

**FILLING AND PACKING MATERIALS
MANUFACTURING COMPANY**
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
with
INDEPENDENT AUDITORS' REPORT ON REVIEW
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2021
(Expressed in Saudi Riyal unless otherwise stated)

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**Independent auditors' report on review of condensed consolidated
interim financial statements**

To the Shareholders of Filling and Packing Materials Manufacturing Company

(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Filling and Packing Materials Manufacturing Company - A Saudi Joint Stock Company ("the Company") and its subsidiary, collectively referred to as ("the Group"), as at March 31, 2021, the condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and notes, comprising significant accounting policies and other explanatory information ("the condensed consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standards (IFRS) including the requirements of (IAS 34), 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements 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 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 condensed consolidated interim financial statements of Filling and Packing Materials Manufacturing Company ("the Company") and its subsidiary, collectively referred to as ("the Group") are not prepared, in all material respects, in accordance with IAS (34), 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.



**Independent auditors' report on review of condensed consolidated
interim financial statements**

To the Shareholders of Filling and Packing Materials Manufacturing Company

(A Saudi Joint Stock Company)

Other Matter

The condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2020, were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim statements on April 27, 2020.

**Date: Ramadan 13 , 1442 H.
Corresponding to April 25, 2021 G.**

For OSAMA A. ELKHEREIJI & PARTNER CO.



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

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY**(A Saudi Joint Stock Company)****CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**

As At 31 March 2021

(Expressed in Saudi Riyal unless otherwise stated)

	<u>Note</u>	<u>March</u> <u>31, 2021</u> <u>(Unaudited)</u>	<u>December</u> <u>31, 2020</u> <u>(Audited)</u>
<u>Assets</u>			
<u>Non- Current Assets</u>			
Property, Plant and Equipment (net)	(5)	150 913 118	153 111 586
Right-of-Use Assets (net)	(6)	7 318 203	7 442 241
Total Non- Current Assets		158 231 321	160 553 827
<u>Current Assets</u>			
Inventories (net)	(7)	56 558 284	47 905 769
Trade Receivables (net)	(8)	44 438 481	40 252 232
Prepayments and Other Receivables	(9)	18 450 850	14 323 186
Investments at Fair Value through Profit or Loss	(10)	23 942 418	37 989 409
Cash and Cash Equivalents	(11)	13 620 708	8 636 253
Total Current Assets		157 010 741	149 106 849
Total Assets		315 242 062	309 660 676
<u>Equity and Liabilities</u>			
<u>Equity</u>			
Share Capital	(12)	115 000 000	115 000 000
Statutory Reserve	(13)	16 408 804	16 408 804
Effect of Non-Controlling Interests Acquisition	(19)	(25 358 702)	(25 358 702)
Retained Earnings		21 125 886	22 653 603
Equity Attributable to Shareholders of the Company		127 175 988	128 703 705
Total Equity			
<u>Non-Current Liabilities</u>			
Long-Term Loans	(14)	40 894 612	43 449 850
Lease Liabilities – long term	(6)	7 327 222	7 721 187
Employees' End of Service Benefits		11 644 905	11 304 488
Contingent Liability against Non-Controlling Interests Acquisition	(19)	20 680 687	20 325 000
Total Non-Current Liabilities		80 547 426	82 800 525
<u>Current Liabilities</u>			
Current Portion of Long-Term Loans	(14)	11 091 730	11 691 730
Short-Term Loans	(14)	52 110 952	53 996 583
Trade Payables		20 307 608	12 010 401
Lease Liabilities – short term	(6)	393 965	375 205
Accrued and Other Liabilities	(15)	19 612 816	17 070 950
Provision for Zakat	(17)	4 001 577	3 011 577
Total Current Liabilities		107 518 648	98 156 446
Total Liabilities		188 066 074	180 956 971
Total Equity and Liabilities		315 242 062	309 660 676

The accompanying notes from no. (1) to (27) are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

Vice Chairman and Managing Director

Chairman


FILLING AND PACKING MATERIALS MANUFACTURING COMPANY**(A Saudi Joint Stock Company)****CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the three months period ended 31 March 2021

(Expressed in Saudi Riyal unless otherwise stated)

	Note	2021 (Unaudited)	2020 (Unaudited)
Revenue		48 535 667	48 325 305
Cost of Revenues		(40 328 272)	(38 234 406)
Gross Profit		8 207 395	10 090 899
<u>Main Operating Expenses</u>			
Selling and Distribution Expenses		(2 490 060)	(2 245 931)
General and Administrative Expenses		(4 925 489)	(3 897 971)
Expected Credit Losses (Expense)/ Reverse	(8)	(1 318 059)	1 819 018
Other Income/(Expenses) net		(148 878)	140 817
Operating (Loss)/Profit		(675 091)	5 906 832
Finance costs		(970 756)	(1 274 873)
Unrealized Gain of Investments at fair value through Profit or Loss	(10)	74 114	97 971
Realized Gain /(Loss) of Investments at fair value through Profit or Loss	(10)	1 034 016	(40 457)
Net (Loss)/Profit before Zakat		(537 717)	4 689 473
Zakat	(17)	(990 000)	(506 262)
Net (Loss)/Profit for the period		(1 527 717)	4 183 211
<u>Other Comprehensive Income:</u>			
Items that will not be reclassified to Profit or Loss:			
Actuarial (Loss) Gain of Employees' End of Service Benefits Remeasurement		-	-
Total Comprehensive (Loss)/Profit for the period		(1 527 717)	4 183 211
Net (Loss)/Profit for the period is attributable to:			
Shareholders of the Company		(1 527 717)	4 183 211
Non-Controlling Interests		-	-
		(1 527 717)	4 183 211
Loss per (Basic & Diluted) share based on Loss for the period attributable to Shareholders of the Company			
Earnings per share (in Saudi Riyal)	(16)	(0.13)	0.36

The accompanying notes from no. (1) to (27) are an integral part of these condensed consolidated interim financial statements

Chief Financial Officer

Vice Chairman and Managing Director

Chairman


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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2021

(Expressed in Saudi Riyal unless otherwise stated)

	<u>Share Capital</u>	<u>Statutory Reserve</u>	<u>Contingent Liability against Non- Controlling Interests Acquisition</u>	<u>Retained Earnings</u>	<u>Equity Attributable to Shareholders of the Company</u>	<u>Non- Controlling Interests</u>	<u>Total</u>
<u>For the three months period ended 31 March 2020</u>							
Balance at 1 January 2020 (audited)	115 000 000	16 408 804	-	24 106 005	155 514 809	(2 947 024)	152 567 785
As previously presented in the condensed financial statements for the same period							
Adjustments – note 26	-	-	-	2 086 678	2 086 678	(2 086 678)	-
Balance at 1 January 2020 (Adjusted)	115 000 000	16 408 804	-	26 192 683	157 601 487	(5 033 702)	152 567 785
<u>Other Comprehensive Profit for the period</u>							
Net profit for the period	-	-	-	4 183 211	4 183 211	-	4 183 211
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive Profit for the period	-	-	-	4 183 211	4 183 211	-	4 183 211
Effect of Non-Controlling Interests Acquisition	-	-	(16 352 352)	-	(16 352 352)	5 033 702	(11 318 650)
Balance as at 31 March 2020	115 000 000	16 408 804	(16 352 352)	30 375 894	145 432 346	-	145 432 346
<u>For the three months period ended 31 March 2021</u>							
Balance at 1 January 2021 (audited)	115 000 000	16 408 804	(25 358 702)	22 653 603	128 703 705	-	128 703 705
<u>Other Comprehensive Loss for the period</u>							
Net loss for the period	-	-	-	(1 527 717)	(1 527 717)	-	(1 527 717)
Other comprehensive Loss for the period	-	-	-	-	-	-	-
Total Comprehensive loss for the period	-	-	-	(1 527 717)	(1 527 717)	-	(1 527 717)
Balance as at 31 March 2021	115 000 000	16 408 804	(25 358 702)	21 125 886	127 175 988	-	127 175 988

The accompanying notes from no. (1) to (27) are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer



Vice Chairman and Managing Director



Chairman



FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months period ended 31 March 2021

(Expressed in Saudi Riyal unless otherwise stated)

	For the three months period ended	
Note	31 March 2021	31 March 2020
	(Unaudited)	(Unaudited)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net (Loss) /Profit before Zakat	(537 717)	4 689 473
<u>Adjustments:</u>		
Depreciation of Property, Plant and Equipment	1 929 655	1 667 352
Amortization of Right-of-Use Assets	124 037	124 037
Provision for slow moving inventory, No Longer Required /Formed	(950 000)	-
Impairment Loss on Trade Receivables	1 318 059	-
Reversal of Impairment Loss on Trade Receivables	-	(1 819 018)
Disposal losses of Property, Plant and Equipment	620 684	-
Current Service Cost of Employees' End of Service Benefits	462 841	592 768
Unrealized (Gain) of Investments at Fair Value through Profit or Loss	(74 114)	(97 971)
Realized (Gain)/Loss of Investments at Fair Value through Profit or Loss	(1 034 016)	40 457
Finance Costs	970 755	1 274 873
	2 830 184	6 471 971
<u>Changes in:</u>		
Inventories	(7 702 515)	3 013 936
Trade Receivables	(5 504 308)	(5 378 011)
Prepayments and Other Receivables	(4 127 664)	(3 697 227)
Trade Payables	8 297 207	11 438 198
Accrued and Other Liabilities	2 541 866	(422 052)
Employees Obligation Benefits Paid	(122 425)	(402 600)
Cash Flows (Used in)/From Operating Activities	(3 787 655)	11 024 215
Finance Costs Paid	(615 069)	(1 274 873)
Zakat Paid	-	(274 485)
Net Cash Flows (Used in)/From Operating Activities	(4 402 724)	9 474 857
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Payments of Property, Plant and Equipment Acquisition	(351 871)	(7 133 110)
Proceeds from Sale of Investments at Fair Value through Profit or Loss	18 893 673	(11 625 801)
Payments of Investments at Fair Value through Profit or Loss Acquisition	(3 738 552)	1 625 801
Net Cash Flows From /(Used in) Investing Activities	14 803 253	(17 133 110)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from Loans and Facilities	-	22 739 159
Payments of Loans and Facilities	(5 040 869)	(12 296 360)
Payments of Lease Liabilities	(375 205)	(138 049)
Cash flows (Used in)/From Financing Activities	(5 416 074)	10 304 750
Net Change in Cash and Cash Equivalents during the Period	4 984 455	2 646 497
Cash and Cash Equivalents at the beginning of the Period	8 636 253	6 217 060
Cash and Cash Equivalents at end of the Period	13 620 708	8 863 557
<u>Significant non-cash transactions:</u>		
Disposal of the effect of purchasing the non-controlling interest	-	(11 318 650)

The accompanying notes from no. (1) to (27) are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer



Vice Chairman and Managing Director

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Chairman



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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2021

(Expressed in Saudi Riyal unless otherwise stated)

1. REPORTING ENTITY

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

1-2 The Company conducts it's business in:

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

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

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

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

1-4 The head office of the Company is located at 7306,Phase - New Industrial City, PO Box 14335 , Riyadh-2483.

1-5 The attached condensed consolidated interim statements include the financial statements for Filling and Packing Materials Manufacturing Company ("Company") or ("parent company") and its domestic subsidiary company (is pointed to them together as the group) where doing the group as collectively to produce and marketing the bags which are woven from liner polypropylene inside and outside the kingdom of Saudi Arabia and unliner from polyethylene is diluted the density and the big size bags and strapping bands and the plastic fillers and woven bags these are used for packing vegetables and fruits and rolls woven from polypropylene and the liners of polyethylene and the recycling of plastic waste, Building and construction contracting.

<u>Company name</u>	<u>Country of incorporation</u>	<u>Main Activity</u>	<u>Percentage of ownership</u>	
			<u>March 31, 2021</u>	<u>March 31, 2021</u>
FPC	Kingdom of Saudi Arabia	Manufacture of ready-made textiles, excluding apparel	100%	100%

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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The subsidiary company is engaged in its activity of cutting and detailing tents and sails, cutting and detailing airports, car covers and furniture, cutting and detailing machine and goods covers, manufacturing bags, flags, banners, sun umbrellas and bonds ... etc. made of cloth according to the main commercial registration number 1010468446 issued from the city of Riyadh on 2 Jumad Al-Thani 1438 AH corresponding to March 1, 2017.

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

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2-1 Accounting standards applied

- These condensed consolidated 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 issued by the Saudi Organization for Auditors & Accountants ("SOCPA") These condensed consolidated interim financial statements must be read in conjunction with the Group's prior year consolidated financial statements as of December 31, 2020 ("Previous Year's Financial Statements").
- These condensed consolidated interim financial statements do not include all of the information required for a complete set of IFRS financial statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. In addition, the results for the three month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2-2 Accounting convention / Basis of measurement

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2021

(Expressed in Saudi Riyal unless otherwise stated)

2-3 Functional and presentation currency

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2021 and has been explained in Group annual Consolidated Financial Statements, but they do not have a material effect on the Group's Condensed Consolidated Interim Financial Statements.

3-2 Accounting Policies Applied

The accounting policies used in preparing the condensed consolidated interim financial statements are in line with those used in preparing the annual consolidated financial statements of the Group for the financial year ended December 31, 2020..

4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Saudi Riyal unless otherwise stated)

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

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

4-1 Judgments

Compliance with performance obligations

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

Determine transaction prices

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

Coronavirus (COVID-19)

- The Group has reviewed the main sources of the uncertainty estimates disclosed in the recent consolidated financial statements in the context of the Coronavirus (Covid-19) epidemic. Management believes that, other than expected credit losses of financial assets, the impairment loss for non-financial assets and all sources for other uncertainty estimates remain the same as those disclosed in the annual consolidated financial statements. Management will continue to monitor the situation and any required changes will be reflected in the future reporting period - note (24).

4-2 Estimates and assumptions

Defined Benefit Programs

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

FILLING AND PACKING MATERIALS MANUFACTURING COMPANY
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Saudi Riyal unless otherwise stated)

Expected credit losses

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

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

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

Productive useful life of property, equipment

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

Impairment of non-financial assets.

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

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

Going concern

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months period ended 31 March 2021

(Expressed in Saudi Riyal unless otherwise stated)

5 PROPERTY, PLANT & EQUIPMENT (net)

5-1 PROPERTY, PLANT & EQUIPMENT

	Buildings & Construction on Leased land	Machinery & Equipment	Leasehold Improvements	Vehicles	Furniture, Fixtures & Office Equipment	Tools	Capital Works in Progress	Total
<u>Cost:</u>								
At January 1, 2021	36 535 140	259 760 459	11 735 968	3 818 168	9 031 500	438 274	7 905 424	329 224 933
Additions during the period	-	-	20 736	-	20 093	-	311 042	351 871
Disposals during the period	-	(7 834 037)	-	(43 000)	-	-	-	(7 877 037)
At March 31, 2021	36 535 140	251 926 422	11 756 704	3 775 168	9 051 593	438 274	8 216 466	321 699 767
<u>Accumulated Depreciation:</u>								
At January 1, 2020	26 942 022	137 577 542	531 364	2 997 419	8 002 865	62 135	-	176 113 347
Depreciation for the period	288 196	1 354 101	88 175	92 780	90 748	15 653	-	1 929 655
Accumulated Depreciation of disposals	-	(7 213 354)	-	(42 999)	-	-	-	(7 256 353)
At March 31, 2021	27 230 220	131 718 289	619 539	3 047 200	8 093 613	77 788	-	170 786 649
<u>Net book value:</u>								
At March 31, 2021	9 304 920	120 208 133	11 137 165	727 968	957 980	360 486	8 216 466	150 913 118
At December 31, 2020	9 593 118	122 182 917	11 204 604	820 749	1 028 635	376 139	7 905 424	153 111 586

- Major of Property , Plant, and Equipment are pledge to The Saudi Industrial Development Fund (SIDF) opposite the received loans.(Note No. 14).
- Property , Plant, and Equipment as of 31 March 2021 includes assets which fully depreciated and still work, costing amounting to SR 73 834 490.

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Capital works in progress represented in the following:

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Machinery and Equipment	6 874 776	6 066 187
Leasehold Improvements	146 586	583 449
LC and Suppliers Down Payments	1 195 104	1 255 788
	<u>8 216 466</u>	<u>7 905 424</u>

6 RIGHT-OF-USE ASSETS (net)

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

<u>Cost:</u>	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
As at the beginning of the period/year	9 426 841	9 426 841
Additions during the period/year	-	-
	<u>9 426 841</u>	<u>9 426 841</u>
<u>Accumulated amortization:</u>		
As at the beginning of the year	1 984 600	1 488 450
Amortization of the period/year – (Included in the cost of revenue)	124 038	496 150
	<u>2 108 638</u>	<u>1 984 600</u>
	<u>7 318 203</u>	<u>7 442 241</u>

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

	<u>31 March 2021(Unaudited)</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Liabilities from lease contracts	780 024	10 140 312	10 920 336
Deferred financing expenses	(386 059)	(2 813 090)	(3 199 149)
	<u>393 965</u>	<u>7 327 222</u>	<u>7 721 187</u>
	<u>31 December 2020 (Audited)</u>		
	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Liabilities from lease contracts	780 024	10 920 336	11 700 360
Deferred financing expenses	(404 819)	(3 199 149)	(3 603 968)
	<u>375 205</u>	<u>7 721 187</u>	<u>8 096 392</u>

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

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<u>Year</u>	<u>minimum future lease payments</u>
2022	780 024
2023	780 024
2024	780 024
After 2024	9 360 288
	11 700 360

7 INVENTORIES (net)

	<u>March 31, 2021</u> <u>(Unaudited)</u>	<u>December 31, 2020</u> <u>(Audited)</u>
Raw material	15 986 438	19 293 797
Work In Progress	10 992 451	10 851 439
Finished goods	15 798 630	12 858 747
Spare parts	6 820 657	6 842 902
Materials and other supplies	5 310 696	2 550 841
Letters of Credit	5 399 331	207 962
	60 308 203	52 605 688
Less: Allowance for slow moving items	(3 749 919)	(4 699 919)
	56 558 284	47 905 769

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

	<u>March 31, 2021</u> <u>(Unaudited)</u>	<u>December 31, 2020</u> <u>(Audited)</u>
At the beginning of the period/year	4 699 919	6 439 096
Formed during of the period /year	-	190 646
No longer required, during of the period/year	(950 000)	(1 929 823)
	3 749 919	4 699 919

8 TRADE RECEIVABLES (net)

	<u>March 31, 2021</u> <u>(Unaudited)</u>	<u>December 31, 2020</u> <u>(Audited)</u>
Trade receivables	48 671 960	43 167 652
<u>Less</u>		
Impairment loss	(4 233 479)	(2 915 420)
	44 438 481	40 252 232

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8-1 As of March 31, 2021, trade receivables impaired with amounting of SR 4 233 479 (2020:SR 2 915 420), the impairment loss on trade receivables was calculated according to the expected credit loss in line with the requirements of IFRS 9.

8-2 The movement of the impairment loss is as follows:

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
At the beginning of the Period/year	2 915 420	4 192 386
Impairment for the Period/year	1 318 059	-
Utilized during the Period/year	-	(420 750)
Impairment loss, no longer requires of the Period/year	-	(856 216)
	<u>4 233 479</u>	<u>2 915 420</u>

8-3 The aging of trade receivables as at the date of the financial statements were as follows:

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Not due	21 821 949	18 198 328
Till 2 months -After the due date	9 892 795	14 105 601
From 2 months to 3 months - After the due date	6 620 019	8 236 604
From 3 months to one year - After the due date	9 050 533	1 748 644
More than one year - After the due date	1 286 664	878 475
	<u>48 671 960</u>	<u>43 167 652</u>

9 PREPAYMENTS AND OTHER RECEIVABLES

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Advance payments to suppliers	5 189 170	1 842 803
Accrued bonus from suppliers	5 189 464	3 884 969
Prepaid expenses	2 904 116	4 035 984
Employee deposits	795 427	771 314
Value added tax	568 625	-
Other	3 804 048	3 788 116
	<u>18 450 850</u>	<u>14 323 186</u>

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10 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Balance at the beginning of the period /year	37 989 409	19 606 108
Additions for the period /year	3 738 552	60 585 344
Disposal for the period /year	(18 893 673)	(42 585 345)
Unrealized Gain of Investments at fair value through Profit or Loss	74 114	423 759
Realized Loss of Investments at fair value through Profit or Loss	1 034 016	(40 457)
	<u>23 942 418</u>	<u>37 989 409</u>

The balance of investments as of March 31, 2021 is mainly represented in two investment portfolios managed by one of the local financial companies, where investment is in instruments of cash and trading market. The Group has classified these investments through profit and loss according to fair value. Also, during the year 2021, the Group invested in some of the shares of Saudi companies that were listed on the financial market during the first quarter of the year. When sold during the financial period ending on March 31, 2021, the Group resulted in a profit of 1 034 016 Saudi riyals, which was presented within the profits realized From financial investments at fair value in the statement of profit or loss.

11 CASH AND CASH EQUIVALENTS:

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Cash on hand	127 609	126 044
Cash at banks – current accounts	13 493 099	8 510 209
	<u>13 620 708</u>	<u>8 636 253</u>

12 SHARE CAPITAL:

On March 31, 2021, the Company's capital was determined at SR 115 000 000 (2020: SR 115 000 000), divided into 11 500 000 shares (2020: 11 500 000 shares), the value of each is SR 10, fully paid.

13 STATUTORY RESERVE:

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

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

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14 LOANS AND FACILITIES:

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

	<u>Note</u>	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Saudi Industrial Development Fund Loan	(14-1)	33 298 842	36 454 080
Bank loans & facilities	(14-2)	70 798 452	72 684 083
Total		104 097 294	109 138 163

14-1 Saudi Industrial Development Fund Loan:

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

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

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Total granted loan	74 807 000	74 807 000
Paid from the loan	(39 907 000)	(36 607 000)
Remaining of granted loan	34 900 000	38 200 000
Prepaid administrative fees	(1 601 158)	(1 745 920)
Net balance at the end of the year	33 298 842	36 454 080
Short-term loans	5 341 730	5 941 730
Long –term loans	27 957 112	30 512 350

The administrative fees paid in advance represent amounts of administrative fees paid on the loan granted by the Saudi Industrial Development Fund and are amortized over the periods of the loan repayment years. The amortization expense charged to the statement of profit or loss during the period ending on March 31, 2021 amounted to 144 762 Saudi riyals (for the same period 2020: 140 141 Saudi riyals).

- The company bears additional expenses by the Saudi Industrial Development Fund during the term of the loan, which are project follow-up expenses, and it is charged to the list of profits or losses on an accrual basis. Expenses charged to the list of profits or losses during the period ended March 31, 2021 amounted to 102,850 Saudi riyals (for the same period 2020: 135,300 Saudi riyals).

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14-2 Bank Loans:

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Short term loans	57 860 952	59 746 583
Long term loans	12 937 500	12 937 500
	<u>70 798 452</u>	<u>72 684 083</u>

Riyadh Bank

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

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

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

The utilized amounts of this agreement reached the following until March 31, 2021:-

- 1- SR 465 000 in the form of letters of guarantee.
- 2- SR 33.7 million in the form of long-term Islamic murabaha loans (the short – term loans of it is SR 5.8 million and the long – term loans is SR 27.9 million)
- 3- SR 12.4 million in the form of short-term Islamic murabaha loans.
- 4- SR 9.9 million Saudi riyals in the form of letters of credit.

Albilad Bank

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

As of March 31, 2021, the utilized amount of these facilities amounted to SR 24.71 million as an Islamic short-term murabaha loan (the current part), and SR 5.29 million in the form of documentary credits, and this finance was obtained with the guarantee of a promissory note in favor of Albilad Bank.

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

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
<u>The non-current portion of long-term loans</u>		
Saudi Industrial Development Fund Loan	27 957 112	30 512 350
Bank Loans	12 937 500	12 937 500
	40 894 612	43 449 850
<u>The current portion of long-term loans</u>		
Saudi Industrial Development Fund Loan	5 341 730	5 941 730
Bank Loans	5 750 000	5 750 000
	11 091 730	11 691 730
<u>Short term loans</u>		
Bank Loans	52 110 952	53 996 583
	104 097 294	109 138 163

15 ACCRUED AND OTHER LIABILITIES:

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Accrued expenses	10 257 558	8 391 081
Advanced payment from receivables	2 843 828	2 153 482
Accrued dividends*	5 151 746	5 151 746
Value added tax	983 995	1 081 201
Other	375 689	293 440
	19 612 816	17 070 950

* The dividends not claimed by the shareholders for the years from 2003 to 2007 amounted to SR 5 151 746 as at March 31, 2021 (December 31, 2020: SR 5,151,746).

16 EARNING PER SHARE :

	<u>For the three months period</u> <u>ended</u>	
	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>March 31,</u> <u>2020</u> <u>(Unaudited)</u>
Net loss for the period attributable to the shareholders of the parent Company	(1 527 717)	4 183 213
Weighted average of shares	11 500 000	11 500 000
Basic share (loss) profit from net (loss)/profit for the period	(0.13)	0.36

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

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17 PROVISION FOR ZAKAT:

Zakat provision movements:

	<u>For the three months period ended</u>	
	<u>March 31,</u>	<u>December 31,</u>
	<u>2021</u>	<u>2020</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Opening balance period/year	3 011 577	4 180 886
Formed during the period /year	990 000	3 323 787
Utilized during the period/year	-	(4 493 096)
	<u>4 001 577</u>	<u>3 011 577</u>

17-1 Zakat Status:

Filling and Packaging Material Manufacturing Company (Parent Company)

Years from 2013 to 2016

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

Years from 2017 to 2018

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

Year 2019

- The company submitted the zakat declaration from its point of view for the fiscal year ending on December 31, 2019, and the company obtained a certificate from the General Authority for Zakat and Income valid until April 30, 2021, and the company has not received any zakat assessments from the General Authority for Zakat and Income for that year yet.

FPC (Subsidiary)

Years before 2019

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

Year 2019

- The company submitted the zakat declaration from its point of view for the fiscal year ending on December 31, 2019, and the company obtained a certificate from the General Authority for Zakat and Income valid until April 30, 2021, and the company has not received any zakat assessments from the General Authority for Zakat and Income for that year yet.

Group consolidated Zakat declaration

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

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18 UNUTILIZED CAPACITY

The unutilized capacity from production expenditures was calculated in accordance with International Accounting Standard No. (2) "Inventory" and classified under the other expenses as it is not considered part of the cost of sales for not operating the plant with normal production capacity. This amounted during the period ending March 31, 2021. 446 239 Saudi riyals (31 March 2020: 533 491 Saudi riyals).

19 THE ACQUISITION OF SUBSIDIARY

The parent company acquired the full shares in FPC for Industry (the subsidiary company). During the month of March 2020, the company signed an agreement requiring the partner to waive his full 20% shares in FPC for Industry with its rights and obligations in favor of the parent company, in exchange for obtaining On the percentage of 20% of the net accounting profit according to the audited financial statements at the end of each fiscal year for a period of ten years only (the period of validity of the agreement) until the end of the fiscal year ending on December 31, 2029, and accordingly, the company prepared a study of the contingent liability was calculated according to For the best estimate in light of the available data, as this potential liability as on March 31, 2021 amounted to 20 680 687 Saudi riyals (December 31, 2020: 20 325 000 Saudi riyals), it has been classified under the non-current liabilities in the financial position list, and this potential liability will be re-assessed Periodically, throughout the term of the agreement, this acquisition resulted in an amount of 25 358,702 Saudi riyals, which represents the difference in the purchase of the rights of the non-controlling interest, which has been classified under the equity clause. The following is a statement of the contingent liability movement and the non-controlling interest purchase difference as on March 31, 2021 and December 31, 2020:

1-19 Contingent Liability against Non-Controlling Interests Acquisition

	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Opening balance period/year	20 325 000	-
Formed during the period /year Note (2-19)	-	20 325 000
Interest Expense during the period/year	355 687	-
Paid during period/year	-	-
	<u>20 680 687</u>	<u>20 325 000</u>

19-2 The movement of the equity purchase difference to the non-controlling interest

	<u>January 1,</u> <u>2020</u>	<u>Acquisition</u> <u>Impact</u> <u>Adjustments</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Contingent Liability against Non-Controlling Interests Acquisition	-	20 325 000	20 325 000
Equity for non-controlling interests	(5 033 702)	5 033 702	-
Effect of Non-Controlling Interests Acquisition	-	25 358 702	25 358 702

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20 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

- As of March 31, 2021, the amount of the contingent liabilities related to the banks' letters of guarantee and letters of credit which issues by domestic banks on behalf of the group amounted to SR 15 674 819 (December 31, 2020: SR 9 848 798).
- As of March 31, 2021 the capital commitments for the group amounted to SR 111 546 (December 31, 2020: SR 955 743).

21 SEGMENTS REPORTS

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

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

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

	March 31,2021(Unaudited)			
	<u>Packing & Packaging Sector</u>	<u>Technical Textiles Sector</u>	<u>Eliminations</u>	<u>Total</u>
Revenues	35 625 259	12 910 408	-	48 535 667
Cost of revenues	(30 873 016)	(9 517 966)	62 710	(40 328 272)
Profit/ (loss) of the year	(548 102)	(1 042 369)	62 710	(1 527 717)

	March 31,2020 (Unaudited)			
	<u>Packing & Packaging Sector</u>	<u>Technical Textiles Sector</u>	<u>Eliminations</u>	<u>Total</u>
Revenues	41 832 488	6 492 817	-	48 325 305
Cost of revenues	(34 958 461)	(3 338 655)	62 710	(38 234 406)
Profit/ (loss) of the year	4 542 250	(421 747)	62 710	4 183 213

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

	March 31,2021(Unaudited)			
	<u>The sector of products of packing and packaging</u>	<u>The sector of technical textiles</u>	<u>Eliminations</u>	<u>Total</u>
Non-current assets	108 256 891	85 400 948	(35 426 518)	158 231 321
Total assets	273 886 197	127 979 271	(86 623 406)	315 242 062
Total liabilities	120 371 879	118 891 083	(51 196 888)	188 066 074

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	December 31,2020(Audited)			
	<u>Packing & Packaging Sector</u>	<u>Technical Textiles Sector</u>	<u>Eliminations</u>	<u>Total</u>
Non-current assets	140 371 889	86 942 773	(66 760 835)	160 553 827
Total assets	300 004 598	121 850 070	(112 193 992)	309 660 676
Total liabilities	126 396 094	125 719 641	(71 158 764)	180 956 971

Geographical segment

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

	For the three months period ended			
	<u>March 31, 2021</u>	<u>%</u>	<u>March 31, 2020</u>	<u>%</u>
	<u>(Unaudited)</u>		<u>(Unaudited)</u>	
Kingdom of Saudi Arabia	37 499 759	77%	32 169 398	%66.5
Other countries	11 035 908	23%	16 155 907	%33.5
	<u>48 535 667</u>		<u>48 325 305</u>	

22 THE TRANSACTIONS WITH RELATED PARTIES

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

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

	March 31, 2021(Unaudited)			
	<u>Members of boards of directors</u>	<u>Key management personnel and senior executives</u>	<u>Members of the committees emanating from the Board of Directors</u>	<u>Total</u>
Salaries and wages	-	586 701	-	586 701
Allowances	40 500	204 699	9 000	254 199
Bonus	180 000	670 000	-	850 000
	March 31, 2020(Unaudited)			
	<u>Members of boards of directors</u>	<u>Key management personnel and senior executives</u>	<u>Members of the committees emanating from the Board of Directors</u>	<u>Total</u>
Salaries and wages	-	643 821	-	643 821
Allowances	-	221 439	-	221 439
Bonus	90 000	-	-	90 000

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23 FINANCIAL INSTRUMENTS:

23-1 Fair value measurement of financial instruments

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

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

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

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

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

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

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

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred. During the period/year ended March 31, 2021 and December 31, 2020, there were no transfers between Level 1 and Level 2 fair value levels.

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

23-2 Financial instruments risk management:

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

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

Financial risk management framework

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

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

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

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

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

Market risk

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

Interest rate risk

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

<u>Financial instruments at interest rates variable</u>	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December31,</u> <u>2020</u> <u>(Audited)</u>
Short & long term loans	104 097 294	109 138 163

Foreign currency risk:

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

Credit risk:

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

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	<u>March 31,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Trade accounts receivables	44 438 481	40 252 232
Cash and cash equivalent	13 620 708	8 636 253
	<u>58 059 189</u>	<u>48 888 485</u>

Trade receivables:

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each individual customer. However, management also considers factors that may have an impact on the credit risk of the group's customer base, including the risk of default in the customer's sector. The Group establishes an allowance for expected credit losses, which on March 31, 2021 amounted to SAR 4,233,479 (December 31, 2020 amounted to SR 2,915,420).

Cash and cash equivalents:

The Group maintains cash in the fund and with banks in an amount of 13.6 million Saudi riyals (March 31, 2021: 8.6 million Saudi riyals). Liquidity risk is the risk that the group will encounter difficulty in fulfilling its obligations associated with its financial liabilities that are settled by paying in cash or Through other financial assets, the group's approach to managing liquidity aims to ensure that it always has sufficient liquidity, as far as possible, to meet its liabilities when due, under normal and critical circumstances, without incurring losses or jeopardizing the group's reputation.

Liquidity risk:

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

Capital management:

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Total liabilities	188 066 074	180 956 971
Less: Cash and cash equivalent	(13 620 708)	(8 636 253)
Net liabilities	174 445 366	172 320 718
Total Equity	127 175 988	128 703 705
Ratio of debt to adjusted capital	1.37	1.34

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

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

The effects of the pandemic on the group's activities included the production process being affected relatively for some time as a result of taking precautionary measures directed by government authorities, which were mainly represented in isolating influential workers suspected of being infected and applying the legal procedures related to travel and movement restrictions as well as the delay in the arrival of some raw materials necessary for the production process. And the effect extended on selling prices in some products and also there was an impact on demand in other products, in addition to some difficulties that the group faced in its export operations and high freight rates. Given the levels of production results for all products, they remained at their normal levels, and therefore do not expect the occurrence of substantial effects. Due to the emerging corona virus (Covid-19) on the balance sheet and results for the fiscal year ending on March 31, 2021.

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

25 Subsequent events:

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

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26 Comparative figures:

Some comparative figures have been amended for some figures of the statement of financial position in the annual consolidated financial statements as on December 31, 2019, which were presented with these condensed interim consolidated financial statements in the list of changes in equity. To understand these amendments in detail, one can use those annual consolidated financial statements as of December 31, 2020 - Note No. (32) of those annual consolidated statements.

27 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS APPROVAL

The condensed consolidated interim Financial Statements have been approved by Board of Directors on 13 Ramadan 1442 H corresponding to 25 April 2021 G.

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