

**ARABIAN PLASTIC INDUSTRIAL COMPANY
(SAUDI JOINT STOCK COMPANY)
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2024**

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Arabian Plastic Industrial Company
(Saudi Joint Stock Company)
Jeddah - Kingdom of Saudi Arabia

Opinion

We have audited the financial statements of Arabian Plastic Industrial Company, (Saudi Joint Stock Company) ("the Company"), which comprise the statement of financial position as at 31 December 2024, and the Statement of profit or loss and other comprehensive income, statement of changes in partners' equity and statement of cash flows for the year then ended, and notes from 1 to 28 to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the requirements of International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Revenue recognition	
Key audit matters	How the matter was addressed in our audit
The company recognized revenue from operations amounting to SAR 183.4 million (2023: SAR 156.6 million). Revenue is recognized when control of the goods is transferred to the customer, generally at the point of delivery. Revenue is considered a key audit matter, as it requires management to demonstrate that control over the goods has been transferred at the time of delivery, in accordance with IFRS 15 "Revenue from Contracts with Customers." Refer to Note 3-1-15 for the accounting policy and Note 16 for the related disclosure.	Audit procedures performed to assess revenue recognition included the following: • Evaluated the company's revenue recognition policy in accordance with the requirements of IFRS 15 "Revenue from Contracts with Customers." • Tested a sample of sales transactions and matched them with sales invoices, sales orders, and other relevant supporting documents. For the selected samples, we also verified that revenue was recognized upon delivery in line with IFRS 15. • Tested a sample of revenues recorded before and after year-end and matched the revenue recognition period with third-party documents such as shipping invoices and customer confirmations of goods receipt. • Assessed the adequacy of the related disclosures.

Independent Auditor's Report to To the Shareholders Arabian Plastic Industrial Company (Saudi Joint Stock Company)Jeddah, Kingdom of Saudi Arabia (Continued)

Other information included in the Company 2024 annual report

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor report thereon. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we concluded based on the work we have performed that there is a material misstatement of this other information, we are required to report that fact with those charged with governance. We have nothing to report in this regard.

Responsibilities of the Company's Management and Those Charged with Governance for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA and the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report to To the Shareholders Arabian Plastic Industrial Company (Saudi Joint Stock Company)Jeddah, Kingdom of Saudi Arabia (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

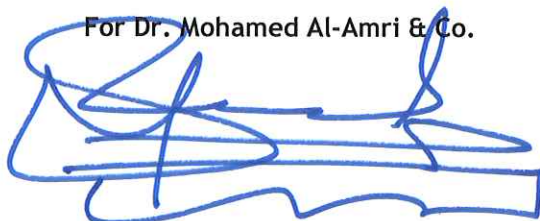
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dr. Mohamed Al-Amri & Co.



Maher Al-Khatieb
Certified Public Accountant
License Number 514



Jeddah, on: 11 Shawwal 1446 (H)
Corresponding to: 9 April 2025 (G)

ARABIAN PLASTIC INDUSTRIAL COMPANY CO.
(SAUDI JOINT STOCK COMPANY)
STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals unless otherwise stated)

	Note	31 December 2024	31 December 2023
ASSETS			
Non-current assets			
Property and equipment	5	114,816,476	83,185,132
Right-of-use assets	6	3,649,297	2,168,222
Total non-current assets		118,465,773	85,353,354
Current assets			
Inventory	10	47,333,381	48,704,230
Trade receivables	7	49,389,515	47,454,547
Prepayments and other receivables	9	9,454,781	13,398,114
Due from related parties	8	176,398	176,398
Cash and cash equivalents	11	7,000,598	1,788,424
Total current assets		113,354,673	111,521,713
TOTAL ASSETS		231,820,446	196,875,067
EQUITY AND LIABILITIES			
Equity			
Share capital	1	50,000,000	50,000,000
Statutory reserve		7,338,799	7,338,799
Additional capital		385,957	385,957
Retained earnings		51,341,901	38,264,280
Total Equity		109,066,657	95,989,036
LIABILITIES			
Non-current liabilities			
Lease liabilities - non current portion	6	2,047,674	1,469,182
Employees' benefits obligation	12	3,574,902	3,878,713
Total non-current liabilities		5,622,576	5,347,895
Current liabilities			
loans	14	89,621,682	55,246,507
Lease liabilities - current portion	6	1,931,554	857,684
Trade payables		19,231,175	18,347,073
Due to related parties	8	871,154	15,971,863
Other current liabilities	13	4,794,878	3,898,333
Zakat	15	680,770	1,216,676
Total current liabilities		117,131,213	95,538,136
Total liabilities		122,753,789	100,886,031
TOTAL EQUITY AND LIABILITIES		231,820,446	196,875,067

Finance Manager

Name:

Signature:



CEO

Name:

Signature:



Chairman of the Board of Directors

Name:

Signature: *Khalid Balubaid*

The accompanying notes from 1 to 28 form integral part of these financial statements.

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ARABIAN PLASTIC INDUSTRIAL COMPANY CO.
(SAUDI JOINT STOCK COMPANY)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(All amounts in Saudi Riyals unless otherwise stated)

		<u>For the year Ended 31 December</u>	
	<u>Note</u>	<u>2024</u>	<u>2023</u>
Revenue	16	183,410,288	156,647,002
Cost of revenue	17	(150,784,527)	(128,608,940)
Gross profit		32,625,761	28,038,062
Selling and distribution expense	18	(10,967,886)	(7,997,790)
General and administrative expenses	19	(5,000,421)	(3,916,041)
Other revenue		520,613	320,406
Operating profit		17,178,067	16,444,637
Finance cost	20	(3,431,184)	(2,713,724)
Profit before zakat		13,746,883	13,730,913
Zakat	15	(363,297)	(700,139)
Net profit for the year		13,383,586	13,030,774
Other comprehensive income			
<i>Items that will not be classified to profit or loss</i>			
Re-measurement on employees' benefits		(305,965)	368,555
Total comprehensive income for the year		13,077,621	13,399,329
Basic and diluted earnings per share	21	2.68	2.61

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Finance Manager

Name:

Signature:



CEO

Name:

Signature:



Chairman of the Board of Directors

Name:

Signature: *Khalid Balubaid*

The accompanying notes from 1 to 28 form integral part of these financial statements.

ARABIAN PLASTIC INDUSTRIAL COMPANY CO.
(SAUDI JOINT STOCK COMPANY)
STATEMENT OF CHANGES IN PARTNERS' EQUITY
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Additional capital	Retained earnings	Total Equity
Balance as at 1 January 2023	50,000,000	6,035,722	385,957	26,168,028	82,589,707
Net profit for the year	-	-	-	13,030,774	13,030,774
Other comprehensive income	-	-	-	368,555	368,555
Total comprehensive income	-	-	-	13,399,329	13,399,329
Transfer to statutory reserve	-	1,303,077	-	(1,303,077)	-
Balance as at 31 December 2023	50,000,000	7,338,799	385,957	38,264,280	95,989,036
Balance as at 1 January 2024	50,000,000	7,338,799	385,957	38,264,280	95,989,036
Net profit for the year	-	-	-	13,383,586	13,383,586
Other comprehensive loss	-	-	-	(305,965)	(305,965)
Total comprehensive income	-	-	-	13,077,621	13,077,621
Transfer to statutory reserve	-	-	-	-	-
Balance as at 31 December 2024	50,000,000	7,338,799	385,957	51,341,901	109,066,657

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Finance Manager	CEO	Chairman of the Board of Directors
Name: 	Name: 	Name:
Signature:	Signature:	Signature: Khalid Babunaid

The accompanying notes from 1 to 28 form integral part of these financial statements.

ARABIAN PLASTIC INDUSTRIAL COMPANY CO.
(SAUDI JOINT STOCK COMPANY)
STATEMENT OF CASH FLOWS
(All amounts in Saudi Riyals unless otherwise stated)

	For the year Ended 31 December	
	2024	2023
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net profit before zakat	13,746,883	13,730,913
<u>Adjustments to adjust profit for the year</u>		
Depreciation for Property, Plant and Equipment	10,521,933	9,162,175
Amortization on right-of-use assets	1,554,713	485,125
Provision for Slow Moving Inventory	521,747	350,000
Finance cost	3,431,184	2,713,724
Provision for employees' benefits	774,250	602,759
Expected credit losses - Formed	1,962,351	460,000
Expected credit losses - Used	(823,300)	-
Refund of Zakat Provision	(358,102)	-
	31,331,659	27,504,696
<u>Change in operating assets and liabilities</u>		
Trade receivables	(3,074,019)	193,941
Prepayments and other receivables	3,943,333	(6,074,107)
Due from related parties	-	67,907
Inventory	849,102	(10,560,348)
Trade payables	884,102	(788,398)
Other current liabilities	896,545	1,393,947
Due to related parties	(15,100,709)	(3,197,850)
Cash generated from operations	19,730,013	8,539,788
Zakat paid	(541,101)	(569,378)
Employees' benefits paid	(1,524,577)	(493,659)
Financing Costs paid	(3,061,235)	(2,458,492)
Net cash generated from operating activities	14,603,100	5,018,259
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
payments for additions to property, plant and equipment	(16,418,943)	(4,568,421)
payments for additions to projects under progress	(25,734,334)	(22,645,226)
Net cash (used in) investing activities	(42,153,277)	(27,213,647)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
paid of lease liabilities	(1,612,824)	(534,559)
Net changes in loans	34,375,175	21,702,402
Net cash generated from Financing activities	32,762,351	21,167,843
Net increase /(decrease) in cash and cash equivalents	5,212,174	(1,027,545)
Cash and cash equivalents at the beginning of the year	1,788,424	2,815,969
Cash and cash equivalents at the end of the year	7,000,598	1,788,424
<u>Non-cash transactions</u>		
Transferred from project under construction	26,678,483	-
Additions to Right-of-Use Assets	3,035,788	-

Finance Manager

Name:

Signature:

CEO

Name:

Signature:

Chairman of the Board of Directors

Name:

Signature: *Khaliid Balubaid*

The accompanying notes from 1 to 28 form integral part of these financial statements.

1. CORPORATE INFORMATION

Arabian Plastic Industry Company is a Saudi joint stock company established in accordance with the Companies Law in the Kingdom of Saudi Arabia.

The company operates under Commercial Registration No. 4030093238 issued in Jeddah on 4 Shaaban 1413 corresponding to 27 January 1993.

The Company's subscribed and fully paid up capital is SR 50 million (fifty million Saudi Riyals) divided into 5 million shares of equal value and fully paid up and the nominal value of the share is (10) ten Saudi Riyals.

The company obtained the approval of the Capital Market Authority issued on 01-05-1443 (corresponding to 05-12-2021), to list one million shares representing 20% of the capital in Nomu (Parallel Market), and the approval of the Capital Market Authority on 30-11-1443 (corresponding to 29-06-2022) to register and offer the company's shares for subscription in Nomu (Parallel Market), and the company's shares were listed and traded on 09-03-1444 (corresponding to 05-10-2022).

On November 4, 2024, the Arabian Plastic Manufacturing Company announced the Board of Directors' recommendation to the Extraordinary General Assembly to increase the company's capital by 50% through the issuance of bonus shares worth SAR 25 million from retained earnings. As of this date, no date has been set for the General Assembly meeting to make a decision.

The company's main activity is in the manufacture of plastics (plastics) in its primary forms, the manufacture of cans and boxes from plastics, the manufacture of bottles in various forms of plastics, the manufacture of bags from plastics, the wholesale sale of primary plastics, rubber and synthetic fibers, the sale of tools and plastics (including bags), General stores that include a variety of goods. The company carries out its activities in accordance with the applicable regulations and after obtaining the necessary licenses from private authorities, if any.

The company's financial year starts from the beginning of January of each calendar year and ends at the end of December of the same year.

The company has branches in Jeddah and Riyadh under commercial registration numbers 4030402778 and 1010793227 respectively.

2. BASIS OF PREPARATION AND MEASUREMENT

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, using the accruals basis of accounting, except for the defined benefits plan which measured at the present value of future obligations using Projected Unit Credit Method.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of the Company.

2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

2-4 Standards, interpretations, and amendments to existing standards

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of Company's financial statements. The Company intends to adopt these new and amended standards and interpretations, if applicable when they become effective.

a) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The company is currently assessing the impact of this new accounting standards and amendments. The most significant of these are as follows:

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
<i>Lack of Exchangeability (Amendment to IAS 21)</i>	On 15 August 2023, the IASB issued <i>Lack of Exchangeability</i> which amended IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> (the Amendments). The Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the determination of the exchange rate when there is a long-term lack of exchangeability. IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice. The Committee recommended that the IASB develop narrow-scope amendments to IAS 21 to address this issue. After further deliberations, the IASB issued an exposure draft of the proposed amendments to IAS 21 in April 2021 and the final amendments were issued in August 2023. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.	1 January 2025
<i>Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments</i>	These amendments: - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	1 January 2026
<i>IFRS 18, 'Presentation and Disclosure in Financial Statements'</i>	This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: - the structure of the statement of profit or loss; - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	1 January 2027
<i>IFRS 19</i>	Subsidiaries without public accountability: Disclosure	1 January 2027

2. BASIS OF PREPARATION AND MEASUREMENT (Continued)

2-4 Standards, interpretations, and amendments to existing standards (continued)

- b) New standards, interpretations and amendments effective in the current year with no effect on the accounting policies and the financial statements

<u>IFRS</u>	<u>Summary</u>	<u>Effective date</u>
<i>Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)</i>	The IFRS Interpretations Committee issued an agenda decision in June 2020 - <i>Sale and leaseback with Variable Payments</i>. This matter was referred to the IASB for standard setting for some aspects. The IASB issued the final amendments in September 2022. The Amendments provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.	1 January 2024
<i>Supplier Financing Arrangements (Amendment to IAS 7 and IFRS 7)</i>	On 25 May 2023, the IASB issued <i>Supplier Finance Arrangements</i>, which amended IAS 7 Statement of Cash Flows and IFRS 7 <i>Financial Instruments: Disclosures</i> (the Amendments). These Amendments arose as a result of a submission received by the IFRS Interpretations Committee (the Committee) about the presentation requirements for liabilities and associated cash flows arising out of supply chain financing arrangements and related disclosures. In December 2020, the Committee published an Agenda Decision <i>Supply Chain Financing Arrangements—Reverse Factoring</i> that addressed this submission based on the requirements in IFRS Accounting Standards existing at that time. During this process, the feedback from stakeholders indicated limitations of the then existing requirements to address important information needs of users to understand the effects of supplier finance arrangements on an entity's financial statements and to compare one entity with another. In response to this feedback, the IASB undertook a narrow-scope standard setting, leading to the Amendments. The Amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The Amendments also provide guidance on characteristics of supplier finance arrangements.	1 January 2024
<i>Amendment - Non-current Liabilities with Covenants (Amendment to IAS 1)</i>	Subsequent to the release of amendments to IAS 1 <i>Classification of Liabilities as Current or Non-Current</i>, the IASB amended IAS 1 further in October 2022. If an entity's right to defer is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current.	1 January 2024
<i>Classification of Liabilities as Current or non-Current (Amendment to IAS 1)</i>	The IASB issued amendments to IAS 1 - <i>Classification of Liabilities as Current or Non-current</i> in January 2020, which have been further amended partially by amendments <i>Non-current Liabilities with Covenants</i> issued in October 2022. The amendments require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period. As a result of the COVID-19 pandemic, the Board deferred the effective date of the amendments by one year to annual reporting periods beginning on or after 1 January 2024.	1 January 2024

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Main Significant accounting policies applied

3.1.1 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the date of the statement of financial position, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the statement of financial position.

All other assets are classified as non-current assets.

A liability is current when:

- It is expected to be settled in normal operating cycle; or
- It is held primarily for the purpose of trading; or
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

3.1.2 Property, plant and equipment

Recognition and measurement

Property, plant and equipment are shown at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of acquiring the asset includes all costs related to the acquisition of the asset.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the net proceeds of disposal with the book value of property, plant and equipment and are recognized as net within other income (expenses) in gains or losses. Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company and can be reliably measured

Financing costs related to loans are capitalized to finance the creation of eligible assets during the year required to complete the assets for the purpose for which they are intended.

If significant parts of the property, plant and equipment item have different useful lives, then they are counted as separate items of property, plant and equipment.

The cost of replacing a significant portion of the property, plant and equipment item is recognized in the carrying amount of the item if potential future economic benefits are likely to flow to the company and those costs can be reliably measured. The book value of the replaced item is excluded when significant parts of property, plant and equipment are required to be replaced at intervals, the company lists such parts as individual assets with specific useful lives and is depreciated accordingly. Similarly, when a major check is carried out, its cost is included in the book value of property, plant and equipment as a replacement if the recognition criteria are met. Other repair and maintenance costs are included in the profit or loss if incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main Significant accounting policies applied (Continued)

3.1.2 Property, plant and equipment (Continued)

Depreciation

Cost less straight-line estimated residual value is depreciated over the estimated useful life of the assets as follows:

	<u>Depreciation %</u>
Buildings on rented land	5-20
Prefabricated Houses	10
Machinery & Equipment	5-50
Cars	20-25
Air conditioning	10-25
Office Appliances	15-20
Furniture & Furnishings	10-25
Tools	6,67-50
Mould Molding	10-50

Residual value, useful life of assets and impairment indicators are reviewed at the end of each financial year and adjusted with future effect, when needed.

Projects under progress

Capital business under progress at the end of the year includes some assets that have been acquired or created but are not ready for use intended for it, and capital works under implementation are recorded at cost minus any recorded impairment in value, and these assets are converted to the relevant asset classes and depreciated when they are ready for use.

3.1.3 Intangible assets

Intangible assets acquired independently are measured at cost upon initial recognition, after initial recognition, intangible assets are measured at cost less accumulated amortization and accumulated impairment losses, if any. Internally produced assets are not capitalized and related expenses are shown in the statement of comprehensive income in the period they are incurred.

The useful life of intangible assets is assessed to be specific and if a company cannot make a reliable estimate of the useful life of an intangible asset, the useful life is assumed to be ten years.

Intangible assets over the economic useful life are amortized as follows:

<u>Assets</u>	<u>Useful life</u>
Computer Programs	5 Years

The residual values of intangible assets, their useful lives and impairment indicators are reviewed in the event of indications of significant changes since the date of the last annual report and adjusted with future effect, when needed.

Changes in the expected useful life or pattern of consumption of future economic benefits originally included are calculated by adjusting the amortization period or method, as the case may be, and are considered as changes in accounting estimates and adjusted with future effect, if necessary.

Amortization expense for intangible assets is included in the statement of comprehensive income under the expense category in line with the intangible asset function. Subsequent expenses are capitalized only when future economic benefits associated with expenses are likely to flow to the company, and expenses can be reliably measured.

Gains or losses resulting from the delisting of an intangible asset are measured by the difference between the net proceeds of the sale and the carrying value of the asset and are included in the statement of comprehensive income when the asset is excluded.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main Significant accounting policies applied (Continued)

3.1.4 Leases

Company as a lessee

The company evaluates whether the contract is a lease or contains rent, at the beginning of the contract. The Company demonstrates the right to use the asset and the corresponding lease obligation in respect of all lease agreements in which the lessee is located, with the exception of short-term leases (defined by leases of 12 months or less) and leases for low-value assets. For such leases, the Company recognizes the rental payments as an operating expense on a straight-line basis over the lease period unless there is another methodological basis for the timeline in which the economic benefits of the leased asset are exhausted.

The lease obligation is initially measured by the present value of rent payments that were not paid on the start date, discounted using the price implied in the lease. If this rate cannot be easily determined, the company uses the increased borrowing rate.

The rental payments included in the rental obligation measurement include:

- Fixed rental payments (including fixed payments), minus any rental incentives.
- Variable rental payments based on an index or price, initially measured using the index or price on the start date,
- The amount expected to be paid by the lessee under residual value guarantees,
- the price of purchase options practices, if the lessee is reasonably certain to exercise the options, and
- Pay fines for termination of the lease, if the lease reflects the exercise of the option of terminating the lease.

The rental obligation is presented separately in the statement of financial position.

The rental liability is then measured by increasing the book value to reflect the interest on the rental obligation (using the effective interest method) and by reducing the book value to reflect the rental payments.

The Company remeasure the lease obligation (and adjusts against the right to use the relevant asset) if:

- The terms of the lease have changed or the evaluation of the call option exercise has changed, in which case the lease obligation is remeasured by deducting adjusted rent payments using an adjusted discount rate.
- Rent payments have changed due to changes in an index, price or change in expected payment according to the guaranteed residual value, in which case the rental liability is remeasured by deducting adjusted rental payments using the initial discount rate (unless the rental payments change due to a change in the prevailing interest rate, in which case an adjusted discount rate is used).
- The lease is amended and the lease amendment is not accounted for as a separate lease, in which case the lease liability is remeasured by deducting the adjusted rent payments using an adjusted discount rate.

The Company did not make any such modifications during the periods shown.

The right to use the asset includes the initial measurement of the corresponding lease obligation, rental payments made on or before the start day and any initial direct costs that are subsequently measured at cost less accumulated depreciation and impairment.

The right to use the asset is depreciated over the specified lease and useful life, whichever is shorter for the asset. If the lease transfers ownership of the selected asset or the cost of the right to use the asset, it reflects that the company expects to exercise the call option, the right to use the relevant asset is amortized over the useful life of the asset. Depreciation starts on the lease start date.

Company as lessor

Leases in which the company is leased are classified as financing or operating leases. When the terms of the lease transfer all the risks and benefits of ownership to the lessee, the lease is classified as a financial lease. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main significant accounting policies applied (Continued)

3.1.4 Leases (Continued)

Company as lessor (Continued)

Rental income from operating leases is calculated on a straight-line basis over the relevant lease. The initial direct costs incurred in negotiating and arranging an operating lease are added to the book value of the leased asset and are recognized on a straight-line basis over the lease period.

Where the contract includes lease and non-lease elements, the Company applies IFRS 15 to allocate consideration under the contract for each element.

Short-term leases and leases of low-value assets

The Company applies the exception of the recognition of short-term leases to its short-term leases for property and equipment (the lease period is 12 months or less from the start date of the contract and does not include the purchase option). It also applies the exception of recognition of leases for low-value assets.

3.1.5 Cash and cash equivalents

Cash and cash equivalents include cash in the fund, demand deposits with banks and other short-term investments with high liquidity with maturity dates of three months or less.

3.1.6 Trade receivables and other receivables

Trade receivables and other receivables are initially shown at the transaction rate and are subsequently measured at amortized value using the effective interest rate method minus impairment provision. A impairment provision is formed in the value of trade receivables and other receivables when there is objective evidence that the company will not be able to collect all amounts due in accordance with the original terms of the receivables.

3.1.7 Inventory

Inventory is recorded at lower cost or net realizable value. Net realizable value is the estimated sale price within the normal business cycle less estimated completion costs and estimated necessary costs to complete the sale. The inventory book value is included as a revenue cost when inventory is sold. The Company makes a provision against inventory losses as a result of factors such as obsolescence, technical defects, natural damage, etc.

3.1.8 Statutory reserve

According to the Company's by Law in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income to the statutory reserve until this reserve reaches 30% of its capital.

3.1.9 Borrowing costs

Borrowing costs directly related to the creation of eligible assets, which require a long period of time to become ready for the required use, are capitalized when all necessary activities related to the preparation of the eligible asset for the purpose for which it was created have been completed. All other borrowing costs are recognized as expense and charged to the list of profits or losses in the period in which they occurred.

3.1.10 Employee benefits

The Company's net commitment in respect of the benefits plans defined separately for each plan is calculated by estimating the amount of future benefits earned by employees in the current and prior periods. Benefits, including actuarial gains and losses, are remeasured and recognized directly in the statement of financial position with a debit or credit recorded against retained gains through other comprehensive income, in the period in which they occur. Remeasurement is not reclassified to profit or loss in subsequent periods.

The Company recognizes the following changes in the benefit obligations defined under "Operating Costs" and "General and Administrative Expenses" in the profit or loss account:

- Service costs that include current service costs, past service costs, gains and losses from non-routine reductions and adjustments.
- Interest expenses.

The defined benefit liability is calculated annually by a qualified actuary using the expected credit unit method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main significant accounting policies applied (Continued)

3.1.11 Trade payables

These amounts represent liabilities relating to goods and services provided to the company prior to the end of the financial year that have not yet been paid, which are amounts without collateral. Credit balances are displayed as current liabilities unless repayment is not due within 12 months after the end of the financial period. It is initially recognized at its fair value and subsequently measured at amortized cost using the effective interest rate method.

3.1.12 Provisions

Provisions are included when there is a current obligation (legal or implied) on the company resulting from past events, and the company is likely to be required to repay this obligation through cash flows outside the company that represent economic benefits and a reliable estimate of the amount of the obligation can be made. In cases where the Company expects to recover some or all of the provisions, for example under an insurance contract, the refunds are recognized as a standalone asset only when the redemption is already certain. The expense related to the provision is shown in the statement of comprehensive income after deducting any refunds.

If the effect of the temporal value of the money is material, the provision is deducted using the current pre-tax rate which, when appropriate, reflects the risks associated with that liability. When the discount is used, the increase in the provision over time is recognized as financing expenses.

3.1.13 Zakat and taxes

A. Zakat

The Zakat allowance is calculated in accordance with the regulations issued by the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia "the Authority".

The Zakat provision is charged on profits or losses. Any additional obligations shall be recorded, and adjustments resulting from the Zakat assessment, if any, that may become due upon completion of the assessment shall be processed in the same fiscal year in which the Zakat assessment is approved.

B. Value Added Tax (VAT)

1. Revenues, expenses and assets shall be recognized after deducting VAT, except:

- Where VAT incurred in connection with the purchase of assets or services is non-refundable from the tax authority, in which case, VAT is recognized as part of the cost of purchasing the asset or as part of the expense items, where applicable, and
- Receivables and payables that are included with the VAT amount.

2. The net amount of VAT recoverable from, or payable to, the tax authority as part of receivables or payables shall be included in the statement of financial position.

3.1.14 Prepaid expenses

Long-term advance expenses are recognized at cost less any impairment losses accrued.

3.1.15 Revenues

Revenues arising from contracts are recognized and measured in accordance with the requirements of IFRS No. (15) unless these contracts are within the scope of other standards, and the standard defines a single comprehensive model for accounting for revenues from contracts with customers and the standard relies on five steps to recognize revenues arising from contracts with customers, where revenues are included in the amount that reflects the price that the entity expects to receive in transferring goods or services to the customer.

The Company used judgments, taking into account all relevant facts and circumstances when applying each of the five steps described below to contracts with its clients. It also specifies the additional costs resulting from the acquisition of the contract and the costs directly related to the fulfillment of the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main significant accounting policies applied (Continued)

3.1.15 Revenues (Continued)

Compensation

Revenue is measured on the basis of compensation specified in the contract with the customer and excludes amounts collected on behalf of other parties. The Company recognizes revenue upon transfer of control over the products or services provided to the Client. The timing of revenue recognition is either at a point in time or over a time period that depends on the fulfillment of the performance of the obligation by transferring control of goods or services to the customer. An entity recognizes revenue when (or when) it performs the performance of the obligation, i.e. when "control" of the goods or services implied in the performance of the obligation is transferred to the customer.

The company includes revenue from contracts with clients based on the following five steps:

- Step (1): Define the contract with the client: A contract is an agreement between two or more parties that results in mandatory rights and obligations and clarifies the criteria that must be met for each contract.
- Step(2): Define the performance obligations in the contract: The performance obligation is a promise to the customer according to the contract in order to sell the products to the customer.
- Step (3): Determine the transaction price: The transaction price is the price expected from the company for the transfer of products agreed upon with the customer, excluding the amounts collected on behalf of third parties.
- Step (4): Distribution of the transaction price on the performance obligations in the contract: For a contract that contains more than one performance obligation, the company distributes the transaction price to each performance obligation in the amount of an estimated amount of the expected price collected from the sale of the products in exchange for the performance of the performance obligation.
- Step (5): Include revenues when (or when) the entity meets the performance obligation.

performance obligation

The Company fulfills the performance obligation and includes revenue over the duration of the contract if it fulfills any of the following requirements:

- 1) the Client obtains the benefits resulting from the Company's performance and consumes those benefits at the same time, or
- 2) The Company's performance leads to the creation or improvement of an asset under the control of the Client at the time of improvement or creation, or
- 3) The Company's performance of the obligation shall not be originally for other uses of the Company, and the Company shall have the right to collect the amount for the performance completed to date and enforceable.

For performance obligations in which one of the above conditions is not met, revenues are included at the time the performance obligation is met. When the company fulfills a performance obligation by providing the promised services, the company creates an asset based on the contract for the price it received as a result of the performance. If the amount of the price billed to the customer exceeds the amount of the listed revenues, this increases the commitment of the contract. Income is measured at fair value of the price received or receivable, taking into account the contractual terms of payment. Revenue is included in the statement of profit or loss in the amount of the expected flow of economic benefits to the company with revenue and costs, where applicable, measurable in a reliable manner.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main significant accounting policies applied (Continued)

3.1.15 Revenues (Continued)

The company's revenues are:

- Revenues from the sale of products

The revenue generated by the sale shall be recognized and an invoice shall be issued when all the following conditions are met:

- Transfer of important risks and benefits of ownership of goods to the buyer.
- The company's failure to retain the right to continuous administrative intervention to the degree that is usually associated with ownership or actual control over the goods sold.
- The amount of revenue can be measured in a reliable way.
- The economic benefits associated with the transaction are likely to flow to the company.
- The possibility of measuring the costs incurred or to be borne by the company in connection with the transaction in a reliable manner.

The Company does not provide guarantees for the goods sold, and therefore the Company is not subject to the requirements of the International Standard regarding the postponement of revenue recognition and the recording of contract obligations.

3.1.16 Revenue costs

Manufacturing costs include the cost of raw materials and direct expenses for manufacturing.

3.1.17 Expenses

Selling, distribution, general and administrative expenses include direct and indirect costs that are not specifically part of the cost of revenue. Selling and distribution expenses are those expenses arising from a company's sales and marketing efforts.

All expenses excluding financial burdens, depreciation, amortization and impairment losses are classified as general and administrative expenses. Other common expenses are apportioned between revenue costs, sale and distribution costs, general and administrative expenses on a fixed basis when necessary.

3.1.18 Impairment of non-financial assets

At the date of each reporting listing, the Company reviews non-financial assets to determine whether there is any indication or circumstance indicating a decline in value or reversing the impairment loss. If such an indicator exists, the recoverable value of these assets is estimated to determine the amount of impairment loss or reversal of impairment loss, if any.

When the recoverable value of individual assets cannot be estimated, the Company estimates the recoverable value of the cash-producing unit to which the assets belong. When a reasonable and stable distribution basis can be determined, the common assets are distributed to individual cash-producing units, or otherwise distributed to the smaller cash-producing company for which a reasonable and reliable distribution basis can be determined.

The recoverable value of the asset is the fair value of the asset or unit realized for cash less the cost of sale or the value in use, whichever is higher, and the recoverable value of the individual asset is determined unless the asset achieves cash flows significantly independent of the expenses generated from other assets or groups of assets, and when the carrying amount of the asset or unit realized for cash exceeds the recoverable value, the asset is considered undervalued and its value is reduced to the recoverable value when evaluating the value in use. Estimated future cash flows are discounted to their present value using the pre-tax discount rate to reflect the current market estimates of the time value of money and the specific risk of assets for which future cash flow estimates have not been adjusted, and when determining the fair value minus the costs of completing the sale, updated market transactions are taken into account and in the event that such transactions cannot be identified, an appropriate valuation form is used.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main significant accounting policies applied (Continued)

3.1.18 Impairment of non-financial assets (Continued)

Impairment loss is recognized directly in profit or loss unless the relevant assets are credited to the revaluation value, in which case the impairment loss shall be treated as a reduction resulting from revaluation.

When the impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to a revised estimate of its recoverable value so that the increased carrying amount does not exceed the carrying amount that would have been determined if the impairment loss (or cash-generating unit) had been recognized in previous years. The reversal of impairment loss is recognized directly in the statement of profit or loss unless the relevant assets are credited to the revaluation value, in which case the impairment loss shall be treated as an increase resulting from the revaluation.

Intangible assets with indefinite useful lives as well as intangible assets that are not yet available for use are examined for a impairment in value at least annually and whenever there is an indication of a decline in the value of the assets.

3.1.19 Measuring fair value

Fair value is the price that can be obtained against the sale of an asset or the payment of an obligation in a transaction between market parties at the measurement date. The measurement of fair value is based on the assumption that the transaction of the asset sale or transfer of the obligation is done either:

- through the main market of the asset or liability, or
- Through the most beneficial market for the asset or liability in the absence of a major market.

The main market or the most advantageous market must be accessible to the company.

The fair value of an asset or liability is measured using the assumptions used by market parties when pricing an asset or liability on the assumption that market parties are acting in their best economic interests.

Measuring the fair value of a non-financial asset takes into account the ability of market parties to provide economic benefits by using the asset for its best benefit or selling it to another market party to make the best use of it.

The company uses appropriate valuation methods and has sufficient data to measure fair value, maximize the use of relevant observable data and reduce the use of non-observable data, where:

- Management is responsible for overseeing all important fair value measurements, including the third level of fair values.
- Management periodically reviews important non-observable inputs and evaluation adjustments.
- Management evaluates evidence obtained from third parties to support the conclusion that such valuations meet the requirements of the International Financial Reporting Standards adopted in the Kingdom of Saudi Arabia, including the level in the fair value hierarchy in which such valuations should be classified if third-party information, such as brokers' prices or pricing services, is used to measure fair values.

The Company uses observable market data as much as possible when measuring the fair value of assets or liabilities and fair values are classified into different levels in the fair value hierarchy based on the inputs used in the valuation methods as follows:

- Level 1: Listed (unadjusted) prices in active markets for similar assets and liabilities.
- Level 2: Inputs other than prices listed in level 1 that can be observed for the asset or liability either directly (e.g. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for assets and liabilities that are not based on observable market data (non-observable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main significant accounting policies applied (Continued)

3.1.19 Measuring fair value (Continued)

If the inputs used to measure the fair value of an asset or liability fall at different levels of the fair value hierarchy, the fair value measurement is categorized entirely at the same level of the fair value hierarchy where the lowest income level is important for a complete measurement.

The company is recognized by transfers between levels of the fair value hierarchy at the end of the reporting period in which the change occurred.

3.1.20 Financial instruments

Financial Assets

The Company classifies its financial assets into one of the categories described below, depending on the purpose for which the asset was purchased. Unlike financial assets in the hedging relationship, the accounting policy of the company for each class is as follows:

(a) Fair value through profit or loss

This category includes cash derivatives and non-cash derivatives where the time value offsets the negative intrinsic value (see "Financial Liabilities" section of non-cash derivatives classified as liabilities) and is included in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income in the financing income or expense item. As at the statement of financial position date, the Company does not have any assets held for trading and does not classify any financial assets as fair value through profit or loss.

(b) Amortized cost

These assets arise primarily from provision for goods and services to customers (e.g., trade receivables from related parties and third parties), but also include other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows. Contractual cash flows are only principal payments and interest. It is initially recognized at fair value plus transaction costs directly attributable to the acquisition or issuance, and is subsequently included in amortized cost using the effective interest rate method, less the impairment provision.

The Company's financial assets measured at amortized cost include trade receivables, other receivables, cash and the like in the statement of financial position.

Cash and cash equivalents include cash in the fund, demand deposits held with banks, other highly liquid short-term investments with original maturities of three months or less, and for the purposes of the statement of cash flows - overdrafts from banks. Overdrafts from banks are shown within loans and facilities in current liabilities in the statement of financial position.

(c) Fair value through other comprehensive income

Represents investments in current and non-current entities. As at the statement of financial position date, the Company does not have any financial instruments classified at fair value through other comprehensive income.

Offsetting between financial asset and financial liability

Financial assets and liabilities are offsetting and net recorded in the statement of financial position only when there is a current right in force to settle the amounts listed and the company has the intention to settle the assets with the liabilities on a net basis or to realize the assets and pay the liabilities at the same time.

Derecognition of financial liabilities

The derecognition of a financial liabilities is recorded upon its fulfillment, cancellation or termination. When an existing financial obligation is substituted for another from the same lender on completely different terms or when the terms of an existing obligation are substantially modified, such substitution or modification is treated as a cancellation of the original financial obligation with recognition of the new obligation. The difference between the relevant book values is recorded in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main significant accounting policies applied (Continued)

3.1.20 Financial instruments (Continued)

Financial liabilities

Policies classify their financial liabilities into one of two categories, depending on the purpose of acquiring the commitment. Other than the financial liabilities in the qualifying hedging relationship (see below), the Company's accounting policy for each class is as follows:

Fair value through profit or loss

This category includes non-cash derivatives where the time value does not compensate the negative intrinsic value (see "Financial Assets" of cash derivatives and non-cash derivatives where the passive time value compensate the value) and is included in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income. As at the balance sheet date, the Company had no trading liabilities and no financial liabilities were identified as fair value through profit or loss.

Other financial liabilities

Other financial liabilities include the following items:

- Loans of banks and related parties are initially recognized at fair value in net after deducting any transaction costs directly related to the issuance of the instrument. These liabilities that incur interest at amortized cost are subsequently measured using the effective interest rate method, which ensures that any interest expense over the repayment period is at a fixed rate on the balance of the liability included in the statement of financial position. For the purposes of each financial obligation, interest expense includes transaction costs and any installment payable upon redemption, as well as any interest or voucher payable while an existing obligation exists.
- Trade payables and other short-term cash liabilities, which are initially recognized at fair value and subsequently recognized at amortized cost using the effective interest rate method.

3.1.21 Transfer of foreign currency transactions

Transactions made in foreign currencies after conversion are recorded according to the prevailing exchange rates into the functional currency (Saudi Riyals) on the date of the transaction, and the balances of assets and liabilities of a monetary nature in foreign currencies are converted to Saudi Riyals (functional currency) at the prevailing exchange rates at the date of the financial statements. Profit and loss resulting from changes in exchange rates are recognized in profit or loss. Non-cash items measured at historical cost of a foreign currency are reconverted using exchange rates as at the date of the first transactions and are not adjusted later. Non-cash items measured at fair value are converted into a foreign currency using exchange rates on the date on which the fair value was determined. Gains or losses arising from the conversion of non-cash items measured at fair value are treated in line with the recognition of gains or losses from changes in the fair value of the relevant item.

3.1.22 Contingent liabilities and assets

- a. Contingent liabilities are obligations that are likely to arise from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events that do not fall under the Company's full control. A current liability is not recognized because it is unlikely that a resource flow will be needed to settle the liability, and in the event that the amount of the obligation cannot be measured with sufficient reliability, the company does not recognize the contingent liabilities but discloses them in the financial statements.
- b. Contingent assets are not recognized in the financial statements, but disclosed when economic benefits are likely to be realized.

3.1.23 Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to the company's shareholders by the weighted average number of shares outstanding during the year.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Main significant accounting policies applied (Continued)

3.1.24 Cash dividends to shareholders

The Company shall demonstrate the obligations related to the payment of cash dividends to the Company's shareholders upon approval of the distribution. According to the Companies Law in the Kingdom of Saudi Arabia, dividends are approved upon approval by shareholders. Initial dividends, if any, are recorded when recommended by the Board of Directors and approved by shareholders. The corresponding amount is recognized directly within the shareholders' equity.

3.1.25 Segments

- The business sector is a group of assets, operations or companies:

- 1) Carries on business activities through which revenues can be generated and expenses incurred including revenues and expenses relating to transactions with other components of the Company;
- 2) The results of its operations are continuously analyzed by the Chief Operations Officer in order to make decisions related to resource allocation and performance evaluation; and
- 3) For which accurate information is separately available.

4 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the financial statements requires the company's management to make judgments, estimates and assumptions that affect the amounts of revenues, expenses, assets and liabilities and the disclosure of potential liabilities at the date of preparation of the financial statements. The uncertainty involved in these assumptions and estimates may lead to significant adjustments in the values of assets or liabilities that may be affected in future periods.

Significant accounting provisions, estimates and assumptions that have a material impact on the financial statements are stated as follows:

4.1 Judgments

In the context of applying the Company's accounting policies, the management made the following Judgments, which had the greatest material impact on the amounts included in the financial statements:

a) Parts of property, machinery and equipment components

A company's assets classified as property, plant and equipment are depreciated on a straight-line basis over their economic useful life. When determining the economic useful life of the asset, it is divided into important parts so that each part is consumed independently, and the main components of the asset must be ascertained, and while determining the importance of the component, management takes into account the quantitative importance of the component as well as qualitative factors such as the difference in useful life compared to the underlying asset, depreciation method and replacement cycle/maintenance schedule.

b) Determine the lease term of contract with renewal and terminate options " The company as a lessee "

The Company shall determine the term of the Lease as irrevocable for any periods covered by the option to extend the contract if the Company is reasonably certain of the possibility of exercising such option, or for any periods covered by the option to terminate the contract if the Company is reasonably certain that it may not be able to exercise such option.

The company has several leases that include extension and termination options. The Company exercises discretion in assessing the reasonableness of ensuring that the option of extension or termination of the contract is exercised. To this end, the Company takes into account all relevant factors that constitute an economic incentive to exercise the option of extension or termination. After the lease commencement date, The Company reassesses the duration of the contract if there is a material event or change in circumstances within the scope of control that affects the Company's ability to exercise or not exercise the option to renew or terminate the lease (e.g. creating material improvements or substantial restructuring of the leased asset).

4. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (Continued)

4.2 Estimates and assumptions

4.2.1 Employees defined benefits obligations

The cost of employees' end-of-service benefits is determined under the defined unfunded remuneration program that is measured using actuarial valuation. The actuarial valuation includes many assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, employee behavior, and employee turnover. Due to the complexity of the evaluation and its long-term nature, the specific unfunded bonus obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed once or more per year when necessary

4.2.2 Provision for expected credit losses

The expected credit loss provision is determined by reference to a set of factors to ensure that receivable balances are not overvalued as a result of the probability that they will not be collected, based on aging from the initial date of recognition to measure expected credit losses.

Accounts receivable have been combined based on common credit risk characteristics and the aging per days. The expected loss rates are derived from the company's historical information and adjusted to reflect the expected future outcome, which includes any future information on macroeconomic factors such as inflation and GDP growth rate.

4.2.3 Useful lives of property, machinery, equipment, and intangible assets

The company's management determines the estimated useful lives of property, machinery, and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. The company reviews the residual value and useful lives of these assets annually, depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

4.2.4 Impairment of non-financial assets

Non-financial assets are reviewed for any impairment losses due to the decrease in their value whenever the events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized by finding the difference between the carrying amount of the asset and the recoverable amount. The recoverable amount is the fair value of the asset less costs to sell and the value in use, whichever is higher. For the purpose of assessing impairment, assets are grouped to their lowest level where there are identifiable cash flows (cash-generating units). Non-financial assets other than goodwill and those that have been impaired are reviewed for possible reversal of the impairment at each reporting date. Where the 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, but the carrying amount that has been increased must not exceed the carrying amount that would have been determined, any impairment loss is recognized for the asset or cash-generating unit in prior years. The reversal of impairment loss is recognized as direct income in the statement of profit or loss. Impairment losses on goodwill are not reversed.

ARABIAN PLASTIC INDUSTRIAL COMPANY
(SAUDI JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024
(All amounts in Saudi Riyals unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT, NET

	Building	Prefabricated houses	Plants and equipment	Cars	Air conditioning	Office Appliances	Furniture & Furnishings	Tools	Mould Molding	Projects under progress	Total
<u>Cost</u>											
Balance 1 January 2023	27,777,307	45,000	99,198,649	1,872,315	1,462,676	1,454,745	353,669	1,103,101	21,975,610	4,970,743	160,213,815
Additions during the year	498,478	-	2,169,746	197,800	135,863	204,686	20,100	555,551	786,197	22,645,226	27,213,647
Balance 31 December 2023	28,275,785	45,000	101,368,395	2,070,115	1,598,539	1,659,431	373,769	1,658,652	22,761,807	27,615,969	187,427,462
Additions during the year	1,585,353	-	8,977,186	402,205	324,297	1,236,414	255,446	1,003,447	2,634,595	25,734,334	42,153,277
Transfer from PUC	24,223,038	-	-	-	818,300	1,637,145	-	-	-	(26,678,483)	-
Balance 31 December 2024	54,084,176	45,000	110,345,581	2,472,320	2,741,136	4,532,990	629,215	2,662,099	25,396,402	26,671,820	229,580,739
<u>Accumulated depreciation</u>											
Balance 1 January 2023	19,359,676	44,999	54,923,785	1,400,253	1,065,641	615,814	293,102	752,824	16,624,061	-	95,080,155
Additions during the year	1,517,202	-	5,435,469	154,262	131,077	211,683	11,944	118,583	1,581,955	-	9,162,175
Balance 31 December 2023	20,876,878	44,999	60,359,254	1,554,515	1,196,718	827,497	305,046	871,407	18,206,016	-	104,242,330
Additions during the year	1,730,883	-	6,039,124	190,328	145,948	394,866	31,450	394,071	1,595,263	-	10,521,933
Balance 31 December 2024	22,607,761	44,999	66,398,378	1,744,843	1,342,666	1,222,363	336,496	1,265,478	19,801,279	-	114,764,263
<u>Net book amounts</u>											
At 31 December 2024	31,476,415	1	43,947,203	727,477	1,398,470	3,310,627	292,719	1,396,621	5,595,123	26,671,820	114,816,476
At 31 December 2023	7,398,907	1	41,009,141	515,600	401,821	831,934	68,723	787,245	4,555,791	27,615,969	83,185,132

- A. The company's buildings are built on land leased from the Saudi Authority for Industrial Cities in Jeddah.
B. Some buildings and machinery for the expansion of the plant are mortgaged as collateral for the Saudi Industrial Development Fund loan No. 2978 (note 14).

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5. PROPERTY, PLANT AND EQUIPMENT, NET (Continued)

A. Depreciation charged for the year ended 31 December 2024 and 2023 has been allocated as follows:-

	AS AT 31 DECEMBER	
	2024	2023
Cost of revenue (note 17)	9,807,414	8,754,722
Sale and distribution expenses (note 18)	262,919	157,335
General and administrative expenses (note 19)	451,600	250,118
	10,521,933	9,162,175

6. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The company has leases for several rented properties. The duration of leases generally ranges from 4 to 20 years. The Company's obligations under these contracts are secured by the lessor's ownership of these properties. Many leases include extension and termination options for the contract and variable lease payments detailed below. Not all leases have variable payments.

The Company also has some contracts for leased property with a lease term of 12 months or less of low value. The Company applies recognition exemptions for "short-term leases" and "low-value asset leases" to these assets.

Amortization of right-of-use assets is made on a straight-line basis over the lease period as shown below:

6.1 Right of use assets

Right of use assets are as follows:

	AS AT 31 DECEMBER	
	2024	2023
Cost		
On January 1	4,137,990	4,137,990
Additions during the year	3,035,788	-
On 31 December	7,173,778	4,137,990
Total amortization		
On January 1	1,969,768	1,484,643
Charge during the year	1,554,713	485,125
On 31 December	3,524,481	1,969,768
Net book value	3,649,297	2,168,222

6.2 Lease Liabilities

The carrying amount of the company's lease Liabilities and changes during the year ended 31 December 2024 and 2023 are as follows:

	2024	2023
As at 1 January	2,326,866	2,749,168
Addition during the year	3,035,788	-
Interest of the year	229,398	112,257
Paid during the year	(1,612,824)	(534,559)
As at 31 December	3,979,228	2,326,866

Lease Liabilities

Present value of the Liabilities

	2024	2023
Lease Liabilities - current portion	1,931,554	857,684
Lease liabilities - non current portion	2,047,674	1,469,182
	3,979,228	2,326,866
Charge on profit or loss		
Amortization (Note 17)	1,554,713	485,125
Finance Cost lease liabilities	229,398	112,257
Low value rentals	5,250	27,257
	1,789,361	624,639

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7. TRADE RECEIVABLES

	AS AT 31 DECEMBER	
	2024	2023
Trade receivables	50,624,868	49,213,537
Due from related parties (Note 8-5)	2,348,449	685,761
Less:	52,973,317	49,899,298
Provision for expected credit losses (7-1)	(3,583,802)	(2,444,751)
	49,389,515	47,454,547

7.1 Provision for expected credit losses

The movement of the provision for expected credit losses is summarized as follows:

	2024	2023
As at 1 January	2,444,751	1,984,751
Formed during the year	1,962,351	460,000
Used during the year	(823,300)	-
Balance at the end of the year	3,583,802	2,444,751

8. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties are represented in the major shareholders, members of the Board of Directors, senior management staff of the company and managed enterprises or exerted significant influence on them by these parties, the following is a statement of the relevant authorities of the company:

8.1 Related Party Transactions and Balances

Statement	Nature of Relationship
Balubaid Group Of Companies	Affiliate
Autozone Balubaid Group	Affiliate
Arabian Plant For Lubricants & Grease	Affiliate
Omar Abu Bakr Balubaid Company* - Transport	Affiliate
Hijaz Mall Trading Company	Affiliate
Saudi Finance House	Affiliate
Awtad Arabian Industrial Company	Affiliate
Omar Abu Bakr Balubaid Company Ltd.	Shareholder
Senior Management & Senior Executives	Relate party
Members Of The Board Of Directors	Relate party

8.2 Details of the main transactions carried out by the Company with related parties during the year are as follows:

Name	Nature of the transaction	31 December 2024	31 December 2023
Balubaid Group Of Companies	Payment On Behalf	-	182,202
Arabian Plant For Lubricants & Grease	Payment On Behalf	(381,073)	782,337
	Supplier	-	(1,081,328)
Saudi Finance house company	Payment On Behalf	150	-
Omar Abu Bakr Balubaid Company-Transport	Supplier	-	191,929
Hijaz Mall Trading Company	Payment On Behalf	(161,339)	(24,920)
	Money Transfers	15,650,671	27,500,000
Omar Abu Bakr Balubaid Company Ltd.	Payment On Behalf	(7,700)	-
Awtad Arabian Industrial Company	Payment On Behalf	-	(35,000)

8. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

8.3 Due from related parties

	AS AT 31 DECEMBER	
	2024	2023
Balubaid Group Of Companies	141,398	141,398
Awtad Arabian Industrial Company	35,000	35,000
	176,398	176,398

8.4 Due to related parties

	AS AT 31 DECEMBER	
	2024	2023
Related parties		
Hijaz Mall Trading Company	242,339	81,000
Saudi Finance House Company	148,128	148,278
Arabian Plant For Lubricants & Grease Company	381,073	-
Current Account - Omar Abu Bakr Balubaid Company	99,614	91,914
Omar Abu Bakr Balubaid Company Ltd.	-	15,650,671
	871,154	15,971,863

* Money transfers consist in the payment of the expenses, purchases and obligations of the company.

8.5 Amounts due from a related party (receivables) are as follows:

	2024	2023
Arabian Plant For Lubricants & Grease (Note 7)	1,931,811	520,704
Roots for business trading company (Note 7)	416,638	165,057
	2,348,449	685,761

8.6 Allowances and remuneration of Directors and senior executives

The compensation of senior executive management and the Board of Directors during the period is as follows:

	2024	2023
Salaries and other benefits	997,589	534,222
Benefit's obligations for employees	56,700	41,800
	1,054,289	576,022

9. ADVANCE PAYMENTS AND OTHER RECEIVABLES

	AS AT 31 DECEMBER	
	2024	2023
Prepaid expenses	1,535,418	574,277
Advance payments to suppliers	4,279,106	4,114,319
Employee loans	128,972	12,168
VAT	-	1,941,444
Outstanding purchase incentives	3,511,285	6,755,906
	9,454,781	13,398,114

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10. INVENTORY

	AS AT 31 DECEMBER	
	2024	2023
Raw materials	18,776,158	23,659,034
Work-in-progress	3,243,996	2,858,314
Finished goods	22,927,541	19,750,938
Packaging materials	1,297,319	1,279,927
Spare Parts	2,550,367	2,096,270
	48,795,381	49,644,483
Less:		
Slow Moving Stock Custom (1-10)	(1,462,000)	(940,253)
	47,333,381	48,704,230

10.1 Slow Moving Inventory Allowance:

	2024	2023
At the beginning of the year	940,253	590,253
Formed during the year	521,747	350,000
At the end of the year	1,462,000	940,253

11. CASH AND CASH EQUIVALENTS

	AS AT 31 DECEMBER	
	2024	2023
Cash in hand	-	20,000
Cash at banks	7,000,598	1,768,424
	7,000,598	1,788,424

12. EMPLOYEES' BENEFITS OBLIGATIONS

	AS AT 31 DECEMBER	
	2024	2023
Balance as at January 1	3,878,713	3,995,193
Current services cost	774,250	602,759
Finance cost	140,551	142,975
Remeasurement of employees' defined benefit obligation	305,965	(368,555)
Paid during the year	(1,524,577)	(493,659)
Balance as at December 31	3,574,902	3,878,713

The main assumptions for the purposes of actuarial valuation were as follows:

	2024	2023
Salary increase rate	4.00%	4.00%
Discount rate	5.52%	4.51%

13. OTHER CURRENT LIABILITIES

	AS AT 31 DECEMBER	
	2024	2023
Accrued bonuses and commissions	608,718	410,684
Social Insurance	423,241	507,306
Payments received in advance from customers	787,112	1,851,587
Accrued expenses	570,001	712,501
VAT	1,356,736	-
Electricity and water	449,070	-
Accrued interest	600,000	416,255
	4,794,878	3,898,333

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14. LOANS

	AS AT 31 DECEMBER	
	2024	2023
Current loan		
Saudi Industrial Development Fund Loan (A)	22,195,000	-
The Saudi Investment Bank (B)	57,512,387	55,246,507
Saudi National Bank (C)	9,914,295	-
	89,621,682	55,246,507

(A) Saudi Industrial Development Fund

During the year 2023, the company requested credit facilities from the Saudi Industrial Development Fund to finance the planned investment expansions by establishing a factory in the Riyadh region. On January 17, 2024, the company announced the signing of a working capital financing facility worth SR 23 million from the Saudi Industrial Development Fund No. (8803), while maintaining the mortgage on loan instrument No. (2978) until the full installments of loan No. (8803) are paid. A facility amounting to SR 22.2 million was obtained on 13 March 2024 to be repaid in 4 quarterly installments from the date of disbursement of the first installment.

This loan is secured by a mortgage on all existing or future buildings at the factory located on land in the First Industrial City in Jeddah, leased from the Saudi Authority for Industrial Cities and Technology Zones. The factory is established on a 20,377 square meter plot and includes all project assets, equipment, machinery, and all related attachments or those acquired for the project.

B) Loan from The Saudi Investment Bank

On 5 May 2019, the company signed a banking facilities agreement with The Saudi Investment Bank for SR 42 million, with a financing ceiling of SR 42 million. These facilities were obtained

in the form of short-term loans financed by a term sale with a profit margin estimated at the Saudi Interbank Internal Borrowing Rate plus a profit margin. In the financial period, an addendum to the contract was signed and the financing ceiling was amended under the annex in the amount of SAR 45 million.

The company has issued a bond for an order of SR 52.6 million in addition to an irrevocable continuous Takaful and solidarity guarantee provided independently by: the shareholder Omar Abu Bakr Balubaid Company Ltd., the shareholder Khalid Omar Abu Bakr Balubaid and the shareholder Ahmed Omar Abu Bakr Balubaid (covering all facilities), Note that the terms of the loan agreement dated **5 May 2019, its amendment dated 15 December 2021, and the annex to its second amendment dated 8 March 2023**, according to which the personal guarantees were canceled and the guarantee provided by Omar Abu Bakr Balubaid Company Ltd. was approved, one person company, and the agreement also includes other financial commitments, including maintaining certain financial ratios.

On 8 March 2023, the company signed a banking facilities agreement with The Saudi Investment Bank for SR 19.8 million, with a financing limit of SR 22 million. These facilities were obtained in the form of short-term loans with a forward sale financing with a profit margin estimated at the Saudi Interbank Internal Borrowing Rate plus a profit margin. This is under guarantees provided by Omar Abu Bakr Balubaid Company Ltd., unconditional and irrevocable as a guarantee for all credit facilities provided to the Arab Plastic Industry Company.

On 8 March 2023, the company signed a banking facility with The Saudi Investment Bank for SR 30.1 million, with a financing cap of SR 33.5 million. These facilities were obtained in the form of short-term loans to finance a future sale with a profit margin estimated according to the Saudi interbank internal borrowing rate plus a profit margin, under guarantees provided by Omar Abu Bakr Balubaid Company Ltd. One Person Company unconditional and irrevocable as a guarantee for all credit facilities provided to the Arab Plastic Industry Company.

14. LOANS (Continued)

(C) Saudi National Bank

On 17 January 2024 the company signed a banking facility with The Saudi Investment Bank for SR 25 million, with a financing cap of SR 25 million. These facilities were obtained in the form of short-term loans to finance a future sale with a profit margin estimated according to the Saudi interbank internal borrowing rate plus a profit margin, under guarantees provided by Omar Abu Bakr Balubaid Company Ltd. One Person Company a guarantee for all credit facilities provided to the Arabian Plastic Industrial Company.

The expiration date of this agreement on 31 May 2024, the company is working to extend the validity period of the agreement.

15. ZAKAT

The following is the movement of the Zakat Provision:

	AS AT 31 DECEMBER	
	2024	2023
Balance at the beginning of the year	1,216,676	1,085,915
Formed during the year	363,297	700,139
Refund of Zakat Provision	(358,102)	-
Paid during the year	(541,101)	(569,378)
Balance at the end of the year	<u>680,770</u>	<u>1,216,676</u>

Status of zakat

Zakat was calculated for the year ended 31 December 2024.

The company submits a consolidated Zakat declaration through Balubaid Holding Group Company under a notice by the Zakat, Tax and Customs Authority, and the due was paid by Omar Abu Bakr Balubaid Company Ltd. (the shareholder) without obligation on the company for the year 2021 and the years before 2021 except for linking the years 2015 and 2016.

During the year 2022, the company submitted a request to submit an independent Zakat declaration and it was approved by the Zakat, Tax and Customs Authority.

The company submitted Zakat returns to the Zakat, Tax and Customs Authority (the Authority) until the year ending on 31 December 2022, and the Authority did not issue the Zakat assessment for the years from 2019 to 2022.

Zakat was issued to the company for the years 2015 and 2016 with Zakat differences of SR 283,583 and SR 60,151 respectively, the company paid SR 60,151 for the final assessment differences for the year 2016. The objection and escalation was made to the General Secretariat of the Tax Committees for Zakat assessment for the year 2015 and a decision was issued by the Committee with Zakat differences of SR 137,044.68, and it was paid.

16. SEGMENT REPORTS

The company's revenues are represented in the sales resulting from the sale of plastics and there are no other products for the company, and the company's products are sold within the Kingdom of Saudi Arabia at a point in time.

	AS AT 31 DECEMBER	
	2024	2023
Kingdom of Saudi Arabia	181,796,620	156,261,085
External	1,613,668	385,917
	<u>183,410,288</u>	<u>156,647,002</u>
Customer type		
Corporate clients	183,410,288	156,647,002
	<u>183,410,288</u>	<u>156,647,002</u>

Revenues for the year ended 31 December 2024 from a key customer amounted to SR 31.5 million (2023: SR 28.9 million) representing 18.2% of total sales (2023: 18.2%).

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17. COST REVENUE

	AS AT 31 DECEMBER	
	2024	2023
Direct material cost	114,041,140	94,002,581
Salaries and Wages	15,477,018	14,014,002
Water and Electricity	5,456,446	5,771,625
Indirect raw materials	2,450,147	3,737,369
Maintenance, repair and spare parts	887,049	1,027,814
Government Fees	220,630	214,372
Depreciation of property, plant and equipment (Note 5)	9,807,414	8,754,722
Amortization of right of use assets (note 6)	1,554,713	485,125
Hospitality and Cleanliness	201,885	46,963
Consulting fees	38,877	15,000
Other	649,208	539,367
	150,784,527	128,608,940

18. SELLING AND DISTRIBUTION EXPENSES

	AS AT 31 DECEMBER	
	2024	2023
Salaries, wages	2,620,851	2,333,586
Carriage of goods	3,538,477	3,678,393
Rentals	5,250	27,257
Car Expenses	44,192	63,224
Technical Consulting	5,598	48,083
Sales commissions	513,340	271,205
Government Fees	77,726	41,744
Maintenance, repair and spare parts	254,834	131,237
Water and Electricity	70,768	27,478
Depreciation of property and equipment (Note 5)	262,919	157,335
Expected credit losses (Note 7-1)	1,962,351	460,000
Telephone, Fax and Internet	6,507	18,116
Hospitality and Cleanliness	31,184	16,148
Miscellaneous	1,573,889	723,984
	10,967,886	7,997,790

19. GENERAL AND ADMINISTRATIVE EXPENSES

	AS AT 31 DECEMBER	
	2024	2023
Salaries and Wages	1,942,844	2,094,634
Government Fees	131,730	369,245
Maintenance and repair	138,064	158,391
Hospitality and Cleanliness	84,983	39,117
Professional fees and consulting	389,436	313,413
Car Expenses	17,260	12,690
Telephone, Fax and Internet	2,605	10,875
Depreciation of property and equipment (Note 5)	451,600	250,118
Administrative incentives	1,479,996	385,268
Water and Electricity	30,010	43,232
Miscellaneous	331,893	239,058
	5,000,421	3,916,041

20. FINANCING COSTS

	AS AT 31 DECEMBER	
	2024	2023
Cost of loan financing	3,061,235	2,458,492
Cost of financing lease contracts	229,398	112,257
Cost of financing employee defined benefit obligations	140,551	142,975
	3,431,184	2,713,724

21. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding at the date of the statement of financial position.

The net profit and details of the shares used to calculate the basic and diluted earnings per share are as follows:

	2024	2023
Net profit for the year attributable to the company's shareholders (SAR)	13,383,586	13,030,774
Average number of shares during the year (share)	5,000,000	5,000,000
Basic diluted earnings per share (SAR per share)	2.68	2.61

No transactions have been made in respect of the Common Stock or Potential Ordinary Shares between the date of the statement of financial position and the date of preparation of these financial statements.

There was no reduction element affecting the weighted average number of common shares.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risks are part of the nature of the company's activities and are managed through a continuous mechanism that includes identifying risks, then evaluating them and then following them up in accordance with other approved restrictions and controls. The risk management process is essential to a company's ability to make a profit. Each employee of the company is responsible for managing the risks related to his or her job or responsibilities. The Company is exposed to market risk, commission rate risk, currency risk and credit risk.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk the financial instruments which expose to market risks is the company loan.

Commission rate risk

Commission rate risk is the risk of fluctuation in the value of financial instruments due to fluctuations in commission rates and arises from the possibility that fluctuating commission rates will affect the future profitability or fair value of financial instruments.

The Company is exposed to commission rate risk on its commission-paying liabilities including bank financing and Murabaha. Income sensitivity is the impact of hypothetical changes in commission rates on a company's income for a single period, with other variables remaining constant, based on financial liabilities with variable prices held as at 31 December 2024.

Currency risk

Currency risk is the fluctuation of fair value or future cash flows as a result of foreign exchange rate fluctuations. The Company is primarily exposed to foreign exchange rate fluctuations during its operational activities. The Company is not exposed to any material currency risk as the Company does not have any significant balances as at 31 December 2024 denominated in currencies other than Saudi Riyal and US Dollars.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit Risk

Credit risk is when one party to a financial instrument fails to fulfill its obligation and causes the other party to suffer a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and its financing activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables

- Customer credit risk is managed by each business unit subject to policies, procedures and controls that have been established and related to customer credit risk management. The customer's creditworthiness is assessed based on the customer's credit rating and individual credit limits according to this assessment. Customers' outstanding receivables are regularly monitored and any shipments to key customers are covered under letters of guarantee or any other forms of credit insurance obtained from reputable banks.
- Impairment analysis is performed at the date of each financial report using a matrix dedicated to measuring expected credit losses. Provision rates are based on past accrual days for different customer segments that have similar loss patterns (by geographic sector, product type, customer type, classification, letter of credit guarantee, and other types of credit collateral). The calculation reflects the probability of a weighted outcome, the time value of the money and the reasonable and supporting information available at the reporting date about past events, current conditions and projections of future economic conditions. Trade receivables are generally written off if they exceed their due date for more than one year and are not subject to application activity if the cost of such activity is expected to be higher than the benefit of doing so. The maximum credit risk exposure at the financial reporting date is the book value of each class of financial asset. Other types of security are an integral part of trade receivables and are taken into account when calculating impairments.

The following is information about the exposure to credit risk on the company's trade receivables using the provision matrix:

31 December 2024	Trade receivables					
	Days beyond due dates					
	0-90 Days	91-180 Days	181-270 Days	271-360 Days	More than one year	Total
Expected credit loss rate	0.3%	0.4%	3.4%	0%	47.7%	6.8%
Estimated total	33,884,716	6,805,617	3,807,611	1,500,501	6,974,872	52,973,317
For book values for default						
Expected Credit Loss	<u>101,504</u>	<u>26,328</u>	<u>128,288</u>	<u>-</u>	<u>3,327,682</u>	<u>3,583,802</u>

31 December 2023	Trade receivables					
	Days beyond due dates					
	0-90 Days	91-180 Days	181-270 Days	271-360 Days	More than one year	Total
Expected credit loss rate	0%	0%	6.5%	13.3%	16.3%	4.8%
Estimated total	23,782,890	8,539,173	3,534,513	2,432,513	11,610,209	49,899,298
For book values for default						
Expected Credit Loss	<u>-</u>	<u>-</u>	<u>228,111</u>	<u>323,279</u>	<u>1,893,361</u>	<u>2,444,751</u>

The maximum credit risk for the Company is limited to the book value of the financial assets recognized at the reporting date, as shown below:

	2024	2023
Cash and cash equivalents	7,000,598	1,788,424
Trade receivable	49,389,515	47,454,547
Advance payments and other receivables	3,511,285	6,755,906
Due from related parties	176,398	176,398
	<u>60,077,796</u>	<u>56,175,275</u>

22. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

Liquidity risk is the risk that a company will experience difficulties in obtaining the financing necessary to meet obligations associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly and in an amount close to its fair value.

Liquidity risk is managed by monitoring them periodically to ensure that sufficient funds are available through bank facilities available to meet any future obligations.

The following are the contractual accruals for financial liabilities at the end of the fiscal year.

31 DECEMBER 2024				
	Book Value	On request or less than one year	From 1 year to 5 years	More than 5 years
Financial Liabilities:				
Payables and others	24,026,053	24,026,053	-	-
Lease Liabilities	4,178,189	2,028,131	2,150,058	-
Loans	89,621,682	89,621,682	-	-
	117,825,924	115,675,866	2,150,058	-
31 DECEMBER 2023				
	Book Value	On request or less than one year	From 1 year to 5 years	More than 5 years
Financial Liabilities:				
Payables and others	21,610,494	21,610,494	-	-
Lease Liabilities	2,443,209	900,568	1,542,641	-
Loans	55,246,507	55,246,507	-	-
	79,300,210	77,757,569	1,542,641	-

23. RISK MANAGEMENT

High concentration of risk

A high concentration of risk arises when a number of parties dealing engage in similar business or activities in the same geographical area or have economic features that may affect their ability to perform their contractual obligations so that they may be similarly affected by changes in economic, political or other circumstances. Concentration illustrates the relative sensitivity of a company's performance in developments affecting a particular industry.

For the purpose of avoiding high risk concentration, the Company's policies and procedures include specific guidelines for maintaining a diversified portfolio. High concentrations of credit risk are controlled and managed. Selective hedging is used in-house to manage credit risk concentrations at the relationship and industry level.

Capital Risk Management

For the purpose of managing the risk of the company's capital, the capital consists of the issued capital and all equity reserves belonging to the shareholders of the company. The main objective of capital management is to maximize shareholders' equity.

The Company manages and adjusts the capital structure in light of changes in economic conditions and requirements for financial undertakings. In order to maintain or modify the capital structure, the company may adjust dividends to shareholders, return capital to shareholders or issue new shares. The company monitors capital using a leverage ratio, which is the net debt division of total capital and net debt.

The overall strategy of the company remains unchanged from last year. The capital structure of the company consists of net debt (term loans, short-term loans, trade payables, expenses payable, other current liabilities of cash and bank balances) and equity (consisting of capital, statutory reserve and retained profits).

24. FAIR VALUE MEASUREMENT

The company's financial assets consist of cash, cash equivalents, receivables and receivables from related parties, while the company's financial liabilities consist of payables that include expenses due and due to related parties.

All financial assets and liabilities are calculated at amortized cost. Management believes that financial assets and liabilities that are close to their book value to a large extent due to the short-term maturities of these instruments.

The Company does not carry any financial assets or liabilities at fair value as at 31 December 2023.

25. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The company has potential obligations represented in letter of credits.

	<u>2024</u>	<u>2023</u>
Letter of credits	4,489,952	7,525,191
	<u>4,489,952</u>	<u>7,525,191</u>

The company has capital contractual commitments under existing contracts for the supply of fixed assets, the details of the capital commitments are as follows:

	<u>AS AT 31 DECEMBER</u>	
	<u>2024</u>	<u>2023</u>
Total Capital Contracts	31,161,769	35,141,160
(Less) advance payments for the purchase of property, machinery and equipment/projects under progress	(26,671,817)	(27,615,969)
	<u>4,489,952</u>	<u>7,525,191</u>

26. TRANSACTIONS WITH A MAIN SUPPLIER

Purchases for the year ended 31 December 2024 from Saudi Basic Industries Corporation (SABIC) amounted to SR 87.3 million, representing 78% of total purchases (2023: SR 83.5 million, representing 80% of total purchases).

27. SUBSEQUENT EVENTS

The company's management believes that there are no material events requiring disclosure.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The issuance of these financial statements for the financial year ended 31 December 2024 was approved by the Board of Directors on 26/09/1446 corresponding to 26/03/2025.