

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
31 DECEMBER 2023**

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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Independent auditor's report on the consolidated financial statements 1/4
To the shareholders of Filling and Packing Materials Manufacturing Company and its subsidiary
(A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Filling and Packing Materials Manufacturing Company (a Saudi joint stock company) ("the Company") and its subsidiary ("the Group"), which include the consolidated statement of financial position as of 31 December 2023, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2023 and its consolidated financial performance and consolidated cash flows for the year ended on that date in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are set out in detail in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent from the Group in accordance with the International Code of Conduct and Ethics for Professional Accountants (including International Independence Standards) adopted in the Kingdom of Saudi Arabia that is relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit matters, in our professional judgment, are those matters that were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The following is a description of the key audit matters and how we addressed them:

Key audit matter	How we address this matter during our review
<p>Revenue recognition</p> <p>During the year ended 31 December 2023, revenues from contracts with customers amounted to SR 238,031,485 were recognized.</p> <p>Revenue is considered as one of the key indicators for measuring performance which results in inherent risk of overstating revenue recognized to increase profitability, due to that revenue recognition was considered as a key audit matter.</p> <p>Please refer to note (5) to the financial statements for the accounting policy related to revenue recognition and note (22) for disclosure related to revenue.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> The appropriateness of the Group's accounting policies related to revenue recognition and evaluating the extent of compliance of those policies with International Financial Reporting Standard No. (15) that is endorsed in the Kingdom of Saudi Arabia. Evaluated the design, implementation, and tested the operational effectiveness of the Group's regulatory controls when recognizing revenues in accordance with the Group's policy. Examined revenue transactions on a sample basis, and verify relevant supporting documents to verify the measurement and accuracy of revenue recognition. Conducted analytical procedures on monthly revenue recognized. Conducted a cut-off test on the timing of revenue recognition from contracts with customers to ensure it have been recognized in the correct accounting period. Evaluated the adequacy of the Group's disclosures regarding revenues from contracts with customers in the financial statements.

Independent auditor's report on the consolidated financial statements 2/4
To the shareholders of Filling and Packing Materials Manufacturing Company and its subsidiary
(A Saudi Joint Stock Company) (continued)

Key audit matters (continued)

Key audit matter	How we address this matter during our review
<p>Evaluation of the contingent liability for purchase of non-controlling interest</p> <p>During 2020, the Group acquired the non-controlling interest (20%) of FPC Industrial Company (the subsidiary) and thus became a wholly owned subsidiary of the Group.</p> <p>According to the acquisition agreement, the seller party is entitled to 20% of the annual net profit of the subsidiary, calculated according to the audited financial statements for a period of ten years only, which ends on 31 December 2029. Accordingly, the Group conducted an assessment of the contingent liability in accordance with the aforementioned agreement. The balance of the contingent liability as of 31 December 2023 amounted to SR 13,999,000.</p> <p>The contingent liability is reassessed annually, which may be affected by changes in the estimate of the subsidiary's post-acquisition performance. Any gain or loss arising from the revaluation is recognized in the consolidated statement of profit and loss and other comprehensive income. The Group also recognized an amount of SR 2,785,461 as a gain from reassessment of the contingent liability for the year ended 31 December 2023.</p> <p>We considered this to be a key audit matter because it requires management to express a degree of significant judgment regarding the subsidiary's post-acquisition performance including the applicable discount rates, which may be affected by unexpected changes in future economic conditions or significant circumstances related to the acquired business.</p> <p>Please refer to note (5) to the consolidated financial statements regarding the accounting policy for recognizing a contingent liability and note (16) for the disclosure of contingent liability.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> We have obtained and reviewed the acquisition agreement to obtain an understanding of the relevant acquisition agreement and the underlying terms. We have reviewed the calculation of the contingent liability prepared by management based on the formula stipulated in the subsidiary acquisition agreement. We have reviewed the key assumptions made by management in relation to Company's financial forecasts used in the assessment of provision relating to the contingent consideration and also compared the discount rates used by management against market information and internal data. Evaluated the adequacy of the Group's disclosures of contingent liabilities in the consolidated financial statements.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those consolidated statements on 21 Shaban 1444H (corresponding to 13 March 2023).

Other information

The management is responsible for the other information. Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. It is expected that the annual report will be available to us after the date of our report. Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

Independent auditor's report on the consolidated financial statements 3/4
To the shareholders of Filling and Packing Materials Manufacturing Company and its subsidiary
(A Saudi Joint Stock Company) (continued)

Other information (continued)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information referred to the mentioned when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, our knowledge obtained in the audit, or it appears to be materially misstated.

When we read the annual report, when it is available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal controls as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, the board of directors, are responsible for overseeing the Group's financial reporting process.

The auditor responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report on the consolidated financial statements 4/4
To the shareholders of Filling and Packing Materials Manufacturing Company and its subsidiary
(A Saudi Joint Stock Company) (continued)

The auditor responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of management use of the going concern basis of accounting and based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content to the consolidated financial statements, including the disclosure, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and auditing the group's accounts. We remain solely responsible for our audit opinion.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control the we identify during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where appropriate, we inform them of actions taken to eliminate threats or preventative measures in place.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and, accordingly, they are the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of communicating it reasonably outweigh the public interest in doing so.

Report on other legal and regulatory requirements

As disclosed in note (1) to the consolidated financial statements, the statutory reserve's balance of SR 17.4 million was transferred to retained earnings based on the resolution of the extraordinary general assembly held on 2 Jumada Al-Awwal 1445H (corresponding to 16 November 2023) and legal formalities in relation to amending the Company's bylaws are still in process. Therefore, the presentation of shareholders' equity within the Company's statement of financial position as of 31 December 2023 is not consistent with Article (47) of the Company's bylaws in its current form.

For Maham Company for Professional Services



Abdulaziz Saud Al Shabeebi
Certified Public Accountant
License no. (339)

15 Ramadan 1445H
25 March 2024



Maham Company for Professional Services (A single shareholder LLC)

Owned by Certified Public Accountant: Abdulaziz Saud AlShabeebi (License No. 339)

CR: 2050240744 Capital: S.R. 1,000,000

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شركة مهام للاستشارات المهنية (شركة شخص واحد ذ م م)

مملوكة للمحاسب القانوني: عبدالعزيز سعود الشبيبي (ترخيص رقم ٣٣٩)

السجل التجاري: ٢٠٥٠٢٤٧٤٤ رأس المال: ١٠٠٠٠٠٠٠ ريال سعودي

٤٢٩٢ طريق الملك فهد بن عبدالعزيز - الخالدية الشمالية.

الدمام ٣٢٢٣٢-٦١٤، المملكة العربية السعودية

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Filling and Packing Materials Manufacturing Company and its Subsidiary

(A Saudi Joint Stock Company)

Consolidated Statement of Financial Position

As at 31 December 2023

	Note	2023 SR	2022 SR
Assets			
Non-current assets			
Property, plant and equipment	6	147,424,860	154,414,375
Intangible assets	7	903,750	881,250
Right-of-use assets	8	5,953,791	6,449,941
Total non-current assets		154,282,401	161,745,566
Current assets			
Inventory	9	51,090,590	55,917,253
Investments in financial assets held at fair value through profit or loss	10	-	5,784,363
Trade receivables	11	55,617,778	46,238,319
Prepayments and other current assets	12	11,595,328	14,452,553
Cash and cash equivalents	13	14,142,894	2,892,135
Total current assets		132,446,590	125,284,623
Total assets		286,728,991	287,030,189
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	14	115,000,000	115,000,000
Statutory reserve	15	-	17,388,320
Retained earnings		54,060,522	25,004,258
Other reserves	16	(25,358,702)	(25,358,702)
Total shareholders' equity		143,701,820	132,033,876
Liabilities			
Non-current liabilities			
Term loans – non-current portion	17	35,990,265	44,024,701
Government grants - non-current portion	17	1,853,949	-
Lease liabilities – non-current portion	8	6,479,202	6,913,549
Employees defined benefits liabilities	18	14,051,874	12,203,726
Contingent liability for acquisition of non-controlling interest	16	13,999,000	15,612,000
Total non-current liabilities		72,374,290	78,753,976
Current liabilities			
Trade payables		30,745,024	31,164,824
Accrued expenses and other current liabilities	19	19,148,869	16,426,355
Term loans – current portion	17	16,643,344	25,140,959
Government grants - current portion	17	693,177	-
Leases liabilities - current portion	8	434,347	413,663
Zakat provision	20	2,988,120	3,096,536
Total current liabilities		70,652,881	76,242,337
Total liabilities		143,027,171	154,996,313
Total shareholders' equity and liabilities		286,728,991	287,030,189



Chief financial Officer



Chief Executive Officer



Chairman

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

Filling and Packing Materials Manufacturing Company and its Subsidiary
(A Saudi Joint Stock Company)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	2023 SR	2022 SR
Revenue	22	238,031,485	260,654,273
Cost of revenue	23	(190,223,323)	(218,451,237)
Gross profit		47,808,162	42,203,036
Expenses			
Selling and marketing expenses	24	(11,679,521)	(14,286,074)
General and administrative expenses	25	(23,222,707)	(19,941,314)
Provision for impairment loss of trade receivables	11	(481,421)	(1,703,160)
Other income, net	26	5,448,733	4,865,080
Profit from operations		17,873,246	11,137,568
Finance charges	27	(5,788,301)	(5,752,418)
Change in the contingency to acquire the non-controlling interest	16	2,785,461	5,375,613
Gain from financial assets held at fair value through profit or loss	10	16,969	2,163,171
Profit before Zakat		14,887,375	12,923,934
Zakat	20	(2,897,465)	(3,128,775)
Net profit for the year		11,989,910	9,795,159
Other comprehensive income:			
Item that will not subsequently be reclassified to profit or loss and other comprehensive income:			
(Loss) gains on remeasurement of employees' end-of-service benefits	18	(321,966)	2,150,722
Total comprehensive income for the year		11,667,944	11,945,881
Earnings per share			
Basic and diluted earnings per share	28	1.04	0.85



Chief financial Officer



Chief Executive Officer



Chairman

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements

Filling and Packing Materials Manufacturing Company and its Subsidiary

(A Saudi Joint Stock Company)

Consolidated Statement of Changes in Shareholders' equity

For the year ended 31 December 2023

	Share capital SR	Statutory reserve SR	Retained earnings SR	Other reserves SR	Total SR
As at 1 January 2022	115,000,000	16,408,804	14,037,893	(25,358,702)	120,087,995
Net profit for the year	-	-	9,795,159	-	9,795,159
Other comprehensive income	-	-	2,150,722	-	2,150,722
Total comprehensive income for the year	-	-	11,945,881	-	11,945,881
Transferred to the statutory reserve	-	979,516	(979,516)	-	-
As at 31 December 2022	115,000,000	17,388,320	25,004,258	(25,358,702)	132,033,876
As at 1 January 2023	115,000,000	17,388,320	25,004,258	(25,358,702)	132,033,876
Net profit for the year	-	-	11,989,910	-	11,989,910
Other comprehensive loss	-	-	(321,966)	-	(321,966)
Total comprehensive income for the year	-	-	11,667,944	-	11,667,944
Transferred to retained earnings	-	(17,388,320)	17,388,320	-	-
As at 31 December 2023	115,000,000	-	54,060,522	(25,358,702)	143,701,820



Chief financial Officer



Chief Executive Officer



Chairman

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

Filling and Packing Materials Manufacturing Company and its Subsidiary

(A Saudi Joint Stock Company)

Consolidated Statement of Cash flows

For the year ended 31 December 2023

	Note	2023 SR	2022 SR
OPERATING ACTIVITIES			
Profit before Zakat		14,887,375	12,923,934
Adjustments for:			
Depreciation of property, plant, and equipment	6	8,504,235	8,046,271
Amortization of a right-of-use asset	8	496,150	496,150
Provision for slow-moving inventory	9	2,743,606	3,749,919
Finance charges		3,676,276	3,562,707
Financial charges from lease liabilities	8	366,361	386,049
Financial charges on the contingency for the acquisition of the non-controlling interest	16	1,172,461	1,422,748
Change in the contingency to acquire non-controlling interest equity	16	(2,785,461)	(5,375,613)
Gain from financial assets held at fair value through profit or loss	10	(16,969)	(2,163,171)
Gains on disposal of property, plant and equipment	26	(7,110)	-
Provision for expected credit losses	11	481,421	1,703,160
Government grants	17	2,547,126	-
Provision for employees defined benefits liabilities	18	2,632,893	2,556,094
		<u>34,698,364</u>	<u>27,308,248</u>
Change in operating assets and liabilities			
Inventory		2,064,452	(2,945,263)
Trade receivables		(9,976,512)	89,471
Prepayments and other current assets		2,857,225	3,980,849
Trade payables		(419,800)	6,392,397
Accrued expenses and other current liabilities		2,838,146	(1,035,683)
Cash from operations		<u>32,061,875</u>	<u>33,790,019</u>
Zakat Paid	20	(3,005,881)	(2,703,359)
Paid finance charges		(3,676,276)	(3,147,596)
Employees defined benefits liabilities paid	18	(1,106,711)	(705,927)
Net cash from operating activities		<u>24,273,007</u>	<u>27,233,137</u>
INVESTING ACTIVITIES			
Additions to property, plant, and equipment	6	(1,558,402)	(8,803,215)
Proceeds from disposal of property, plant and equipment		69,397	-
Proceeds from the sale of financial assets held at fair value through profit or loss		5,801,332	3,738,463
Additions to intangible assets	7	(22,500)	-
Additions to financial assets held at fair value through profit or loss	10	-	(846,463)
Net cash from (used in) investing activities		<u>4,289,827</u>	<u>(5,911,215)</u>
FINANCING ACTIVITIES			
Loans paid	17	(67,093,727)	(87,235,767)
Loans received	17	50,561,676	57,452,204
Payment of lease liabilities	8	(780,024)	(780,024)
Net cash used in financing activities		<u>(17,312,075)</u>	<u>(30,563,587)</u>

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

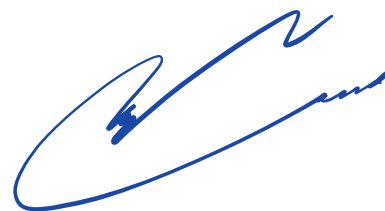
	Note	2023 SR	2022 SR
Net increase (decrease) in cash and cash equivalents		11,250,759	(9,241,665)
Cash and cash equivalent at the beginning of the year		<u>2,892,135</u>	<u>12,133,800</u>
Cash and cash equivalents at the end of the year		<u>14,142,894</u>	<u>2,892,135</u>
Non-cash transactions			
Transferred from inventory to property, plant and equipment	6	18,605	-
(Loss) gains on remeasurement of employees' end-of-service benefits	18	(321,966)	2,150,722
Write off provision for slow moving inventory	9	<u>2,743,606</u>	<u>3,749,919</u>



Chief financial Officer



Chief Executive Officer



Chairman

The accompanying notes from 1 to 36 form an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Filling and Packing Materials Manufacturing Company ("the Company") is a Saudi Joint Stock Company formed in accordance with the Companies Regulation and is registered in the Kingdom of Saudi Arabia ("KSA") under the Commercial Registration No. 1010084155 dated 4 Dhul-Hijjah 1411H (corresponding to 17 June 1991).

The main activities of the Group are weaving textiles from industrial threads such as nylon, cutting and detailing covers for machines and goods, manufacturing plastics in their primary forms, manufacturing industrial threads, and manufacturing containers and bags from plastics.

The registered address of the group is 7305 - Second Industrial Area - Unit No. 7306 Riyadh - Kingdom of Saudi Arabia P.O. Box: 14335 Riyadh 2483.

The extraordinary general assembly held on 2 Jumada Al-Ula 1445H (corresponding to 16 November 2023) endorsed amending the Company's bylaws to comply with the changes in the Companies Regulation in the Kingdom of Saudi Arabia. Also, the extraordinary general assembly endorsed changing the Company's trade name, amending the Company's activities within the bylaws and transferring the balance of the Company's statutory reserve to retained earnings. The Company became aware that the newly approved trade name, endorsed by the extraordinary general assembly, was already in use by another entity. The Company is actively pursuing its efforts with governmental authorities to complete legal formalities and modify its bylaws accordingly.

The balance of the statutory reserve of SR 17.4 million was transferred to retained earnings in the consolidated statement of financial position as of 31 December 2023 based on the resolution of the extraordinary general assembly held on 2 Jumada Al-Awwal 1445H (corresponding to 16 November 2023) as those charged with governance are of the opinion that all proposed changes, except for the modification of the Company's trade name, have successfully obtained the required approvals, and there are no legal objections.

These consolidated financial statements include the assets, liabilities and business results of the following branch of the Company:

	Commercial Registration No	Region	Date
Filling and Packing Materials Manufacturing Company	1010608121	Riyadh	11/08/1438H

These consolidated financial statements include the financial statements of the Company and its following subsidiary (referred to together as the "Group"):

Subsidiary	Ownership percentage direct and indirect %		Capital (SR)
	31 December 2023	31 December 2022	
FPC Industrial Company	100%	100%	70,000,000

2 BASIS OF PREPARATION**2-1 Statement of compliance**

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

2-2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for employee end-of-service benefits, which are measured using the expected unit credit method, and investments in financial instruments carried at fair value through profit or loss, which are measured at fair value.

2-3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR), which is the Group's functional and presentation currency.

2 BASIS OF PREPARATION (continued)

2-4 New and amended standards and interpretations

The Group has applied for the first time the following standards and amendments, which are effective for periods beginning on or before 1 January 2023 and which have no impact on the Group's consolidated financial statements:

- IFRS 17, "Insurance Contracts", as amended in December 2021.
- Amendment to IAS 8, Definition of Accounting Estimate.
- Amendment to IAS 1, Statement of Practice 2.
- Amendment to IAS 12 - Deferred tax relating to assets and liabilities arising from a single transaction.
- Amendment to IAS 12 - International Tax Reform - Unit Two Rules.

2-5 Standards issued but not yet effective

The International Accounting Standards Board has issued the following accounting standards and amendments, which are applicable to annual periods beginning after 2023. The Group has elected not to early adopt these standards and pronouncements and they are not expected to have a material impact on the Group's consolidated financial statements.

- Amendments to International Accounting Standard No. (1) - Classification of liabilities into current and non-current.
- Amendments to IFRS 16 Lease obligations in sale and leaseback contracts.
- Disclosures: Supplier Financing Arrangements - Amendments to IAS 7 and IFRS 7.
- Non-interchangeability – Amendments to IAS 21.
- Sale or contribution of assets between the investor and the associate or joint venture - amendments to IFRS 10 and IAS 28.

3 Basis for consolidation of consolidated financial statements

The consolidated financial statements include the financial statements of the Company and its subsidiary (collectively referred to as the "Group") as at 31 December 2023. Control is achieved when the Group is exposed to risks, or has rights to obtain variable returns, from its relationship with the investee, and has the ability to influence returns by exercising its power over the investee. In particular, the Group controls an investee only when the Group has:

- Control over the investee Company (i.e. the existence of rights to grant the group the current ability to direct the activities related to the investee Company),
- Being exposed to risks, or having rights to obtain variable returns through its relationship with the investee Company,
- The ability to use its power over the investee Company to influence its returns.

In general, there is an assumption that a majority of voting rights results in control. In support of this assumption, when the Group has less than a majority of voting rights or similar rights in an investee, the Group considers all relevant facts and circumstances when determining whether it exercises control over an investee, including:

- Contractual arrangements with the voting rights holders of others in the investee group,
- Rights arising from other contractual arrangements.
- The group's voting rights and potential voting rights.

The Group conducts a reassessment to confirm whether or not it exercises control over the investee Company when facts and circumstances indicate that there is a change in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group gains control over the subsidiary and ceases when the Group ceases to exercise such control.

The assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date on which control is transferred to the Group until such control ceases.

3 Basis for consolidation of consolidated financial statements (continued)

The profit or loss and each item of other comprehensive income relates to the shareholders of the parent Company of the group and the non-controlling interests of shareholders, even if this results in the balance of the non-controlling shareholders' interests turning into a deficit. When necessary, amendments are made to the consolidated financial statements of subsidiaries so that their accounting policies are consistent with those followed by the Group. All interconnected assets and liabilities, as well as ownership rights, revenues, expenses and cash flows related to transactions between group companies, are completely eliminated when consolidating the consolidated financial statements.

A change in a subsidiary's ownership interest, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizing the assets (including goodwill) and liabilities of the subsidiary
- Derecognizing the book value of any non-controlling interest
- Proving the fair value of the compensation received
- Proving the fair value of any investment held
- Proving any surplus or deficit in profit or loss

Reclassifying shareholders' share of items previously recognized in the statement of other comprehensive income to profit or loss or retained earnings, as appropriate, and as required in the event that the Group disposes of the directly related assets or liabilities.

4 SIGNIFICANT ASSUMPTIONS AND ESTIMATES

Estimates and judgments are evaluated on an ongoing basis; They are based on historical experience and other factors, including future expectations.

4-1 The main sources of uncertainty regarding accounting estimates

The Group makes estimates and assumptions regarding the future; The resulting accounting estimates rarely equal the relevant actual results. The following are estimates and assumptions that involve significant risks, which may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial period:

The useful lives of property, machinery, equipment, and intangible assets

The useful life of each item of the Group's property, plant, equipment and intangible assets is estimated based on the number of years during which the asset is expected to be available for use. This estimate is based on a collective evaluation of similar business practices, internal technical evaluation, and previous experience with similar assets. At each reporting date, the estimated useful life of property, plant, equipment and intangible assets is reviewed and updated if expectations differ from previous estimates as a result of normal depreciation and amortization of the asset, technical or commercial obsolescence, legal restrictions or other restrictions on the use of the asset. However, it is possible that future results of operations could be materially affected by changes in estimates resulting from changes in the factors mentioned above. The amounts and timing of expenses recorded for any period may be affected by changes in these factors and circumstances.

Impairment of inventory

Inventories are stated at cost or market value, whichever is lower. When inventory becomes old or obsolete, an estimate of its market value is made. For each individually significant amount, this estimate is performed on an individual basis. For amounts that are not individually significant but are considered old or obsolete, they are estimated collectively and a provision is made for slow-moving inventory depending on the type of inventory and its age or degree of obsolescence based on historical selling prices. These estimates take into account price fluctuations directly related to events occurring after the statement of consolidated financial position date.

Contingent liability for acquisition of non-controlling

The contingent liability from acquisition of non-controlling interest is recognized based on the present value of the future payments that the Group expects to incur as a result of the benefit commitment. The present value of the benefit obligation is calculated using a cash flow model as well as the expected future flows and growth rate used to measure the terminal value. This commitment is significantly affected by changes in these assumptions. All assumptions are reviewed annually.

4 SIGNIFICANT ASSUMPTIONS AND ESTIMATES (continued)

4-1 The main sources of uncertainty regarding accounting estimates (continued)

Impairment of non-financial assets

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of fair value less costs to sell and present value. The fair value less costs to sell calculation is based on available data for binding, arm's length sales of similar assets or observable market prices less incremental costs to sell the asset. The present value is calculated based on the discounted cash flow method. The cash flows are determined on a budget basis for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested for impairment. The recoverable amount is affected by the discount rate used in the discounted cash flow method as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Provisions

Provisions, by their nature, depend on estimates and evaluations to confirm whether recognition criteria have been met, including estimating the probability of cash outflows. Management's estimates of allocations related to environmental matters are based on cost estimates, after taking into account legal advice and other information currently available. It also includes exit costs, if any, in addition to management's expression of judgment in estimating the expected outgoing cash flows for site closure payments or other exit costs. Provisions for contracts whose costs are greater than their benefits or uncertain liabilities involve management's best estimate of whether the cash outflows are probable.

Going concern

These consolidated financial statements have been prepared on a going concern basis. The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has sufficient resources to continue in business for the foreseeable future. Furthermore, management is not aware of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

4-2 Important judgments used when applying accounting standards

The following significant judgments have a material impact on the amounts included in these consolidated financial statements:

Determining the lease term of contracts with renewal option

The Group defines the lease term as the non-cancelable term of the lease, plus any periods covered by the option to extend the lease if it is certain that it will be exercised, or any periods covered by the option to terminate the lease if it is certain that it will not be exercised.

The Group has the option, under certain lease contracts, to lease assets for an additional period ranging from 5 to 25 years. The Group applies judgment in assessing whether it is reasonable to exercise the renewal option. Which means, it takes into account all the relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Group reassesses the term of the lease if there is a material event or change in circumstances within its control that affects its ability to exercise (or not exercise) the renewal option (for example, a change in business strategy).

5 Fundamental accounting policies

The following is a statement of the accounting policies applied in preparing these consolidated financial statements:

Classification of assets and liabilities as current and non-current

The Group presents assets and liabilities in the statement of financial position based on their classification as current or non-current. Assets are considered current when:

- a) it expects to realize the asset, or intends to sell or consume it, in the entity's normal operating cycle;
- b) it holds the asset primarily for the purpose of trading;
- c) it expects to realize the asset within twelve months after the reporting date; or
- d) the asset is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date. For the twelve months subsequent to the disclosed financial period.

The Group classifies all other assets as non-current assets. When a Group's normal operating business cycle is not clearly defined, its duration is assumed to be twelve months.

The Group classifies liabilities as current when:

- a) it expects to settle the liability in the entity's normal operating cycle;
- b) it holds the liability primarily for the purpose of trading;
- c) the liability is due to be settled within twelve months after the reporting date; or
- d) the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date. Less than twelve months subsequent to the disclosed financial period.

The Group classifies all other liabilities as non-current liabilities.

Financial instruments

Financial assets, upon initial recognition and subsequently measured at amortized cost, are classified as fair value through profit or loss and fair value through profit or loss. The classification of financial assets upon initial recognition depends on the cash flow characteristics of the financial asset and the Group's business model for managing it.

Initial recognition and measurement

Financial assets and financial liabilities are originally measured at fair value. Upon initial recognition, transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities are added or deducted from the fair value of the financial assets and financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets held at fair value through profit or loss are recognized directly in the consolidated statement of profit and loss and other comprehensive income.

Financial assets

Subsequent recognition of financial assets

The Group has the following financial assets:

Financial assets at amortized cost:

This category includes trade receivables and contract assets. The Group has financial assets at amortized cost only. Financial assets are measured at amortized cost if the following two conditions are met and they are not carried at fair value through profit or loss:

- Acquiring a financial asset within the business model with the aim of acquiring financial assets to collect contractual cash flows, and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of the principal amount and interest on the principal amount outstanding.

5 Fundamental accounting policies (continued)

Financial instruments (continued)

Financial assets carried at amortized cost are subsequently measured using the effective commission rate method and are subject to impairment. Gains and losses are recognized in profit and loss in the statement of profit and loss and other comprehensive income when the asset is derecognized, modified or impaired.

Reclassifications

Financial assets are not reclassified after their initial recognition, except for the period after the Group changes its business model for managing financial assets.

Impairment of financial assets

The Group applies the simplified approach set out in IFRS 9 to measure lifetime expected credit losses on trade receivables. Expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit losses, adjusted for forward-looking factors specific to the debtors and the economic environment. And evaluating both current and expected market trends at the date of preparing the consolidated financial statements, including the time value of money if appropriate.

Derecognition financial assets

The Group derecognizes financial assets only when the rights to receive cash flows from the assets expire or the Group transfers the financial assets and all risks and rewards associated with the owner of the assets to another party. In cases where the Group does not transfer or retain all of the risks and rewards associated with the owner or where control of the asset is not transferred, the Group recognizes the remaining interest in the asset and the related liability at the amount it is required to pay. If the Group retains all the risks and rewards associated with the owner of the transferred financial asset, the Group continues to recognize the financial asset.

When a financial asset measured at amortized cost is derecognized, the difference between the carrying amount of the asset and the amount of consideration received or receivable is recognized in the consolidated statement of profit and loss and other comprehensive income.

Financial liabilities

The Group classifies its financial liabilities as financial liabilities measured at amortized cost or at fair value through profit or loss. Financial liabilities are classified as FVTPL if they are classified as financial liabilities held for trading purposes or as derivatives or are designated as such on initial recognition.

The Group's financial liabilities include trade payables, other current liabilities, loans and lease liabilities.

Subsequent confirmation of financial liabilities

All of the Group's financial liabilities are subsequently measured at amortized cost.

Derecognition financial liabilities

Financial liabilities are derecognized when the obligation under the liabilities is discharged, cancelled or expires. When an existing financial obligation is replaced by another by the same lender on significantly different terms or the terms of existing obligations are substantially modified, this change or modification is considered to be a cessation of recognition of the original obligation and the recognition of a new liability. The difference in carrying amount is recognized in profit and loss in the consolidated statement of profit and loss and other comprehensive income.

Off-set of financial instruments

Financial assets and financial liabilities are offset, and the net amounts are disclosed in the consolidated statement of financial position when there is currently a legally enforceable right to offset the recognized amounts, and there is an intention either to settle them on a net basis or to liquidate the assets and pay the liabilities simultaneously.

5 Fundamental accounting policies (continued)**Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. These costs include; The cost of replacing a portion of property, plant and equipment and borrowing costs related to long-term construction projects (eligible assets), if the recognition criteria are met. When these assets are created internally, their cost includes all amounts necessary to bring the asset to its current condition and location so that it is ready for its intended use by the Group; This excludes all other costs such as general and administrative expenses and training costs. Any costs of the feasibility study are expensed when incurred unless they relate to a specific asset created internally and are directly attributable to it.

The Group adds to the carrying value of an item of property, plant and equipment the cost of replacing parts of that item when that cost is incurred if the replacement part is expected to generate additional future benefits for the Group; The carrying value of the replaced part is derecognized. All other repairs and maintenance expenses are charged directly to profit or loss in the consolidated statement of profit and loss and other comprehensive income during the period in which they are incurred.

Depreciation*Units of production method:*

Depreciation of machinery and equipment is calculated on the basis of the ratio of units produced to the total production capacity of the equipment, resulting in a charge based on the expected use or production that reflects the maximum and expected consumption model of the future economic benefits of the equipment.

Property, plant and equipment and any significant part that was originally recognized is derecognized upon disposal (i.e. the date the recipient controls) or when there are no future benefits expected from its use or disposal. Any gains or losses resulting from derecognition of any asset (calculated as the difference between the net disposal proceeds and the book value of the asset) are included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

Straight-line method

Asset depreciation is charged to spread the cost of assets less their estimated residual value over their estimated useful lives using the straight-line method.

Gains and losses on disposals are determined by comparing the proceeds of disposals with the book value and are included in the profit or loss in the statement of profit and loss and other comprehensive income. Major spare parts are eligible for recognition as appliances, furniture, and office equipment when the Group expects to use them within more than one year. Transfers are made to the relevant operating asset class when these items are available for use.

Depreciation is calculated on a straight-line basis over the years of the estimated useful lives of the assets, as follows. Capital projects in progress are shown at cost and are not depreciated.

<u>Category of property, plant and equipment</u>	<u>Years</u>
Buildings	33 years
Tools	7 years
Machines and equipment	10 – 25 years
Building improvements	33 years or lease contract, whichever is less
Furniture and fixtures	5 years
Vehicles	4 years

5 Fundamental accounting policies (continued)

Property, machinery and equipment (continued)

Straight-line method (continued)

The residual values, useful lives and depreciation methods of assets are reviewed and adjusted on a prospective basis, if appropriate, at the end of each financial period. Any item of property, plant and equipment and any significant part initially recognized are derecognized when it is disposed of or when there are no future benefits expected from its use. Any gains or losses arising on derecognition of the asset (which are calculated as the difference between the net proceeds of disposals and the carrying amount of the asset) are included in profit or loss in the consolidated statement of profit and loss and other comprehensive income.

Capital works in progress

The cost of capital work in progress is calculated on the basis of the actual cost and is shown as capital work in progress until the project is received from the contractor. Then it is transferred to the various items within property, machinery and equipment and then their depreciation begins.

Intangible assets

Intangible assets with a finite life are amortized over their estimated useful lives, and are reviewed to confirm whether there is an impairment in their value when there is evidence indicating that impairment has occurred. The amortization period and method for intangible assets with a finite life are reviewed at least once at the end of each reporting date. Changes in the expected useful life or the method of consuming future economic benefits embodied in the asset are treated accounting by adjusting the period or method of depreciation, as appropriate, and are recorded as changes in accounting estimates. Amortization expenses for intangible assets with a finite life are included in the statement of profit or loss as an expense, in line with the function of the intangible assets.

Gains or losses resulting from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the book value of the asset, and are included in the consolidated statement of profit or loss when the asset is derecognized.

Lease contracts

The Group evaluates at the beginning of the contract whether the contract is a lease or contains a lease. A contract is or contains a lease if it gives the right to control the use of a specific asset for a period of time in exchange for consideration.

The Group as lessee

The Group applies a single recognition and measurement method for all leases, except for short-term leases and leases for low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets that represent the right to use the assets subject to the contract.

1) The right-of-use assets

The Group recognizes the right to use the assets on the commencement date of the lease (i.e. the date on which the underlying asset becomes available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses and are adjusted to account for any remeasurement of lease liabilities. The cost of right-of-use assets includes the value of lease liabilities recognized, initial direct costs incurred and lease payments made on or before the lease commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful lives of the assets, whichever is shorter. Land lease contracts range from 17 to 20 years.

If the owner of the leased asset is transferred to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are also subject to impairment. Please see the accounting policies mentioned in the "Impairment of Non-Financial Assets" paragraph. Right-of-use assets are depreciated on a straight-line basis over the lease term or the estimated useful lives of the assets.

5 Fundamental accounting policies (continued)

Lease contracts (continued)

2) Lease liabilities

At the lease commencement date, the Group recognizes lease liabilities measured at the present value of lease payments made throughout the lease term. Lease payments include fixed payments (including actual fixed payments) less any lease incentives receivable, variable lease payments based on an index or rate, and amounts expected to be paid under residual value guarantees.

Lease payments also include the exercise price of a reasonably certain purchase option to be exercised by the Group and penalties paid for terminating the lease, if the terms of the lease give the Group the option to terminate the lease. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period during which the event or circumstance that triggers the payment occurs.

3) Short-term leases and leases of low value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., leases that have a term of 12 months or less from the contract commencement date and do not include a purchase option). The recognition exemption for leases with low-value assets also applies to leases that are considered low-value. Lease payments related to short-term leases and leases with low-value assets are recognized as an expense on a straight-line basis over the term of the lease.

Impairment of non-financial assets

The Group conducts an assessment at each statement of financial position date to determine whether there is an indication that the value of a non-financial asset may be impaired. If this indicator exists, or when it is necessary to conduct annual impairment testing for an asset, the Group estimates the asset's recoverable amount. It represents the recoverable amount of the asset; The fair value of an asset or cash-generating unit less costs to sell and its value in use, whichever is higher, determines the recoverable amount of an individual asset, unless the asset generates cash flows that are largely independent of those generated by another asset or group of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

When estimating value in use, the estimated future cash flows are discounted to their present value using a pre-Zakat discount rate; It reflects current market assessments of the time value of money and the risks inherent in the asset. The Group's calculation of impairment is based on the detailed budget and forecast accounts, which are prepared separately for each of the Group's cash-generating units to which assets are allocated separately. This budget and forecast accounts generally cover a period of five years. As for long periods, the long-term growth rate is calculated and applied to the expected future cash flows for subsequent periods.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount; So that it does not exceed the book value that has increased; The carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. The reversal of loss arising from a decrease in profit or loss is recognized in the consolidated statement of profit and loss and other comprehensive income.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an ordinary transaction between market participants at the measurement date. The fair value measurement is based on the assumption that the transactions to sell the asset or transfer the liability occur either:

- In the primary market for the assets or liabilities or
- In the absence of a principal market, in the most appropriate market for the asset or liability

The main market or the most suitable market must be accessible to the Group. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants represent their economic interest.

5 Fundamental accounting policies (continued)

Fair value measurement(continued)

When measuring the fair value of non-financial assets, it takes into account the ability of market participants to achieve economic benefits by using the assets in their maximum and best use or by selling them to another market participant who uses the same asset in its best use.

The Group uses valuation techniques that are appropriate under the circumstances in which the information necessary to measure fair value is available, maximizing the use of observable inputs and minimizing the use of non-observable inputs.

All assets and liabilities whose fair value is measured or disclosed in the consolidated financial statements are classified within the fair value hierarchy and this is disclosed below, based on the lowest level input that is considered significant to the fair value measurement as a whole:

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

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

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities recognized in the financial statements at fair value on a recurring basis, the Group determines whether a transfer has occurred between levels in the hierarchy by reassessing the classification (based on the lowest level significant input to the fair value measurement as a whole) at the end of the period. the report. The Group determines policies and procedures for both recurring fair value measurement and non-recurring fair value measurement.

At the date of each report, the Group analyzes the changes in the values of assets and liabilities that need to be remeasured or reevaluated in accordance with the Group's accounting policies. For this analysis, the Group verifies the main inputs applied in the last evaluation by matching the information in calculating the evaluation with contracts and other relevant documents. The Group also compares the change in the fair value of each asset or liability with other external indicators to determine whether the change is reasonable for the purposes of fair value disclosures. The Group has determined the categories of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as described above.

Inventory

Inventory, including raw materials, work in progress, finished goods, consumables, and spare parts, is measured at cost, i.e.; Previous purchase prices are based on the weighted average principle plus direct attributable costs or net realizable value, whichever is lower.

Work-in-progress and finished goods inventory includes the cost of materials and labor and an appropriate proportion of direct expenses.

Unusual inventory losses due to quality or other problems and indirect expenses incurred during unplanned maintenance/shutdown period are excluded from inventory costs. The allocation of indirect expenses at the end of the period for the purpose of inventory valuation is based on the normal capacity or actual production for the period. Costs are assigned to individual items of inventory on a weighted average cost basis. The costs of purchased inventory items are determined net of quantity discounts and rebates. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to complete the sale.

5 Fundamental accounting policies (continued)

Inventory (continued)

Scrap inventory

The Group's production processes sometimes result in the production of byproducts or scrap (unusable or recyclable). When conversion costs for by-products and/or scrap cannot be determined separately from the cost of the primary product, they are determined on a logical and consistent basis in relation to those products, by products and scrap. Allocation is based on the relative sales value of each product either at the stage of the production process when the products become separately identifiable or when production is completed.

When by-products and scrap are insignificant and their costs cannot be determined or it is not feasible to do so, these items in inventory are measured at net realizable value, and this value is deducted from the cost of the main product. As a result, the carrying value of the main product inventory is not materially different from its cost. In the consolidated statement of profit and loss and other comprehensive income, the net realizable value of by-products and scrap is reduced from cost of sales for the period. Upon subsequent sale of these by-products, the proceeds are recorded as revenue with the corresponding cost of sale recorded based on the previously recorded net realizable value. For scrap, proceeds net of cost are recorded as other income.

Consumables

Consumables are the raw materials that are consumed in the production of finished and semi-finished products. Consumables may include engineering materials, disposable packaging materials, and some catalysts.

Capital spare parts

Spare parts are interchangeable parts of property, plant and equipment, which are necessary to support routine maintenance, repair and refurbishment of plant and equipment, or which are used in emergency repairs. The Group maintains the following different types of spare parts:

- Items of spare equipment acquired with the factory/production line or purchased later but linked to a specific factory or production line and which are rarely needed, are necessary for the operation of the factory, and must be available when needed at all times: these items are capitalized. As part of property, plant and equipment, it is depreciated from the date of purchase over the lesser of the useful life of the item or the remaining useful life of the plant in which it is to be used. These items do not form part of inventory, provided they meet the criteria for capitalization under property, plant and equipment.
- Repairable elements of a production line plant that require a long delivery time and are often replaced or renewed frequently during maintenance). These items are capitalized as part of property, plant and equipment if the capitalization criteria are met. Depreciation begins from the day the items are installed in the plant, and the depreciation period is the shorter of the useful life of the item or the remaining useful life of the plant and related equipment in which it is installed. These items do not form part of the inventory.
- General spare parts and other consumable items that are a general nature, i.e.; They are not limited to a specific plant and can be used in multiple plants or production lines, and any other items that may be required at any time to facilitate the operation of the plant. These items are generally classified as consumables and spare parts in inventory, unless they exceed the capitalization limit and have a useful life of more than one year, in which case they are recorded under property, plant and equipment. Items that are recorded in inventory are subject to an obsolescence allowance assessment and are charged to the consolidated statement of profit and loss and other comprehensive income when installed or used. If these items meet the capitalization criteria, their method of depreciation is similar to salvageable items as stated above.

5 Fundamental accounting policies (continued)

Inventory (continued)

Impairment and valuation of inventory provision

At the date of each consolidated statement of financial position, an evaluation is conducted to ensure that there is an impairment in the value of the inventory. If there is an impairment of inventory, the carrying value is reduced to the selling price less costs of completion and selling. An impairment loss is recognized directly in profit or loss in the consolidated statement of profit and loss and other comprehensive income.

Employee benefits

Short-term employee benefits

A liability is recognized for benefits owed to employees in terms of salaries, wages, annual leave, and travel tickets, which are expected to be paid fully within twelve months after the end of the period in which the employees provide the related services. The liability is recognized for the undiscounted amount of benefits expected to be paid for those services.

Employees defined benefits liabilities

The employee defined benefit obligation is determined using the projected unit credit method, in addition to actuarial valuation exercises performed at the end of each fiscal year. Remeasurements, which include actuarial gains and losses, are recognized immediately in the statement of financial position, with the increase or decrease recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are immediately recognized in retained earnings and will not be reclassified to the consolidated statement of profit and loss and other comprehensive income in subsequent periods.

Changes in the present value of the defined benefit obligation resulting from program modifications or workforce reductions are recognized directly in the statement of profit and loss and other comprehensive income as prior service costs. The commission is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligations or assets.

Defined benefit assets or liabilities consist of the present value of defined benefit obligations, less past service costs and less the present value of plan assets out of which the obligations must be settled. At present, the program is unfunded and has no assets.

Provisions

Provisions are recognized when there are current obligations (legal or constructive) on the Group resulting from past events, and it is likely that resources that include economic benefits will be required to settle the obligation, so that the amount of the obligation can be estimated reliably. In cases where the Group expects to recover part or all of the provision, for example under an insurance contract, Recoveries are recognized as a separate asset only when the recovery is actually confirmed. The expense relating to the provision is presented in the statement of profit and loss and other comprehensive income, net, less any recoveries. If the effect of the time value of money is material, provisions are discounted using the current pre-zakat rate that reflects, when appropriate, the risks associated with that liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost.

Zakat and value added tax

Zakat

The Group is subject to zakat under the regulations of the Zakat, Tax and Customs Authority (the Authority). The provision for zakat is charged to the consolidated statement of profit and loss and other comprehensive income. Differences, if any, are calculated upon finalizing the assessments when these amounts are determined in accordance with the requirements of International Accounting Standard 8 "Accounting Policies." "Changes in Accounting Estimates and Errors" approved in the Kingdom of Saudi Arabia.

5 Fundamental accounting policies (continued)

Zakat and value added tax (continued)

Value added tax

Revenues, expenses and assets are recognized net, after deducting the amount of VAT when the VAT incurred on the purchase of assets or services is not recoverable from the Authority; In this case, value added tax is recognized as part of the cost of acquiring the asset or as part of an expense item, as the case may be. Receivables and payables are recognized including the value added tax amount. The net amount of VAT that is recoverable or payable to the Authority is included as part of receivables or payables in the consolidated statement of financial position.

Withholding tax

The Group deducts tax on transactions with non-resident parties in accordance with the Authority's regulations, which are not recognized as expenses as they are obligations of the counterparty on whose behalf the amounts are deducted.

Cash and cash equivalent

Cash and cash equivalents consist of cash deposited with local banks and short-term Murabaha deposits with maturities of three months or less. These balances are subject to an insignificant risk of changes in value.

Related party

The entity is considered related to the Group if the Group has the ability, directly or indirectly, to control the entity or has a significant influence on the entity in making financial operating decisions or vice versa, or where the Group and the entity are subject to joint control or significant influence. The relevant authorities also include the Group's senior management directors. Pricing policies and terms of transactions with related parties are approved by the Board of Directors.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a lot of time to construct or prepare for its intended purpose or sale are capitalized as part of the cost of that asset. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of commissions and other costs incurred by an entity in connection with obtaining loans.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and that all conditions related to it will be adhered to. When the government grant relates to an item of expense, it is recognized as revenue over the period in order to match the grant on a regular basis with the costs for which it will be compensated. When the grant relates to an asset, it is recognized as revenue in equal amounts over the expected useful life of the asset.

When the Group receives non-cash grants, the assets and the grant are recorded at the total nominal amounts and recorded as gains or losses over the expected useful life of the asset, according to the method of exhausting the benefits of the asset in question in equal annual installments.

5 Fundamental accounting policies (continued)

Revenue recognition

The Group recognizes revenues under IFRS No. (15) using the following five-step model:

Step 1: Identify the contract with the client	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and specifies the standards for each contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price	The transaction price is the amount of consideration that the Group expects to receive in exchange for transferring the goods or services promised to the customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price to the performance obligation	For a contract that contains more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that determines the amount of consideration the Group expects to receive in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The Group earns revenue when (or whenever) it fulfills a performance obligation by transferring the goods or services promised to the customer under the contract.

Revenue from selling of goods

Revenue from the sale of goods is recognized when the Group delivers the products to the customer; The customer has the right to use or sell these products, with no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery is not achieved until the products have been delivered to the specified location in accordance with the terms of the contract, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the acceptance provisions have lapsed or the Group has objective evidence that all acceptance criteria have been met. The performance obligation is satisfied by the sale of goods at a point in time.

Other income

All other income is recognized on the accrual basis.

Cost of revenue

All expenses are recognized on an accrual basis. Operating costs are recognized on a historical cost basis. Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw materials, direct labor, and other attributable indirect costs. Other costs such as selling costs are recorded as selling and marketing expenses, while all other remaining costs are presented as general and administrative expenses.

Selling and marketing expenses

These expenses include any costs incurred to carry out or facilitate all selling activities in the Group. These costs typically include marketing, selling, and logistics expenses as well as allocations for certain general indirect expenses.

General and administrative expenses

These expenses relate to operating expenses that are not directly related to the production or sale of any goods or services. These also include provisions for overhead that are not specifically attributable to cost of sales or selling and distribution expenses. Indirect expenses are allocated to cost of sales, selling and distribution expenses and general and administrative expenses, where applicable, on a fixed basis based on pre-determined rates as appropriate by the Group.

5 Fundamental accounting policies (continued)

Transactions in foreign currencies

Transactions in foreign currencies are converted into Saudi Riyals using the prevailing exchange rates when those transactions occur. As for monetary assets and liabilities denominated in foreign currencies, they are converted into Saudi riyals using the prevailing exchange rates at the reporting date. As for non-monetary assets and liabilities that are measured according to fair value in a foreign currency, they are converted into the activity currency using exchange rates when determining the fair value. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rates at the date of the transaction. Gains and losses resulting from changes in exchange rates are recognized in the consolidated statement of profit or loss and other comprehensive income.

Earnings per share

The Group presents basic and diluted earnings per share, if any, for its ordinary shares. Basic and diluted earnings per share are calculated by dividing the profit or loss attributable to the Group's ordinary shareholders on the basis of the weighted average number of ordinary shares outstanding during the fiscal year. No potential ordinary shares have been issued by the Group and therefore basic and diluted earnings per share are the same.

Dividend

The Group confirms the obligations related to paying cash or non-cash dividends to shareholders when the distribution is approved and the distribution is no longer dependent on the Group's desire. Final dividends are recognized as liabilities upon approval by the General Assembly. Initial dividends are recognized when approved by the Board of Directors. The corresponding amount is recognized directly in the consolidated statement of changes in shareholders' equity.

Segment information

The Group's operating segments are determined based on internal reports, which are reviewed regularly by the Group's main operating decision makers (the chief operating decision maker) in order to distribute resources between the segments and to evaluate their performance.

6 PROPERTY, PLANT, AND EQUIPMENT

	Buildings SR	Building improvements SR	Machinery and equipment SR	Tools SR	Furniture and fixtures SR	Vehicles SR	Capital works in progress SR	Spare parts SR	Total SR
Cost:									
At 1 January	36,904,448	11,838,077	269,640,156	780,669	9,501,732	3,619,168	185,051	6,272,202	338,741,503
Additions	-	136,200	685,357	254,513	94,082	388,250	-	-	1,558,402
Transferred from inventory	-	-	-	-	-	-	-	18,605	18,605
Disposal	-	(40,000)	-	(12,623)	-	(48,000)	(18,069)	-	(118,692)
At 31 December	<u>36,904,448</u>	<u>11,934,277</u>	<u>270,325,513</u>	<u>1,022,559</u>	<u>9,595,814</u>	<u>3,959,418</u>	<u>166,982</u>	<u>6,290,807</u>	<u>340,199,818</u>
Accumulated depreciation									
At 1 January	29,272,074	1,239,615	141,443,173	205,976	8,729,884	3,436,406	-	-	184,327,128
Charged for the year	1,141,442	356,994	6,051,672	150,090	275,906	209,684	-	318,447	8,504,235
Disposal	-	(4,800)	-	(3,606)	-	(47,999)	-	-	(56,405)
At 31 December	<u>30,413,516</u>	<u>1,591,809</u>	<u>147,494,845</u>	<u>352,460</u>	<u>9,005,790</u>	<u>3,598,091</u>	<u>-</u>	<u>318,447</u>	<u>192,774,958</u>
Net book value									
At 31 December 2023	<u>6,490,932</u>	<u>10,342,468</u>	<u>122,830,668</u>	<u>670,099</u>	<u>590,024</u>	<u>361,327</u>	<u>166,982</u>	<u>5,972,360</u>	<u>147,424,860</u>

- Buildings and their improvements are built on a land leased from the Saudi Authority for Industrial Cities and Technology Zones in Riyadh under a 20-year lease term and has been renewed for similar periods.
- The majority of the property, plant, and equipment are pledged in favor of the Saudi Industrial Development Fund against loans granted by the Fund (note 17).

6 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

	Buildings SR	Building improvements SR	Machinery and equipment SR	Tools SR	Furniture and fixtures SR	Vehicles SR	Capital works in progress SR	spare parts SR	Total SR
<i>Cost:</i>									
At 1 January	36,894,418	11,838,077	257,918,604	653,565	9,210,529	3,619,168	3,531,725	-	323,666,086
Additions	10,030	-	198,615	127,104	291,203	-	8,176,263	-	8,803,215
Transferred from capital work in progress	-	-	11,522,937	-	-	-	(11,522,937)	-	-
Disposal	-	-	-	-	-	-	-	6,272,202	6,272,202
At 31 December	<u>36,904,448</u>	<u>11,838,077</u>	<u>269,640,156</u>	<u>780,669</u>	<u>9,501,732</u>	<u>3,619,168</u>	<u>185,051</u>	<u>6,272,202</u>	<u>338,741,503</u>
Accumulated depreciation									
At 1 January	28,097,230	884,475	135,647,413	124,746	8,363,365	3,163,628	-	-	176,280,857
Depreciation for the year	<u>1,174,844</u>	<u>355,140</u>	<u>5,795,760</u>	<u>81,230</u>	<u>366,519</u>	<u>272,778</u>	<u>-</u>	<u>-</u>	<u>8,046,271</u>
At 31 December	<u>29,272,074</u>	<u>1,239,615</u>	<u>141,443,173</u>	<u>205,976</u>	<u>8,729,884</u>	<u>3,436,406</u>	<u>-</u>	<u>-</u>	<u>184,327,128</u>
Net book value									
At 31 December 2022	<u>7,632,374</u>	<u>10,598,462</u>	<u>128,196,983</u>	<u>574,693</u>	<u>771,848</u>	<u>182,762</u>	<u>185,051</u>	<u>6,272,202</u>	<u>154,414,375</u>

The depreciation is charged to the consolidated statement of profit and loss and other comprehensive income as follows:

	2023 SR	2022 SR
Cost of revenue (note 23)	<u>8,275,850</u>	<u>7,614,813</u>
General and administrative expenses (note 25)	<u>124,065</u>	<u>250,215</u>
Selling and marketing expenses (note 24)	<u>104,320</u>	<u>181,243</u>
	<u>8,504,235</u>	<u>8,046,271</u>

7 INTANGIBLE ASSETS

Intangible assets, as at 31 December 2023, represents the costs of a computer software with a book value of SR 903,750 (31 December 2022: SR 881,250). Management expects that these assets will be ready for its intended use during 2024.

8 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group leased two plots of land from the Saudi Authority for Industrial Cities and Technology Zones "Modon" in the Second Industrial City in Riyadh, one of which is used for the Group plant and its subsidiary, and the second land is used for the residential building for the Group's employees. The lease contracts expire on 24 Rajab 1457H, corresponding to 6 September 2035, and these contracts are subject to renewal with the consent of both parties.

8-1 Right of use

	2023	2022
	SR	SR
Cost		
At 1 January	9,426,841	9,426,841
At 31 December	9,426,841	9,426,841
Accumulated Depreciation:		
At 1 January	2,976,900	2,480,750
Charged for the year (Note 23)	496,150	496,150
At 31 December	3,473,050	2,976,900
Net book value:		
Net book value as of December 31	5,953,791	6,449,941

8-2 Lease liabilities

The net present value of the lease payments is as follows:

	2023	2022
	SR	SR
Lease liabilities in the statement of financial position		
lease liabilities- the current portion	434,347	413,663
lease liabilities- non-current portion	6,479,202	6,913,549
	6,913,549	7,327,212

The following is a statement of the carrying value of recognized lease liabilities and changes during the year:

	2023	2022
	SR	SR
At the beginning of the year	7,327,212	7,721,187
Financial charges (note 27)	366,361	386,049
Amounts paid	(780,024)	(780,024)
	6,913,549	7,327,212

9 INVENTORY

	2023 SR	2022 SR
Raw materials	22,762,104	23,381,526
Finished goods	11,974,602	15,107,524
Work in progress	11,796,927	12,050,521
Other materials and supplies	3,009,424	3,636,130
Goods in transit	1,547,533	1,741,552
	<u>51,090,590</u>	<u>55,917,253</u>

9.1 The movement of provision for slow-moving and obsolete inventory is as follows:

	2023 SR	2022 SR
At the beginning of the year	-	3,749,919
Charged during the year (note 23)	2,743,606	-
Written off	(2,743,606)	(3,749,919)
At the end of the year	<u>-</u>	<u>-</u>

10 INVESTMENTS IN FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	Country	2023 SR	2022 SR
Tadawul Group	KSA	-	2,150,461
Aqua Power Company	KSA	-	874,608
Arab Internet and Communications Services Company (Solutions)	KSA	-	1,500,018
Elm Company	KSA	-	1,259,276
		<u>-</u>	<u>5,784,363</u>

The investment movement in financial instruments listed at fair value through profit and loss was as follows:

	2023 SR	2022 SR
Balance at the beginning of the year	5,784,363	6,513,192
Additions	-	846,463
Disposal	(5,801,332)	(3,738,463)
Gains from the sale of financial investments at fair value through profit or loss	16,969	2,163,171
Balance at the end of the year	<u>-</u>	<u>5,784,363</u>

11 TRADE RECEIVABLES

	2023 SR	2022 SR
Trade receivables	58,135,366	48,274,486
Provision for expected credit losses	(2,517,588)	(2,036,167)
	<u>55,617,778</u>	<u>46,238,319</u>

11 TRADE RECEIVABLES (continued)

Movement in the provision for expected credit losses

	2023 SR	2022 SR
At 1 January	2,036,167	6,805,495
Charged during the year	481,421	1,703,160
Written off during the year	-	(6,472,488)
At the end of the year	2,517,588	2,036,167

- (a) The Group applies the simplified approach of IFRS 9 to measure expected credit losses.
(b) Accounts receivable is non-interest bearing and have maturity periods ranging from 30 to 60 days.
(c) The net book values of the Group's trade receivables are recorded in Saudi riyals.
(d) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.
(e) The Group does not maintain any collateral against the receivables and are therefore unsecured.

The following is the aging analysis of receivables and expected credit losses:

	Total	Less than 90 days	91-180 days	181-270 days	181-270 days	More than 360 days
31 December 2023	58,135,366	50,487,314	4,901,930	1,107,539	738,360	900,223
31 December 2022	48,274,486	43,382,573	1,800,363	1,023,348	1,054,023	1,014,179

12 PREPAYMENTS AND OTHER CURRENT ASSETS

	2023 SR	2022 SR
Incentives due from suppliers	6,578,413	7,150,348
Advance payments to suppliers	2,472,575	3,878,670
Prepaid expenses	1,327,354	1,675,417
Employees advances	1,069,173	596,889
Margin on letter of guarantees	120,463	339,632
Value Added Taxes	-	17,338
Other	27,350	794,259
	11,595,328	14,452,553

13 CASH AND CASH EQUIVALENTS

	2023 SR	2022 SR
Cash at banks	14,087,281	2,667,356
Cash in hand	55,613	224,779
	14,142,894	2,892,135

14 SHARE CAPITAL

The Group's capital as of 31 December 2023 amounted to SR 115,000,000 (2022: SR 115,000,000), divided into 11,5000,000 shares, with a nominal value of SR 10, fully paid.

15 STATUTORY RESERVES

The Company's extraordinary general assembly during its meeting dated 2 Jumada Al-Ula 1445H (corresponding to 16 November 2023) endorsed of transfer Company's statutory reserve to retained earnings. Accordingly, the balance of the statutory reserve formed in previous years was transferred to retained earnings. Legal formalities to amend the Company's bylaws have not been finalized as of the date of issuance of the consolidated financial statements.

16 CONTINGENT LIABILITY FOR THE ACQUISITION OF NON-CONTROLLING INTEREST

During 2020, the Company acquired the non-controlling interest of (20%) in FPC Industrial Company (the subsidiary) and therefore it became a wholly owned subsidiary of the Group. According to the acquisition agreement, the selling party is entitled to 20% of the annual net profit of the subsidiary, calculated according to the audited financial statements for ten years only, which ends on 31 December 2029. Accordingly, the Company conducted an assessment for the contingent liability in accordance with the aforementioned agreement. Management believes that the calculation of this contingent liability reflects the best estimate according of the available data and is reassessed annually.

This acquisition resulted in an amount of SR 25,358,702 which has been classified under other reserves within shareholders' equity.

The movement of contingent liability the for acquisition of non-controlling interest is as follows:

	2023 SR	2022 SR
At the beginning of the year	15,612,000	19,564,865
Change as a result of re-estimation during the year	(2,785,461)	(5,375,613)
Financial costs during the year (note 27)	1,172,461	1,422,748
At the end of the year	13,999,000	15,612,000

17 BANK FACILITIES AND TERM LOANS

During the year 2008, the subsidiary entered into an agreement with the Saudi Industrial Development Fund for a gross financing of SR 38.3 million in order to finance the expansion of the plant and for the purpose of purchasing new production lines to manufacture plastic cement bags and expanding the large bags lines and container liner manufacturing machines. During the year 2021, the parent Company entered into an agreement with the Saudi Industrial Development Fund for a gross financing of SR 15.1 million to purchase new machines to increase production capacity. During the year 2022, the parent Company entered into an agreement with the Saudi Industrial Development Fund for a total amount of SR 5.78 million in order to finance the Group's working capital.

The Group bears additional expenses from the Saudi Industrial Development Fund during the loan period, represented in project follow-up expenses, and is charged to the statement of profit or loss on an accrual basis. The expenses charged to the statement of profit or loss during the financial period ending on 31 December 2023 amounted to SR 585,175 (2022: SR 494,700).

17 BANK FACILITIES AND TERM LOANS (continued)

The Industrial Development Fund's loan guarantees include the pledge of majority of the Group's property, plant and equipment (note 6).

The Group obtained credit facilities amounting to SR 77.24 million from a local bank for the purposes of financing the Group's activities. The utilized balance amounted to SR 22 million in the form of loans maturing within a period not exceeding 12 to 48 months. The loan carries a commission according to the prevailing commercial rates between banks in the Kingdom of Saudi Arabia. This financing is secured by promissory notes and a joint guarantee from some of the shareholders.

	2023	2022
	SR	SR
Banks facilities and the current portion of term loans	16,643,344	25,140,959
Term loans -non-current portion	35,990,265	44,024,701
	<u>52,633,609</u>	<u>69,165,660</u>

According to IFRS 20, the interest rate on loans that carry an interest rate below the market rate is measured at fair value. The difference between the book value of the loan from the Industrial Development Fund and the amount received is also treated as government grants. The government grants were as follows:

	2023	2022
	SR	SR
Government grants – current portion	693,177	-
Government grants - non-current portion	1,853,949	-
At the end of the year	<u>2,547,126</u>	<u>-</u>

18 EMPLOYEES DEFINED BENEFIT LIABILITIES

The Group grants defined benefit liabilities ("Benefit Program") to its employees taking into account the requirements of the labor law in the Kingdom of Saudi Arabia. The benefits granted under this benefit program represent a lump sum calculated on the basis of employees' latest salaries and allowances and their accumulated years of service at the date of termination of service.

The benefit obligations recognized in the statement of financial position for defined benefit obligation for employees represent the present value of the defined benefit obligations at the date of preparing the financial statements. The most recent actuarial valuation was performed by an independent qualified actuary using the projected unit credit method.

The following is a statement of the movement in defined benefit obligation for employees:

	2023	2022
	SR	SR
In the beginning of the year	12,203,726	12,504,281
Current service cost	2,059,690	2,156,410
Financial charges on employees defined benefits liabilities (note 27)	573,203	399,684
Paid during the year	(1,106,711)	(705,927)
Actuarial losses (gains)	321,966	(2,150,722)
Balance at the end of the year	<u>14,051,874</u>	<u>12,203,726</u>

18 EMPLOYEES DEFINED BENEFIT LIABILITIES (continued)

Current service cost and commission cost are recognized in employees defined benefits liabilities in the statement of profit or loss. Actuarial gains (losses) are recorded in other comprehensive income.

Significant actuarial assumptions

	2023 SR	2022 SR
Discount rate	4,86%	4,72%
Salary increases rate	4,5%	4,5%
Staff turnover rate	Medium 12%	Medium 12%

Sensitivity analysis

Reasonably possible changes, at the date of preparation of the financial statements, in one of the relevant actuarial assumptions, holding all other assumptions constant, would have affected employee defined benefit obligations, in the amounts shown below:

	2023 SR	2022 SR
Increase in discount rate by 1%	13,326,697	11,683,565
Decrease in discount rate by 1%	15,596,851	13,684,506
Increase in salary by 1%	15,661,451	13,741,424
aDecrease in salary by 1%	13,251,724	11,617,399
Increase in staff turnover by 1%	14,298,175	12,532,260
Decrease in staff turnover by 1%	14,462,881	12,693,269
Increase in death rate by 1%	14,377,053	12,608,523
Decrease in death rate by 1%	14,379,957	12,612,482

The table below shows the expected maturity analysis of employees' defined benefit liabilities:

	2023 SR	2022 SR
First-year	1,826,811	1,523,539
Second year	1,664,961	1,458,313
Third year	1,653,120	1,521,844
Fourth-year	1,701,697	1,553,037
Fifth year	2,135,838	1,510,634
Sixth year and above	9,310,730	8,587,856

19 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2023 SR	2022 SR
Accrued expenses	11,497,203	9,103,523
Dividend payable (*)	5,149,088	5,149,274
Advances from customers	2,303,321	1,756,201
Accrued VAT	63,988	287,822
Other	135,269	129,535
	19,148,869	16,426,355

(*) Represents the amounts owed to shareholders for previous years dividends which they didn't claimed for it yet as of the date of the consolidated statement of financial position.

20 ZAKAT

The zakat charge for the year 31 December 2023 is amounted to SR 2,897,465 (2022: SR 3,128,775).

A provision is made for zakat expense and is charged to the Group's consolidated statement of profit and loss and other comprehensive income according to a declaration prepared in accordance with the zakat collection regulations. Differences resulting from the final zakat calculation, if any, are settled at the end of the year.

20.1 Zakat Base

	2023 SR	2022 SR
Total shareholders' equity and internal financing sources	193,934,446	273,765,327
Long-term assets surplus to external financing sources	(101,648,792)	(161,745,566)
The zakat base before calculating the adjusted net profit	92,285,654	112,019,761
Adjusted net profit	20,745,295	11,841,683
Zakat base	113,030,949	123,861,444

Zakat is due at the rate of 2.578% of the approximate zakat base excluding the adjusted profit for the year. Zakat is calculated on the adjusted profit at a rate of 2.5%.

20.2 Zakat provision movement

	2023 SR	2022 SR
At the beginning of the year	3,096,536	2,671,120
Charged during the year	2,897,465	3,096,536
Charged during the year (related to prior years) – net	-	32,239
Payments during the year	(3,005,881)	(2,703,359)
At the end of the year	2,988,120	3,096,536

20-3 Zakat assessment

The Group submitted its zakat returns to the Zakat, Tax and Customs Authority for all years up to 2022 and has finalized the zakat assessments with ZATCA for all years up to 2020. The Authority has not yet issued the zakat assessments for the years 2021 and 2022.

21 TRANSACTIONS WITH RELATED PARTIES AND THEIR BALANCES

Senior management employees are defined as people who have the authority and responsibility to plan, direct and control the Group's activities (directly or indirectly)

Transactions with related parties include salaries, bonuses and allowances of members of the Board of Directors and senior executives that took place during the year between the Group and senior management. Transactions with related parties were as follows:

	2023	2022
	SR	SR
Short-term salaries and benefits	3,661,695	4,224,183
Allowances and rewards for the Board of Directors and other committees	2,525,000	2,029,000
Defined employee benefit obligations	301,792	109,424
	6,488,487	6,362,607

22 REVENUES

	2023	2022
	SR	SR
Sale of packaging and packaging products	165,132,869	202,346,126
Sale of technical textiles	72,898,616	58,308,147
Recognized sales at a point of time	238,031,485	260,654,273

Geographic markets

	2023	2022
	SR	SR
Inside Kingdom of Saudi Arabia	153,204,608	181,009,101
Outside Kingdom of Saudi Arabia	84,826,877	79,645,172
	238,031,485	260,654,273

23 COST OF REVENUE

	2023	2022
	SR	SR
Cost of raw materials	128,316,704	153,180,044
Salaries, wages and its equivalence	34,668,333	35,852,573
Depreciation of property, plant and equipment (note 6)	8,275,850	7,614,813
Hired labor	2,495,611	2,452,949
Amortization of right to use assets (note 8)	496,150	496,150
Other operating expenses	15,970,675	18,854,708
	190,223,323	218,451,237

24 SELLING AND MARKETING EXPENSES

	2023	2022
	SR	SR
Salaries, wages and its equivalence	4,569,882	5,187,372
Transportation and shipping	4,293,398	6,498,353
Advertising	338,814	594,625
Depreciation of property, plant and equipment (note 6)	104,320	181,243
Others	2,373,107	1,824,481
	11,679,521	14,286,074

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
	SR	SR
Salaries, wages and its equivalence	15,105,844	12,131,641
Directors' remuneration (Note 21)	2,525,000	2,029,000
Professional fees	2,127,924	1,020,219
Security and safety expenses	242,019	220,800
Research and development expenses	233,045	1,218,188
Depreciation of property, plant and equipment (note 6)	124,065	250,215
Insurance	103,819	13,673
Others	2,760,991	3,057,578
	23,222,707	19,941,314

26 OTHER INCOME

	2023	2022
	SR	SR
Human Resources Fund support	2,613,772	1,357,820
VAT refund on written off receivables	716,183	-
Murabaha deposit income	620,724	-
Support the Higher Institute of Plastics	419,500	109,433
Scrap sale	365,263	439,380
Gains on disposal of property, plant and equipment	7,110	-
Support from the Small and Medium Enterprises Authority	-	1,453,545
Support of the Export Development Authority	-	149,790
Other	706,181	1,355,112
	5,448,733	4,865,080

27 FINANCE CHARGES

	2023	2022
	SR	SR
Credit facilities from local banks	2,118,691	2,532,979
Deferred liability for purchase of non-controlling interest (note 16)	1,172,461	1,422,748
Expenses for following up on the Saudi Industrial Development Fund loan	585,175	494,700
Financial charges from the employees defined benefits liabilities (note 18)	573,203	399,684
Financial charges from the Saudi Industrial Development Fund loan	527,718	-
Amortization of deferred financing expenses	444,692	516,258
Financial charges from lease liabilities (note 8)	366,361	386,049
	5,788,301	5,752,418

28 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is the same as basic earnings per share since the Group has no diluted shares issued.

	2023	2022
	SR	SR
Net profit attributable to shareholders	11,989,910	9,795,159
Weighted average number of shares	11,500,000	11,500,000
Basic and diluted earnings per share	1.04	0.85

29 SEGMENT INFORMATION

The Group's management has determined the operating segments based on the reports reviewed by the Board of Directors, on the basis of which strategic decisions are taken. For management purposes, the Group is organized into two segments. The following are the operating segments of the Group:

Packing and packaging

The Packing and packaging sector is engaged in weaving textiles from industrial threads such as nylon, manufacturing bags from plastics, manufacturing plastics (plastics) in their primary forms, spinning and preparing plant fibers such as hemp and staple.

Technical textiles

The technical textiles sector is engaged in cutting and detailing tents and sails, car and furniture covers, machinery and goods covers, and the manufacture of bags, flags, banners, umbrellas and awnings.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

29 SEGMENT INFORMATION (continued)

Below is a summary of the Group's revenues from contracts with customers:

2023	Packing and packaging SR	Technical textiles SR	Eliminations SR	Total SR
Revenues	165,132,869	72,898,616	-	238,031,485
Revenue cost	(128,084,587)	(62,389,576)	250,840	(190,223,323)
Gross profit	37,048,282	10,509,040	250,840	47,808,162
2022	Packing and packaging SR	Technical textiles SR	Eliminations SR	Total SR
Revenues	202,346,126	58,308,147		260,654,273
Revenue cost	(164,219,553)	(54,482,524)	250,840	(218,451,237)
Gross profit	38,126,573	3,825,623	250,840	42,203,036

The details of the assets and liabilities of the Group's segments are as follows:

2023	Packing and packaging SR	Technical textiles SR	Eliminations SR	Total SR
Total assets	278,850,868	135,864,956	(127,986,833)	286,728,991
Total liabilities	109,862,688	78,831,511	(45,667,028)	143,027,171
2022	Packing and packaging SR	Technical textiles SR	Eliminations SR	Total SR
Total assets	280,151,857	128,133,251	(121,254,919)	287,030,189
Total liabilities	114,641,617	103,501,747	(63,147,051)	154,996,313

30 CONTINGENCIES AND COMMITMENT

As at 31 December 2023, the Group had outstanding letters of credit and letters of guarantee amounted to SR 11,880,661 (2022: SR 4,130,051).

31 FAIR VALUE MEASUREMENT

Fair value is the value at which assets are exchanged or liabilities are settled between willing parties in an arm's length transaction. Financial instruments consist of financial assets and financial liabilities. Financial assets include financial assets at fair value through profit or loss, trade receivables, and cash and cash equivalents. Financial liabilities include loans, trade payable, lease liabilities, and contingent liability for the acquisition of non-controlling interest.

The management has assessed that the fair value of cash and cash equivalents, trade receivables, loans, trade payable, and lease liabilities approximates their carrying amounts. This is mainly due to the short-term maturity of these instruments.

Investments in financial assets held at fair value through profit or loss are classified under Level 1 of the fair value hierarchy. During the two years ended 31 December 2023 and 2022, there were no transfers into/out of Level 2 of the fair value hierarchy.

a) Financial assets

	2023 SR	2022 SR
Financial assets at fair value		
Investments in financial assets held at fair value through profit or loss	-	5,784,363
Financial assets at amortized cost		
Cash and cash equivalents	14,142,894	2,892,135
Trade receivables	55,617,778	46,238,319
Total financial assets at amortized cost	69,760,672	49,130,454
	<u>69,760,672</u>	<u>54,914,817</u>

b) Financial liabilities

	2023 SR	2022 SR
Financial liabilities at amortized cost		
Trade payables	30,745,024	31,164,824
Accrued expenses and other current liabilities	19,148,869	16,426,355
Bank facilities and term loans	52,633,609	59,604,257
Lease liabilities	6,913,549	7,327,212
Contingent liability for acquisition of non-controlling interest	13,999,000	15,612,000
Total financial liabilities at amortized cost	123,440,051	130,134,648
 Total current financial liabilities	 66,372,970	 64,003,123
Total non-current financial liabilities	57,067,081	66,131,525
Total financial liabilities at amortized cost	<u>123,440,051</u>	<u>130,134,648</u>

32 RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

The Group's principal financial liabilities consist of trade payables, bank facilities, term loan and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and cash equivalents, trade receivables and investments in financial assets held at fair value through profit or loss that arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management supervises the management of these risks. The Group's senior management also reviews policies and procedures to ensure that financial risks are identified, measured and managed in accordance with the Group's risk management policies and objectives. The Group does not have any risk hedging activities.

The Board of Directors reviews and approves policies for managing all of these risks, as summarized below:

MARKET RISK

Market risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market commission rates and market liquidity.

Market risk includes the following types of risks: commission rate risk and currency risk. Financial instruments affected by market risk include bank facilities and term loans.

INTEREST RATE RISK

Interest rate risk represents the risk resulting from the fluctuation of the value of financial instruments as a result of fluctuations in interest rates prevailing in the market. The risks to which the Group is exposed to changes in interest rates prevailing in the market relate mainly to the Group's bank facilities and term loan. The Group manages exposure to interest rate risks by monitoring changes in interest rates on an ongoing basis.

A reasonable change in interest rates by 50 basis points, holding all other variables constant, for bank facilities, term loans and interest-linked would impact the consolidated statement of profit and loss and other comprehensive income by SR 278,695 (2022: SR 345,828).

CURRENCY RATE RISKS

Currency risk represents the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are mainly conducted in Saudi Riyals and US Dollars, and since the Saudi Riyal's exchange rate is fixed against the US Dollar, the Group is not significantly exposed to currency rate risk.

CREDIT RISK

Credit risk represents the risk that a third party or customer will fail to fulfill its contractual obligations on a financial instrument or customer contract, resulting in the Group incurring a financial loss. The Group is exposed to credit risk on bank balances and its trade receivables as follows:

	2023 SR	2022 SR
Trade receivables	55,617,778	46,238,319
Cash and its equivalent	14,142,894	2,892,135
	<u>69,760,672</u>	<u>49,130,454</u>

32 RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS (continued)**CREDIT RISK (continued)**Trade receivables

The Group's exposure to credit risk is mainly affected by the individual characteristics of each individual customer, but management also takes into account 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 creates an allowance for expected credit losses. Which amounted to SR 2,517,588 on 31 December 2023 (31 December 2022: SR 2,036,167).

Cash and cash equivalents

The Group maintains cash on hand and with banks in the amount of SR 14.14 million (31 December 2022: SR 2.9 million). Liquidity risk represents the risk that the Group will encounter difficulty when fulfilling its obligations associated with its financial liabilities that are settled by paying in cash or from through other financial assets, the Group's approach to liquidity management aims to ensure that it always has sufficient liquidity, as much as possible, to meet its obligations when they fall due, under normal and critical circumstances, without incurring losses or exposing the Group's reputation to risk.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available. The Group's terms of sales require amounts to be paid 30 to 60 days from the date of sale. Accounts payable are normally settled within 90 days of the date of purchase. All the liabilities presented in the Group's consolidated financial statements, except for the non-current portion of lease liabilities and employee benefit obligations, are contractually due for payment on demand.

The table below summarizes the maturity dates of the Group's undiscounted financial liabilities as at 31 December, based on contractual payment dates and current market interest rates:

31 December 2023	Payable on demand	within one year	From 1 to 5 years	More than 5 years
	SR	SR	SR	SR
Term loans	52,633,609	16,643,344	35,990,265	-
Trade payables	30,745,024	30,745,024	-	-
Accrue expenses and other current liabilities	19,148,869	19,148,869	-	-
Lease liabilities	8,757,600	957,360	4,680,144	3,120,096
	111,285,102	67,494,597	40,670,409	3,120,096
31 December 2022	Payable on demand	within one year	From 1 to 5 years	More than 5 years
	SR	SR	SR	SR
Term loans	69,292,481	25,267,780	44,024,701	-
Trade payables	31,164,824	31,164,824	-	-
Accrue expenses and other current liabilities	14,670,154	14,670,154	-	-
Lease liabilities	11,877,696	957,360	6,240,192	4,680,144
	127,005,155	72,060,118	50,264,893	4,680,144

33 CAPITAL MANAGEMENT

For the purpose of managing the Group's capital, capital includes issued share capital and all other shareholders' equity reserves attributable to shareholders. The main objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its operations and increase the benefit to shareholders.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

There were no changes to the objectives, policies and procedures for capital management during the two years ended 31 December 2023 and 2022.

34 COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform to the presentation in the current year.

35 SUBSEQUENT EVENTS

The management believes, there have been no significant subsequent events after year end that would have a material impact on the consolidated financial statements.

36 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorized for issuance by the Board of Directors on 6 Ramadan 1445H (corresponding to 16 March 2024).