscellaneous expenses	**1,394,497**	1,303,280
	7,817,180	7,326,165

24- DIVIDENDS

The Extraordinary General Assembly held on 9 May 2022 (corresponding to 8 Shawwal 1443 H) approved the distribution of cash dividends amounting to SAR 22.5 million for the fiscal year 2021 at the rate of SAR 1.5 per share due to shareholders who own shares at the end of trading on the day of the General Assembly and who are registered in the Company's shareholders register at The Securities Depository Center Company at the end of the second trading day following the date of trading Due. It was paid in full on May 19, 2022. Note that there is a remaining balance from the previous year's distributions, whose beneficiaries have not yet applied for collection, amounting to SAR 162,654.

25- CAPITAL COMMITMENTS, CONTINGENT LIABILITIES AND OTHER LIABILITIES

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

As 31 December 2022, contingent liabilities related to uncovered letter of credit amounted to SR 57,700,988 (31 December 2021: SR 48,735,371).

As at 31 December 2022, the capital commitments related to projects in progress amounted to SR 32,945,961, represent mainly in contracting for a new production line (31 December 2021: SR 1,302,750).

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

26- EARNINGS PER SHARE

Basic and diluted earnings per share

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

	31 December 2022	31 December 2021 Restated
Income for the year	**15,739,163**	64,571,683
No. of shares		
Weighted average number of shares (Note 15)	**22,500,000**	22,500,000
Basic and diluted earnings per share (Saudi Riyals)	**0.70**	2.87

The weighted average number of shares as of December 31, 2022 was 22,500,000 shares, after increasing the capital by granting bonus shares to shareholders. The weighted average number of shares was applied to the comparison periods retrospectively for the purposes of calculating earnings per share.

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

27- FINANCIAL INSTRUMENTS – ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

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

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

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

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

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

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

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

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

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

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

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

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

(Saudi Riyals)

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

	31 December 2022						
	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Trade receivables	-	195,720,141	195,720,141	-	-	-	195,720,141
Cash and cash equivalents	-	1,792,722	1,792,722	-	-	-	1,792,722
Investments at FVTPL	18,163,446	-	18,163,446	18,163,446	-	-	18,163,446
Suppliers - debit balances (Note 13)	-	21,032,226	21,032,226	-	-	-	21,032,226
Total	18,163,446	218,545,089	236,708,535	18,163,446	-	-	236,708,535
Financial liabilities							
Short-term Loans	-	230,968,712	230,968,712	-	-	-	230,968,712
Long-term Loans	-	23,153,280	23,153,280	-	-	-	23,153,280
Trade payables	-	18,366,466	18,366,466	-	-	-	18,366,466
Total	-	272,488,458	272,488,458	-	-	-	272,488,458

(Saudi Riyals)

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

	31 December 2021						
	Carrying amount			Fair value			
	Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Financial assets							
Trade receivables	-	185,201,975	185,201,975	-	-	-	185,201,975
Cash and cash equivalents	-	48,740,619	48,740,619	-	-	-	48,740,619
Investments at FVTPL	-	-	-	-	-	-	-
Suppliers - debit balances (Note 13)	-	22,074,146	22,074,146	-	-	-	22,074,146
Total	-	256,016,740	256,016,740	-	-	-	256,016,740
Financial liabilities							
Short-term Loans	-	166,313,802	166,313,802	-	-	-	166,313,802
Long-term Loans	-	59,877,219	59,877,219	-	-	-	59,877,219
Trade payables	-	23,104,300	23,104,300	-	-	-	23,104,300
Total	-	249,295,321	249,295,321	-	-	-	249,295,321

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

- credit risk;
- Liquidity risk
- Market risk

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

27-1 Risk management framework

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

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

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

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

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

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

27-2 Credit risk

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

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

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

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

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

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

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

Assets amounting to SR 222.6 million (31 December 2021: SR 256.01 million) of total assets amounting to SR 584.31 million (31 December 2021: SR 567.26 million) are subject to credit risk.

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

(Saudi Riyals)

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

	31 December 2022	31 December 2021
Trade receivables	**195,720,141**	185,201,975
Cash and cash equivalents	**1,792,722**	48,740,619
Investments at FVTPL	**18,163,446**	-
Suppliers - debit balances (Note 13)	**21,032,226**	22,074,146
	236,708,535	256,016,740

27-2-1 Credit quality of financial assets

As at 31 December 2022, the trade receivables balances include a balance of SR 44.18 million (31 December 2021: SR 43.9 million) for two of the largest Company's customers.

At 31 December 2022, the ageing analysis of trade receivables was as follows:

	31 December 2022	31 December 2021
Current (not past due)	**101,778,824**	125,582,857
1-90 days	**48,668,730**	43,965,238
91–180 days	**33,572,997**	15,148,780
181-270 days	**16,850,838**	6,778,880
271-360 days	**5,571,248**	1,830,884
More than 360 days	**16,774,842**	16,960,153
Balance	**223,217,479**	210,266,792

Management believes that the amounts that have not been impaired and that are past due for more than 90 days are still fully collectible based on the previous payment behavior and comprehensive analysis of the customer's credit risk, including the customer's underlying credit ratings, if available. The Company establishes a provision for all balances past due for more than 360 days (2021: 360 days). As at 31 December 2022, the allowance for doubtful debts amounted to SR 27,497,338 (Note 12) (31 December 2021: SR 25,064,817).

As at 31 December 2022, the Company maintains cash and cash equivalents of SR 1.79 million (31 December 2021: SR 48.7 million) with banks having good credit rating.

27-3 Liquidity risk

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

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

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

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

The Company has unused bank facilities and open letters of credit amounted of SR 57.7 million (31 December 2021: SR 23.39 million) as at the date of the statement of financial position to meet liquidity requirements (Note 18-d).

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

The following is an analysis of the undiscounted contractual maturities of the Company's financial liabilities as at 31 December 2022.

31 December 2022	**Less than one year**	**From one year to 3 years**	**More than 3 years**	**Accrued interests for future periods**	**Total contractual agreements**	**Carrying amount**
Non-derivative financial liabilities						
Loans	**243,591,992**	**4,680,000**	**5,850,000**	**3,486,122**	**257,608,114**	**254,121,992**
Trade payables	**18,366,466**	**-**	**-**	**-**	**18,366,466**	**18,366,466**
Accrued expenses and other payables	**6,750,564**	**-**	**-**	**-**	**6,750,564**	**6,750,564**
	268,709,022	**4,680,000**	**5,850,000**	**3,486,122**	**282,725,144**	**279,239,022**

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

The Company has no significant liquidity risks.

27-4 Market risk

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

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

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

27-4-1 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.

(Saudi Riyals)

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

27-4-2 Interest rate risk

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

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

		Increase / decrease in base points related to commission rates	**Effect on income of the year**
31 December 2022	SR	+100	**(2,619,585)**
	SR	-100	**2,619,585**
31 December 2021	SR	+100	(2,261,910)
	SR	-100	2,261,910

27-4-3 Capital management

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

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

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

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

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

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

	At 31 December 2022	At 31 December 2021
Total loans	**254,121,992**	226,191,021
Less: Cash and cash equivalents	**(1,792,722)**	(48,740,619)
Adjusted net debt (a)	**252,329,270**	177,450,402
Total equity	**295,764,777**	301,908,351
Adjusted equity and net debt (b)	**548,094,047**	479,358,753
Adjusted debt ratio from adjusted equity (a) / (b)	**46%**	%37

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

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

(Saudi Riyals)

28- RELATED PARTY TRANSACTION

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 2022	For the year ended 31 December 2021
Transactions:		
Sales of goods to Hana Water Company	**61,349,770**	73,176,295
Purchases of goods from Hana Water Company	**74,721**	126,218
Annual salaries, allowances and remuneration for Key Management Personnel	**2,763,180**	3,100,900
Allowance to attend meeting of the Company's Board of Directors and Committees	**207,000**	144,000
Board of Directors' remunerations	**430,000**	130,000
Balances		
Due from related parties included in trade receivables (Hana Water Company) (Note 12)	**63,854,435**	50,199,434
Notes Receivables (Hana water company)	**-**	15,000,000
Key Management Personnel included in other receivables	**67,340**	89,130
Key Management Personnel End of Service Benefits	**981,070**	845,288
Allowance to attend meeting of the Company's Board of Directors and Committees included under accrued expense (Note 17)	**200,000**	208,000
Board of Directors remuneration included under accrued expenses (Note 17)	**530,000**	430,000

29- SEGMENT INFORMATION

29-1 Basis for segmentation

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

The following summary describes the operations of each reporting segment.

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

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

(Saudi Riyals)

29- SEGMENT REPORTING (CONTINUED)

29-2 Information about reporting segments

Information related to each reportable segment is set out below.

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

	Segment reporting		
SR	**Plastic bottles preforms segment**	**Plastic caps segment**	**Total**
For the year ended 31 December 2022			
Sales	**533,600,762**	**91,139,454**	**624,740,216**
Cost of sales	**(492,970,259)**	**(74,073,528)**	**(567,043,787)**
Gross profit	**40,630,503**	**17,065,926**	**57,696,429**
Other income	**1,726,447**	**329,391**	**2,055,838**
Selling and distribution expenses	**(7,384,050)**	**(2,675,787)**	**(10,059,837)**
General and administrative expenses	**(6,151,369)**	**(1,665,811)**	**(7,817,180)**
Impairment of trade receivables	**(2,098,116)**	**(334,405)**	**(2,432,521)**
Decrease in the value of inventory	**(4,502,261)**	**(1,067)**	**(4,503,328)**
Operating profit	**22,221,154**	**12,718,247**	**34,939,401**
Finance costs	**(10,879,548)**	**(1,696,059)**	**(12,575,607)**
Income before Zakat	**11,341,606**	**11,022,188**	**22,363,794**
As at 31 December 2022			
Segments Net assets	**80,088,759**	**30,817,813**	**110,906,572**
For the year ended 31 December 2021			
Sales	474,696,290	74,315,013	549,011,303
Cost of sales	(405,708,722)	(55,476,559)	(461,185,281)
Gross profit	68,987,568	18,838,454	87,826,022
Other income	1,989,291	307,919	2,297,210
Selling and distribution expenses	(7,220,097)	(1,950,275)	(9,170,372)
General and administrative expenses	(6,444,891)	(881,274)	(7,326,165)
Impairment of trade receivables	(1,530,404)	(209,266)	(1,739,670)
Operating profit	55,781,467	16,105,558	71,887,025
Finance costs	(6,699,365)	(916,070)	(7,615,435)
Income before Zakat	49,082,102	15,189,488	64,271,590
As at 31 December 2021			
Segments net assets	95,558,412	34,384,727	129,943,139

(Saudi Riyals)

29- SEGMENT REPORTING (CONTINUED)

29-2 Information about reporting segments (Continued)

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

Revenue for the year ended	Local sales	Export sales	Total sales
31 December 2022	**476,236,658**	**148,503,558**	**624,740,216**
31 December 2021	405,339,380	143,671,923	549,011,303

Export sales are as follows:

	For the year ended 31 December	
	2022	2021
Yemen	**132,066,604**	122,156,799
Oman	**5,266,397**	8,595,661
Bahrain	**4,927,745**	6,814,570
Sudan	**1,902,038**	2,735,528
Kuwait	**1,531,383**	2,726,697
Jordan	**2,543,981**	299,131
Lebanon	**265,410**	343,537
Total export sales	**148,503,558**	143,671,923

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

Accounts receivables balances for the year ended	local receivables	Export receivables	Total
31 December 2022	**191,499,500**	**31,717,978**	**223,217,479**
31 December 2021	189,738,137	20,528,655	210,266,792

29-3 The main customer and supplier

As at 31 December 2022, sales from the main two customers of the Company represent 36% of the Company's total sales in the amount of SR 224 million (31 December 2021: 43% in the amount of SR 237 million).

As at 31 December 2022, the balances of local customers amounted to SR 191,5 million (31 December 2021: SR 189.7 million) and the balances of export customers as at 31 December 2022 amounted to SR 31.7 million (31 December 2021: SR 20.5 million).

As at 31 December 2022, purchases from the major supplier of the Company represent 85.4% of total purchases of raw materials amounting to SR 467.5 million (31 December 2021: 87.8% amounting to SR 378.4 million) of the Company's total purchases.

30- APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved for issuance by the Board of Directors on 10 Shaaban 1444H (corresponding to 2 March 2023).