

**ZAH RAT AL WAHA FOR TRADING COMPANY**

**(A Saudi Joint Stock Company)**

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2023  
AND REPORT ON REVIEW OF INERIM CONDENSED FINANCIAL  
STATEMENTS**

# **ZAH RAT AL WAHA FOR TRADING COMPANY**

**(A Saudi Joint Stock Company)**

## **INDEX TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED 30 JUNE 2023**

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To the shareholders of  
**ZAHRAT AL WAHA FOR TRADING COMPANY**  
(A Saudi Joint Stock Company)  
Riyadh –Kingdom of Saudi Arabia

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of **ZAHRAT AL WAHA FOR TRADING COMPANY** - a Saudi Joint Stock Company - "The Company" as of 30 June 2023 and the related interim condensed statements of profit or loss and other comprehensive income for three month and six month period then ended and the interim condensed statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard (IAS 34) – "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of Review

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

### Conclusion

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

For Dr. Mohamed Al-Amri & Co.



Gihad Al-Amri  
Certified Public Accountant  
License No. 362

12 Muharram 1445 (H)  
30 July 2023 (G)



**ZAHRAAT AL WAHA FOR TRADING COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION (Unaudited)**

	Note	30 June 2023 (Unaudited)	31 December 2022 (Audited)
		(Saudi Riyals)	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	5	217,925,587	219,141,011
Investment property, net	6	1,674,000	1,674,000
Intangible assets, net	7	1,364,718	1,459,011
<b>Total Non-current assets</b>		<b>220,964,305</b>	<b>222,274,022</b>
<b>Current assets</b>			
Inventories, net	8	92,392,286	97,587,857
Investments at fair value through profit or loss	9	20,316,173	18,163,446
Trade receivables, net	10	208,641,901	195,720,141
Prepayments and other receivables		6,310,523	48,767,926
Cash and cash equivalents		16,913,957	1,792,722
<b>Total current assets</b>		<b>344,574,840</b>	<b>362,032,092</b>
<b>Total Assets</b>		<b>565,539,145</b>	<b>584,306,114</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	11	225,000,000	225,000,000
Statutory reserve		25,903,683	25,903,683
Retained earnings		40,645,237	44,384,175
Other reserves		610,670	476,919
<b>Total equity</b>		<b>292,159,590</b>	<b>295,764,777</b>
<b>Non-current Liabilities</b>			
Long-term loans	12	9,360,000	10,530,000
Employees' end of service benefits		2,339,067	2,243,626
<b>Total Non-current liabilities</b>		<b>11,699,067</b>	<b>12,773,626</b>
<b>Current liabilities</b>			
Short-term loans	12	207,689,182	230,968,712
Long-term loans – current portion	12	2,340,000	12,623,280
Trade payables		38,371,289	18,366,466
Accrued expenses and other payables		7,897,782	6,750,564
Zakat Provision	13	5,219,581	6,896,035
Dividend payables		162,654	162,654
<b>Total current liabilities</b>		<b>261,680,488</b>	<b>275,767,711</b>
<b>Total liabilities</b>		<b>273,379,555</b>	<b>288,541,337</b>
<b>Total equity and liabilities</b>		<b>565,539,145</b>	<b>584,306,114</b>

The accompanying notes from (1) to (20) form an integral part of these Interim condensed financial statements and to be read therewith.

Chairman  
Ahmed Hamoud Al-Thiab



Chief Executive Officer  
George Abdul Karem Moussa



Chief Financial Officer  
Mahmoud Mohammad Zaki

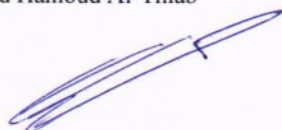


**ZAH RAT AL WAHA FOR TRADING COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME (Unaudited)**

INCOME (Continued)					
		For The Three-Month Period Ended		For The Six-Month Period Ended	
	Notes	30 June 2023	30 June 2022	30 June 2023	30 June 2022
		(Saudi Riyals)			
Sales	18	150,482,196	184,265,696	307,270,013	336,101,973
Cost of sales	18	(134,547,919)	(169,581,250)	(279,468,510)	(309,011,001)
<b>Gross profit</b>		<b>15,934,277</b>	<b>14,684,446</b>	<b>27,801,503</b>	<b>27,090,972</b>
Other income	17	40,714	319,310	322,238	467,405
Selling and distribution expenses		(3,043,706)	(2,681,970)	(5,824,988)	(5,084,684)
General and administrative expenses		(2,052,773)	(2,242,338)	(4,419,324)	(4,331,258)
Impairment on trade receivables	10	-	-	(514,286)	(175,000)
<b>Operating profit</b>		<b>10,878,512</b>	<b>10,079,448</b>	<b>17,365,143</b>	<b>17,967,435</b>
Unrealized Loss / gains from investments at FVTPL	9	2,230,154	(2,511,027)	2,467,380	(1,091,346)
Realized gain from sale of investments at FVTPL	9	228,077	-	315,013	-
Dividends received	9	57,954	110,142	153,105	110,142
Finance costs		(4,627,071)	(2,885,753)	(8,750,599)	(5,149,631)
<b>Profit before Zakat</b>		<b>8,767,626</b>	<b>4,792,810</b>	<b>11,550,042</b>	<b>11,836,600</b>
Zakat		(931,489)	(785,663)	(1,788,980)	(1,921,232)
<b>Profit for the period</b>		<b>7,836,137</b>	<b>4,007,147</b>	<b>9,761,062</b>	<b>9,915,368</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurements of employees end of service benefits		69,842	232,331	133,751	485,678
<b>Total other comprehensive income</b>		69,842	232,331	133,751	485,678
<b>Total comprehensive income</b>		<b>7,905,979</b>	<b>4,239,478</b>	<b>9,894,813</b>	<b>10,401,046</b>
<b>Basic and diluted earnings per share (SR)</b>	16	0.35	0.18	0.43	0.44

The accompanying notes from (1) to (20) form an integral part of these Interim condensed financial statements and to be read therewith.

**Chairman**  
Ahmed Hamoud Al-Thiab



**Chief Executive Officer**  
George Abdul Kareem Moussa



**Chief Financial Officer**  
Mahmoud Mohammad Zaki




**ZAHRAAT AL WAHA FOR TRADING COMPANY**  
A Saudi Joint Stock Company  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (Unaudited)**


	Share capital	Statutory reserve	Retained earnings	Other reserves	Total
<b><u>For the Six-month period ended 30 June 2022</u></b>					
Balance as at 1 January 2022 (Audited)	150,000,000	24,329,766	127,718,929	(140,344)	301,908,351
Profit for the period	-	-	9,915,368	-	9,915,368
Other comprehensive income for the period	-	-	-	485,678	485,678
<b>Total comprehensive income for the period</b>	-	-	9,915,368	485,678	10,401,046
Capital increase	75,000,000	-	(75,000,000)	-	-
Cash Dividends (Note 14)	-	-	(22,500,000)	-	(22,500,000)
<b>Balance as at 30 June 2022 (Unaudited)</b>	<b>225,000,000</b>	<b>24,329,766</b>	<b>40,134,297</b>	<b>345,334</b>	<b>289,809,397</b>
<b><u>For the Six-month period ended 30 June 2023</u></b>					
Balance as at 1 January 2023 (Audited)	225,000,000	25,903,683	44,384,175	476,919	295,764,777
Profit for the period	-	-	9,761,062	-	9,761,062
Other comprehensive income for the period	-	-	-	133,751	133,751
Total comprehensive income for the period	-	-	9,761,062	133,751	9,894,813
Cash Dividends (Note 14)	-	-	(13,500,000)	-	(13,500,000)
<b>Balance as at 30 June 2023 (Unaudited)</b>	<b>225,000,000</b>	<b>25,903,683</b>	<b>40,645,237</b>	<b>610,670</b>	<b>292,159,590</b>

The accompanying notes from (1) to (20) form an integral part of these Interim condensed financial statements and to be read therewith.


**Chairman**  
Ahmed Hamoud Al-Thiab



**Chief Executive Officer**  
George Abdul Kareem Moussa



**Chief Financial Officer**  
Mahmoud Mohammad Zaki



**ZAHRAAT AL WAHA FOR TRADING COMPANY**  
(A Saudi Joint Stock Company)  
**INTERIM CONDENSED STATEMENT OF CASH FLOWS (Unaudited)**

		<u>For the six-month period ended</u>	
		<u>30 June 2023</u>	<u>30 June 2022</u>
	<u>Note</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
		(Saudi Riyals)	
<b><u>OPERATING ACTIVITIES</u></b>			
Profit before zakat		11,550,042	11,836,600
Adjustments for:			
Depreciation and amortization		15,198,079	15,389,530
Unrealized gains on investments at fair value through profit or loss	9	(2,467,380)	1,091,346
Realized gains from sale of investments	9	(315,013)	-
Gains on disposal of investment property	17	-	-
Gains on disposal of property, plant and equipment	17	-	131,735
Employees' end of service benefits		229,192	221,050
Finance costs		8,750,599	5,149,631
Impairment of trade receivables	10	-	175,000
Changes in:			
Inventories, net		5,195,571	(12,130,702)
Trade receivables, net		(12,921,760)	(48,695,293)
Prepayments and other receivables, net		42,457,403	21,938,067
Trade payables		20,004,823	2,897,640
Accrued expenses and other payables		1,147,218	224,025
<b>Cash generated from / (used in) operating activities</b>		<b>88,828,774</b>	<b>(1,771,371)</b>
Finance costs paid	12	(315,659)	(895,682)
Zakat paid		(3,465,434)	(4,385,460)
<b>Net cash flow generated / (used in) from operating activities</b>		<b>85,047,681</b>	<b>(7,052,511)</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment and intangible assets		(13,888,362)	(8,751,892)
Purchase of investments at fair value through profit or loss		(10,183,111)	(20,632,931)
Proceeds from sale of investments at fair value through profit or loss		10,812,777	-
<b>Net cash flow (used in) investing activities</b>		<b>(13,258,696)</b>	<b>(29,384,823)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans	12	315,365,862	340,344,166
Repayments of loans	12	(358,533,612)	(307,668,833)
Dividends paid		(13,500,000)	(22,500,000)
<b>Net cash (used in) / generated from financing activities</b>		<b>(56,667,750)</b>	<b>10,175,333</b>
<b>Net change in cash and cash equivalents</b>		<b>15,121,235</b>	<b>(26,262,001)</b>
<b>Cash and cash equivalent at the beginning of the period</b>		<b>1,792,722</b>	<b>48,740,619</b>
<b>Cash and cash equivalents at end of the period</b>		<b>16,913,957</b>	<b>22,478,618</b>
<b><u>Significant non-cash transactions:</u></b>			
Remeasurements of employees' end of service benefits		133,751	485,678

The accompanying notes from (1) to (20) form an integral part of these Interim condensed financial statements and to be read therewith.

Chairman  
Ahmed Hamoud Al-Thiab



Chief Executive Officer  
George Abdul Karem Moussa



Chief Financial Officer  
Mahmoud Mohammad Zaki





# **ZAH RAT AL WAHA FOR TRADING COMPANY**

**(A Saudi Joint Stock Company)**

## **NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month period ended 30 June 2023

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### **1 REPORTING ENTITY**

Zahrat Al Waha For Trading Company ("the Company") is a Saudi Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia on 10 Sha'aban 1424H (corresponding to 6 October 2003). The Company was converted from a sole proprietorship to a Limited Liability Company with a capital of 50 million Saudi Riyals on 27 Safar 1437H (corresponding to 9 December 2015). In addition, it was converted from a Limited Liability Company to a Saudi Closed Joint Stock Company with a capital of SR 80 million on 3 Rabi' II 1438H (corresponding to 1 January 2017). It was converted from a Saudi Closed Joint Stock Company to a Saudi Public Joint Stock Company with a capital of SR 150 million on 26 Dhul-Hijjah 1438H corresponding to 17 September 2017.

The Extraordinary general assembly meeting held on 9 May 2022 (corresponding to 8 shawwal 1443 H) approved the recommendation of the company's board of directors held on 15 November 2021 (corresponding to 10 Rabie' II 1443 H) to increase the company's capital from SR 150 million to be SR 225 million divided into 22.5 million ordinary shares with a nominal value of SR 10 per share by granting free 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). Formal procedures to amend the Company's bylaws to convert it from a Saudi Closed Joint Stock Company into a Saudi Public Joint Stock Company were completed on 12 Rabi I 1439H (corresponding to 30 November 2017).

The 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 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 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**

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and should be read in conjunction with the Company's financial statements for the year ended 31 December 2022 ("the financial statements of the previous year"). These financial statements do not include all the required information to prepare a full set of financial statements in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia; however, certain accounting policies and selected explanatory notes are included to explain events and transactions that are significant during the period for understanding of the changes in the Company's financial position and performance since the previous year financial statements.

Further, the results for the six-month period ended 30 June 2023 are not necessarily indicative of the results that may be expected for the year ended 31 December 2023.



**ZAH RAT AL WAHA FOR TRADING COMPANY****(A Saudi Joint Stock Company)****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**For the three-month and six-month period ended 30 June 2023

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**2-2 Base of preparation**

These condensed interim financial statements have been prepared on a going concern basis and according to historical cost principal except for the employee defined benefit liabilities, which is measured at the present value of future obligations using the Projected Unit Credit Method and investments at fair value through profit or loss, which are measured at fair value.

**2-3 Functional and presentation currency**

These condensed interim financial statements are prepared in Saudi Arabian Riyals ("SAR") which is Company's functional and presentation currency.

**3 USE OF ESTIMATES, ASSUMPTIONS AND JUDGMENTS**

The preparation of the Company's financial statements requires management in accordance with International Accounting Standard No. (34) "Initial Financial Reporting" 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 in the period in which the estimates are reviewed in the reviewing period and future periods are reviewed if the changed estimates affect both current and future periods.

The significant estimates and judgements made by management in applying the Company's accounting policies are consistent with those disclosed in the financial statements for the year ended 31 December 2022.

The objectives and policies of the company's financial risk management and methods for determining fair values are in line with those disclosed in the last issued financial statements for the year ended 31 December 2022.

**4 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used when preparing these condensed interim 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 2022.

The principal accounting policies have been consistently applied to all periods presented in these condensed interim financial statements.

**New standards and amendment to standards and interpretations**

There are no new standards issued, however, several amendments to the standards are in effect from 1 January 2023, which have been explained in the Company's annual financial statements and that have no impact on the Company's interim condensed financial statements.

**ZAH RAT AL WAHA FOR TRADING COMPANY****(A Saudi Joint Stock Company)****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month period ended 30 June 2022

**5 PROPERTY, PLANT AND EQUIPMENT**

- The total cost of property, plant and equipment as on June 30, 2023, amounted to 431.27 million Saudi riyals (December 31, 2022: 417.41 million Saudi riyals) and the aggregate depreciation amounted to 213.35 million Saudi riyals (December 31, 2022: 198.27 million Saudi riyals). During the six-month period ending on June 30, 2023, the company added Machinery, projects under implementation, and transportation at an amount of 13.86 million Saudi riyals (June 30, 2022: 8.75 million Saudi riyals), mainly represented in the production line for miniature plastic bottles, printing lines for packaging materials, auxiliary equipment for the production process, and transportation means.
- As at June 30, 2023, the loans referred to in note (12) are secured by lands, buildings and machinery, and their net book value amounted to 92.62 million Saudi riyals. (December 31, 2022: 99.54 million Saudi riyals)

**6 INVESTMENT PROPERTIES**

Investment property comprises of plots of land in Muzahmiya recognized at cost. The fair value of these lands as at December 31, 2022 amounted to SR 4.65 million, the management does not expect a material difference in the fair value of the land compared to what was estimated on December 31, 2022.

The fair value of the real estate investment was determined as of the financial statements for the year ended December 31, 2022 by an external real estate valuer independent from the Company.

Independent Valuer		City		Qualifications		Fair Value as of 31 December 2023
Qiam Real Estate Company		Riyadh		An approved resident from the Saudi Authority for Accredited Valuers and the Ministry of Investment (License no 804/18/323)		4.65 SR Million

**7 INTANGIBLE ASSETS**

The total cost of intangible assets as at 30 June 2023 amounted to SR 2.20 million and represented by the accounting program (December 31, 2022: SR 2.17 million) and the accumulated amortization of intangible assets amounted to SR 0.836 million (December 31, 2022: SR 0.713 million).

**8 INVENTORIES**

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Raw, packing and packaging materials	38,342,348	37,884,113
Finished goods	41,072,969	52,732,452
Goods in transit	10,172,250	8,732,385
Spare parts, supplies and oils	2,804,719	2,742,235
	92,392,286	102,091,185
Decrease in inventory value*	-	(4,503,328)
	<b>92,392,286</b>	<b>97,587,857</b>

**ZAH RAT AL WAHA FOR TRADING COMPANY****(A Saudi Joint Stock Company)****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month period ended 30 June 2022

**9 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (audited)</b>
Investments in shares of listed companies	11,944,216	11,060,478
Investments in an investment fund	8,371,957	7,102,968
<b>Total investments</b>	<b>20,316,173</b>	<b>18,163,446</b>

During the previous year, 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 gains of SAR 315,013 and unrealized gains amounted to SAR 2,467,380 and dividends received during the year amounted to SAR 153,105 which were presented in the profit or loss statement. The investment movement for the six months period ended June 30, 2023 is as follows:

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (audited)</b>
Cost of investment as at January 1	18,163,446	-
Purchase of investment units	10,183,111	23,905,034
Sale of invested units	(10,812,777)	(2,789,172)
Realized (Loss) / gains on sale of investments	315,013	(184,522)
Fair value differences for units	2,467,380	(2,767,894)
<b>Balance as at period-end / year-end</b>	<b>20,316,173</b>	<b>18,163,446</b>

**10 TRADE RECEIVABLES**

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (audited)</b>
Trade receivables	175,436,501	159,363,044
Due from related parties (note 17)	58,770,974	63,854,435
	234,207,475	223,217,479
Less: Expected Credit Loss of trade receivables	(25,565,574)	(27,497,338)
	<b>208,641,901</b>	<b>195,720,141</b>

The movement in impairment of trade receivables is as follows:

	<b>ne 2023 (Unaudited)</b>	<b>31 December 2022 (audited)</b>
Balance at beginning of the period / year	27,497,338	25,064,817
Net Movement during the period / year	514,286	2,432,521
Provision made during the period / year	(2,446,050)	-
<b>Balance at end of the period / year</b>	<b>25,565,574</b>	<b>27,497,338</b>

- 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 impairs in full all balances past due for more than 360 days.

- During the six-month period ending on June 30, 2023, the company's management executed clients' debts in the amount of 2.45 million Saudi riyals, after taking all procedures and approvals in accordance with the company's policy on executing those debts.

**ZAHRAT AL WAHA FOR TRADING COMPANY****(A Saudi Joint Stock Company)****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month period ended 30 June 2022

**11 SHARE CAPITAL**

As at June 30, 2023, the Company's authorized and fully paid-up share capital amounted to SR 225 million (31 December 2022: SR 225 million), divided by 22.5 million ordinary shares of SR 10 per share (31 December 2022: SR 10 per share).

The extraordinary general assembly meeting (the meeting) held on 9 May 2022 (corresponding to 8 Shawwal 1443) approved the recommendation of the Company's Board of Directors held on 15 November 2021 (corresponding to 10 Rabi' al-Thani 1443) to increase the Company's capital from SR 150 million to be SR 225 million. The allocation of the free shares will happen by granting one share for every two shares to the shareholders who own the shares at the end of trading on the day of the meeting and 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 meeting.

The Capital Market Authority approved the Company's request to increase the capital on 28 March 2022. The company completed the procedures related to the capital increase on 1 June 2022, after fulfilling the regulatory requirements.

**12 LOANS****a) Short-term loans**

	<b>30 June 2023</b> <b>(Unaudited)</b>	31 December 2022 (Audited)
Short-term loans (*)	207,689,182	230,968,712
	<b>207,689,182</b>	<b>230,968,712</b>

\* These short-term loans are mainly used to finance the working capital requirements of the Company. the company did not use these loans to finance capital expansions (purchase of property, plant and equipment).

**b) Long-term loans**

	<b>30 June 2023</b> <b>(Unaudited)</b>	31 December 2022 (Audited)
Local banks	-	838,939
Saudi Industrial Development Funds (SIDF)	12,650,000	23,280,000
	<b>12,650,000</b>	<b>24,118,939</b>
<b>Less:</b> deferred interests	(950,000)	(965,659)
	<b>11,700,000</b>	<b>23,153,280</b>
<b>Presented in the statement of financial position as follows:</b>		
Non-current portion shown under non-current liabilities	9,360,000	10,530,000
Current portion shown under current liabilities	2,340,000	12,623,280
	11,700,000	23,153,280
<b>Total loans</b>	<b>219,389,182</b>	<b>254,121,992</b>

- (1) The Company has obtained loan from the Saudi Industrial Development Fund dated 13 January 2021. The balance amounted to SR 12,650,000 as of June 30, 2023. the loan is repayable in semi-annual installments and are repayable over a period of 5 years. the loan is secured against the lands, as on June 30, 2023 the buildings and machines of the Company's plant with a book value of SR 92,623,466 (December 31, 2022: SR 99,535,331).

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**c) Total movement in loans:**

	<b>30 June 2023</b> <b>(Unaudited)</b>	<b>31 December 2022</b> <b>(Audited)</b>
Balance as at 1 January	254,121,992	226,191,021
Proceeds from loans	315,365,862	718,353,730
Repayment of loans	(358,533,612)	(701,706,987)
Finance costs	8,750,599	12,575,607
Finance costs (paid)	(315,659)	(1,291,379)
Balance as at period-end / year-end	<b>219,389,182</b>	<b>254,121,992</b>

**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 322,65 million. These facilities were obtained under Murabaha and Tawarruq agreements to finance working capital and some expansions and capital expenditure requirements and amounted to SR 50 million for general investments.
- As at June 30, 2023, unused facilities and open letters of credit amounted to SR 80,24 million (December 31, 2022: SR 57.7 million). The credit facility agreements are secured by promissory notes issued by the Company. The facility agreements include covenants relating to restrictions on dividends and other matters that require a minimum net worth and certain financial ratios that must be maintained accordingly.
- During the period ending on June 30, 2023, the Company renewed Agreements with local bank with values up to 250,44 million riyals, with the aim of purchasing and importing raw materials and financing working capital. These agreements were concluded by guaranteeing promissory notes issued by the company.
- The Company has obtained credit facilities from the Saudi Industrial Development Fund. 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.

**13 ZAKAT**

- 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.
- 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.
- On October 13, 2021, the Company received Zakat assessments from the Zakat, Tax and Customs Authority (ZATCA) for the financial years ended December 31, 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.

## **ZAH RAT AL WAHA FOR TRADING COMPANY**

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- 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 February 14, 2022, the Company received amendment notices from ZATCA related to Zakat assessments for the financial years ended December 31, 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, the objection was rejected for the years 2019 and 2020, and the company appealed this rejection during the statutory period.
- The Company filed the Zakat declaration for the year 2022, the Zakat payable has been paid based on this declaration, A Zakat certificate was issued for year 2022, and it is valid until April 30, 2024.

#### **14 DIVIDENDS**

- The extraordinary general assembly meeting held on 21 May 2023 (corresponding to 1 Dul-Qaeda 1444) based on the recommendation of the Company's Board of Directors held on 2 March 2023, (corresponding to 10 Shaban 1444) approved to distribute cash dividends of SR 13.5 million for the financial year 2022 amounting to 60 Halala per share. It is due to the shareholders who own shares at the end of trading on the day of the assembly meeting and who are registered in the Company's shareholders' register with the Depository Center Company at the end of the second trading day following the due date. It was paid in full on 4 June 2023, noting that there is a balance remaining from the distributions of previous years whose beneficiaries have not yet applied for collection, in the amount of 162,654 Saudi riyals.

#### **15 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 June 30, 2023, contingent liabilities related to uncovered letter of credit for purchasing raw materials amounted to SR 34.72 million (December 31, 2022: 57.7 million Saudi Riyals).

As at June 30, 2023, the capital commitments related to projects under implementation amounted to 32.83 million Saudi riyals, mainly represented in contracting two production lines for plastic caps, production line for Preform, printing lines, backing lines, injection molds, machines, equipment and buildings (December 31, 2022: 32.94 million Saudi Riyals).

The loans referred to in (note 12) are secured by promissory notes by the Company with the full value of the funds granted to the Company.

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**16 EARNING PER SHARE**

**Basic and diluted earnings per share**

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

	<b>For The Three-Month Period Ended</b>		<b>For The Six-Month Period Ended</b>	
	<b>30 June 2023 (Unaudited)</b>	<b>30 June 2022 (Unaudited)</b>	<b>30 June 2023 (Unaudited)</b>	<b>30 June 2022 (Unaudited)</b>
Income for the year	7,836,137	4,007,147	9,761,062	9,915,368
<b><u>No. of shares</u></b>				
Weighted average number of shares	22,500,000	22,500,000	22,500,000	22,500,000
<b>Basic and diluted earnings per share (Saudi Riyals) *</b>	<b>0.35</b>	<b>0.18</b>	<b>0.43</b>	<b>0.44</b>

\* The weighted average number of shares as on June 30, 2023, after increasing the capital by granting bonus shares to shareholders, amounted to 22,500,000 shares. The weighted average number of shares was applied retrospectively to the comparison periods 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.

**17 RELATED PARTY TRANSACTIONS**

In the ordinary course of its activities, the Company transacts with related parties including companies owned/related to some of the Company's shareholders, its Board of directors and key management personnel. Related party transactions entered during the period/ year and related balances as included in the statement of financial position are as follows:

	<b>30 June 2023 (Unaudited)</b>	<b>30 June 2022 (Unaudited)</b>
<b><u>Transactions:</u></b>		
Sales to Hana Water Company	16,786,039	32,849,326
Purchases from Hana Water Company	-	52,613
Salaries, allowances and remuneration of Key Management Personnel	2,377,385	2,751,677
Allowance to attend meetings of the Company's Board of Directors and Committees	73,000	108,000
Board members remuneration	265,000	265,000

**Balances**

	<b>30 June 2023 (Unaudited)</b>	<b>31 December 2022 (Audited)</b>
Due from related parties included in trade receivables. (Hana Water Company) (note 10)	58,770,974	63,854,435
Key Management Personnel included in other receivables	55,840	67,340
Key Management Personnel End of Service Benefits	1,117,260	981,070
Allowance to attend meetings of the Company's Board of Directors and Committees included under accrued expense	81,000	200,000
Board of Directors remuneration included under accrued expenses	265,000	530,000



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**18 SEGMENT INFORMATION****18-1 Basis for segmentation**

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

The following summary describes the operations of each reporting segment.

<b>Industry Group</b>	<b>Nature of segment's businesses</b>
Plastic bottles preform	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 segment on monthly basis.

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:

**18-2 Information about reporting segments**

<b>SR</b>	<b>Reporting segments</b>		
	<b>Plastic bottles preform segment</b>	<b>Plastic caps segment</b>	<b>Total</b>
<b>For The Six-Month Period Ended June 30, 2023 (Unaudited)</b>			
Sales	263,814,142	43,455,871	307,270,013
Cost of sales	(244,707,858)	(34,760,652)	(279,468,510)
<b>Gross profit</b>	<b>19,106,284</b>	<b>8,695,219</b>	<b>27,801,503</b>
Other income	282,861	39,377	322,238
Selling and distribution expenses	(4,425,827)	(1,399,161)	(5,824,988)
General and administrative expenses	(3,870,211)	(549,113)	(4,419,324)
Impairment of trade receivables	(454,899)	(59,387)	(514,286)
<b>Operating profit</b>	<b>10,638,208</b>	<b>6,726,935</b>	<b>17,365,143</b>
Finance costs	(7,650,073)	(1,100,526)	(8,750,599)
<b>Profit before zakat</b>	<b>2,988,135</b>	<b>5,626,409</b>	<b>8,614,544</b>
<b>As at June 30, 2023 (Unaudited)</b>			
Segments net assets	<b>78,520,246</b>	<b>27,717,410</b>	<b>106,237,656</b>
<b>For The Six-Month Period Ended June 30, 2022 (Unaudited)</b>			
Sales	290,792,952	45,309,021	336,101,973
Cost of sales	(271,085,499)	(37,925,502)	(309,011,001)
<b>Gross profit</b>	<b>19,707,453</b>	<b>7,383,519</b>	<b>27,090,972</b>
Other income	403,343	64,062	467,405
Selling and distribution expenses	(3,829,566)	(1,255,118)	(5,084,684)
General and administrative expenses	(3,795,530)	(535,728)	(4,331,258)
Impairment of trade receivables	(151,846)	(23,154)	(175,000)
<b>Operating profit</b>	<b>12,333,854</b>	<b>5,633,581</b>	<b>17,967,435</b>
Finance costs	(4,511,540)	(638,091)	(5,149,631)
<b>Profit before zakat</b>	<b>7,822,314</b>	<b>4,995,490</b>	<b>12,817,804</b>
<b>As at June 30, 2022 (Unaudited)</b>			
Segments net assets	<b>87,659,124</b>	<b>34,401,697</b>	<b>122,060,821</b>

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

<u>Sales for the period ended</u>	<u>Local sales</u>	<u>Export sales</u>	<u>Total sales</u>
<b><u>June 30, 2023 (Unaudited)</u></b>	<b>245,737,895</b>	<b>61,532,118</b>	<b>307,270,013</b>
<u>June 30, 2022 (Unaudited)</u>	<u>244,210,504</u>	<u>91,891,469</u>	<u>336,101,973</u>

Balances of the Company's customers in the local and export market are allocated as follows:

<u>Clients balances as at</u>	<u>Local customers</u>	<u>Export customers</u>	<u>Total</u>
<b><u>June 30, 2023 (Unaudited)</u></b>	<b>188,397,399</b>	<b>45,810,076</b>	<b>234,207,475</b>
<u>December 31, 2022 (Audited)</u>	<u>191,499,500</u>	<u>31,717,979</u>	<u>223,217,479</u>

**18-3 The main customer and supplier**

As at June 30, 2023, the company sales to the company's two largest customers represent 39% of the company's net sales of SR 119.60 million (June 30, 2022, 35% of the company's net sales of SR 117.65 million).

As at June 30, 2023, the company purchases from the company's largest supplier represented 79.41% of the total purchases of raw materials amounting to 193.08 million Saudi riyals (June 30, 2022 91.62% with an amount of 268.38 million Saudi Riyals) of the company's total purchases.

**19 SEASONAL CHANGES**

The revenues of the Company are affected by seasonal factors based on the variation of consumption and demand between the seasons. The Company's management seeks to reduce the seasonal impact on the Company's revenues, and the results of the current period should not be taken as an indicator of the Company's annual results.

**20 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Board of Directors on 6 Muharram 1445 (H) corresponding to 24 July 2023 (G).