

Prospectus Rayan Advanced Industrial Company



شركة الريان المتقدمة للصناعة
Rayan Advanced Industrial Co.

Rayan Advanced Industrial Company is a mixed closed joint stock company under Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 27/06/2005G), and the license of the Ministry of Investment No. (101034305119118) on 21/05/1443H (corresponding to 26/12/2021G).

Offering (2,000,000) two million ordinary shares, representing 20% of the Company's total shares, in the Parallel Market "Nomu" to Qualified Investors at a price of (SAR **) Saudi riyals per share.

Offering Period from Sunday 26/04/1444H (corresponding to 20/11/2022G) to Thursday 30/04/1444H (corresponding to 24/11/2022G)

Rayan Advanced Industrial Company (the "Company" or "the Issuer" or "Rayan") was established under the name Rayan Plastic Products Factory as a branch of the Gulf Contracting Establishment wholly owned by Mr. Hassan Ali Al-Sairafi in 1989G under the industrial license No. (45/5), dated 25/01/1410H (corresponding to 27/08/1989G). Then the factory was converted into a limited liability company under the memorandum of association certified by the Notary Public in the Ministry of Commerce on 10/08/1426H (corresponding to 14/09/2005G) and the Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 10/10/2005G), and pursuant to Industrial License No. (2182/5), dated 28/08/1428H (corresponding to 10/09/2007G). The capital of the Company, upon its incorporation, amounted to (SAR 10,000,000) ten million Saudi riyals, divided into (10,000) ten thousand in-kind shares of equal value, the value of each of which is (SAR 1,000) one thousand Saudi riyals. On 03/11/1428H (corresponding to 13/11/2007G), the Company's capital was increased to (SAR 20,000,000) twenty million Saudi riyals, divided into (20,000) twenty thousand shares of equal value, the value of each of which is (SAR 1,000) one thousand Saudi riyals. The increase was covered via the transfer of (SAR 10,000,000) ten million Saudi riyals from the partners' current account to the capital account. On 06/06/1430H (corresponding to 30/05/2009G), the Gulf Company for Restaurants and Parks Ltd. wished to sell its entire shares to Rayan, Mohammed. Wed and Reem, sons of Hassan Ali Al-Sairafi. On 26/09/1430H (corresponding to 16/09/2009G), the partners agreed to increase the Company's capital from (SAR 20,000,000) twenty million Saudi riyals to (SAR 30,000,000) thirty million Saudi riyals, divided into (30,000) thirty thousand shares of equal value, the value of each is (SAR 1,000) one thousand Saudi riyals. The increase in the capital took place through the current account of the partners in the Company. On 11/11/1431H (corresponding to 19/10/2010G), the Gulf Contracting, Industry and Trade Company wished to sell all its shares to Rayan, Mohammed, Wed and Reem, sons of Hassan Ali Al-Sairafi. On 11/02/1441H (corresponding to 10/10/2019G), the partners agreed to increase the Company's capital from (SAR 30,000,000) thirty million Saudi riyals to (SAR 50,000,000) fifty million Saudi riyals, divided into (5,000,000) five million shares of equal value along with changing the value of each share from (SAR 1,000) one thousand Saudi riyals to (SAR 10) ten Saudi riyals. The increase in the capital was done through the current account of the partners in the Company. On 22/05/1443H (corresponding to 26/12/2021G), the partners relinquished some of their shares in favor of Hassan Ali Hassan Al-Sairafi and Awatef Hassan Ibrahim Batejee. On 24/05/1443H (corresponding to 28/12/2021G), Hassan Ali Hassan Al-Sairafi assigned part of his shares in favor of Sami Fahid Khader Joudeh. On 28/06/1443H (corresponding to 31/01/2022G), the partners decided to convert the Company into a closed joint stock company and increase the capital from (SAR 50,000,000) fifty million Saudi riyals to (SAR 100,000,000) one hundred million Saudi riyals. The capital increase was effected by transferring an amount of (SAR 15,000,000) fifteen million Saudi riyals from the statutory reserve account, and transferring an amount of (SAR 35,000,000) thirty-five million Saudi riyals from the retained earnings account.

The Company was transformed into a mixed closed joint stock company under Resolution No. (874) of the Ministry of Commerce on 15/07/1443H (corresponding to 16/02/2022G) and in accordance with Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 27/06/2005G), and under the license of the Ministry of Investment No. (101034305119118) dated 21/05/1443H (corresponding to 26/12/2021G). The Company's current capital is (SAR 100,000,000) one hundred million Saudi riyals, divided into (10,000,000) ten million ordinary shares, paid in full, at a nominal value of (SAR 10) ten Saudi riyals per share, all of which are ordinary shares of one class.

The Offering will be directed to categories of Qualified Investors (the "Offering"), for a number of (2,000,000) two million ordinary shares (together referred to as "Offering Shares" and individually as "Offering Share") at a nominal value of (SAR 10) ten Saudi riyals per share. The price of the Offering Share will be (SAR **) Saudi riyals per share. The Offering Shares in total represent 20% of the Company's capital. All the Company's shares are ordinary shares of one class, and the share does not give its holder any preferential rights, and every shareholder ("Shareholder"), regardless of the number of his shares, has the right to attend and vote at the meetings of the General Assembly of Shareholders (the "General Assembly"). The Offering Shares are entitled to any profits announced by the Company from the date of this Prospectus and the following fiscal years (refer to section (5) "Dividend Policy" of this Prospectus).

As on the date of this Prospectus, the Substantial Shareholders who own (5%) five percent or more of the total shares of the Company are: Hassan Ali Hassan Al-Sairafi, Rayan Hassan Ali Al-Sairafi, Mohammed Hassan Ali Al-Sairafi, Wed Hassan Ali Al-Sairafi, Reem Hassan Ali Al-Sairafi, and Sami Fahid Khader Joudeh. After the Offering, the Company will have (1) one Substantial Shareholder, Hassan Ali Hassan Al-Sairafi, who will own 71.0% of the Company's total shares after the Offering (refer to section (4-2) "Substantial Shareholders who own 5% or more of the Company's Shares" of this Prospectus). It is prohibited for Substantial Shareholders after the Offering who own 5% or more of the Company's shares to dispose of their shares for a period of (12) twelve months (the "Lock-up Period") from the starting date of trading the Company's shares in the Parallel Market, and they may dispose of their shares after the expiry of the Lock-up Period without obtaining prior approval of the Capital Market Authority.

Subscription to the Offer Shares is limited to the following categories of Qualified Investors:

1. Capital Market Institutions acting for their own account.
2. Clients of a Capital Market Institution by the Authority to conduct managing activities provided that this Capital Market Institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client.
3. The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center.
4. Government-owned companies, either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities.



Financial Advisor

Lead Manager and Receiving



Receiving Entities



This preliminary prospectus is for presentation to Qualified Investors and does not contain the Offer Price. The final prospectus including the Offering price will be published after it is determined.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic language Prospectus Published on the CMA's website (www.cma.org.sa) remains the only official, legal binding version and shall prevail in the event of any conflict between the two texts.



**We improve to meet your
aspirations**



Important Notice

This Prospectus provides complete detailed information about Rayan Advance Industrial Company and the shares offered for subscription in the Parallel Market. Investors who apply to subscribe to the offered shares will be treated on the basis that their applications are based on the information contained in this Prospectus, copies of which can be obtained from websites of the Company, Financial Advisor, or Lead Manager, or from the websites of each of the Company (www.rayanadvanced.com.sa), Aldukheil Financial Group (www.aldukheil.com.sa), Capital Market Authority (www.cma.org.sa), Saudi Tadawul Company "**Saudi Tadawul**" (www.saudiexchange.sa), or Alinma Investment Company (www.alinmainvestment.com). The Financial Advisor "**Aldukheil Financial Group Company**" will also announce on the Saudi Tadawul Company website "**Saudi Tadawul**" about publishing the Prospectus and making it available to Qualified Investors during the period specified in accordance with the Rules on the Offer of Securities and Continuing Obligations (within a period of no less than (14) days before the Offering) and any other developments.

The Prospectus contains information provided according to the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority in the Kingdom Saudi Arabia. The Directors whose names appear on page (v) collectively and individually assume full responsibility for the accuracy of the information contained in this Prospectus, and confirm, to the best of their knowledge and belief, after conducting the possible studies and to the reasonable extent, there are no other facts that, not including them in the Prospectus, would make any statement contained therein misleading. The Authority and the Saudi Tadawul Company (Saudi Tadawul) take no responsibility for the contents of this Prospectus, and they do not give any assurances regarding its accuracy or completeness, and they expressly disclaim any responsibility whatsoever for any loss resulting from the information mentioned in the Prospectus or from depending on any part thereof.

The Company has appointed (Aldukheil Financial Group) as a Financial Advisor to the Offering ("**Financial Advisor**") and Alinma Investment as the Lead Manager ("**Lead Manager**") in relation to the Offering of shares indicated in this Prospectus. (Please refer to Section (10) "**Covenants relating Subscription**" of this Prospectus).

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial state of the Company and the value of the Shares may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political, and other factors, over which the Company has no control (See Section 2 "**Risk Factors**" of this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed interaction in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as a promise or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, its directors, the Selling Shareholders, or any of its advisors to participate in the Offering. The information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a financial advisor who is licensed by CMA in relation to the Offering and for considering the appropriateness of the information herein, with regard to individual objectives, financial situations and needs including the advantages and risks associated with investing in the Offer Shares. Investment in the Offer Shares may be suitable for some investors and not for others. Prospective investors should not rely on the decision and vision of another party to invest or not to invest as a basis for the study they are supposed to carry out regarding their opportunity to invest or on the individual circumstances of those investors.

Subscription to the Offer Shares shall be limited to the following categories of Qualified Investors according to the requirements of the Rules on the Offer of Securities and Continuing Obligations: 1- Capital Market Institutions acting for their own account. 2- Clients of a Capital Market Institution by the Authority to conduct managing activities provided that this Capital Market Institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client. 3- The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center. 4-Government-owned companies, either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities. 5- Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf. 6- Investment Funds. 7- Non-resident foreigners permitted to invest in the parallel market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market. 8- Qualified foreign financial institutions. 9- Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center. 10- Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria: a- Has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months. b- His net assets is not less than 5 million Saudi Riyals. c- Works or has worked for at least three years in the financial sector. d- Holds the General Securities Qualification Certificate which is recognised by the Authority. e-Holds a professional certificate that is related to securities business and accredited by an internationally recognised entity. 11- Any other persons prescribed by the Authority.

Offering will be during the period from Sunday 26/04/1444H (corresponding to 20/11/2022G) to Thursday 30/04/1444H (corresponding to 24/11/2022G). The Company, the Selling Shareholders and the financial advisor require the recipient of this Prospectus to view all legal restrictions related to the Offering or sale of Offering Shares and to observe compliance with them.

Financial Information

The Company's audited financial statements for the fiscal year ending on 31/12/2021G and the compared financial statements for the financial year ending on 31/12/2020G, and the reviewed financial statements for the financial period ending on 30/06/2022G and the compared financial statements for the financial period ending on 30/06/2021G, which were included in this Prospectus, had been prepared in accordance with International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and issuances approved by the Saudi Organization for Certified Public Accountants (SOCPA). The financial statements were reviewed for the fiscal year ending in 31/12/2021G and the financial statements were audited for the financial period ending on 30/06/2022G by Talal Abu-Ghazaleh & Co. - Certified Public Accountants. The Company issues its financial statements in Saudi riyals.

Forecasts and Forward-looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of specific and announced assumptions. The Company's future conditions may differ from the assumptions used currently, and therefore no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts. The Company confirms, to the best of its reasonable knowledge, that the representations made in this Prospectus were made with due professional care

Certain statements in this Prospectus constitute forward-looking statements. Such statements can generally be identified by their use of forward-looking words such as **"intends"**, **"plans"**, **"estimates"**, **"believes"**, **"expects"**, **"anticipates"**, **"may"**, **"will"**, **"should"**, **"expected"**, **"would be"** or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail in other sections thereof. (For further details, see Section (2) **"Risk Factors"** of this Prospectus). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be incorrect or inaccurate, The Company's actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company will submit a Supplementary Prospectus to the CMA if, at any time after the publication of this Prospectus and before completion of the Offering, The Company becomes aware that: 1- There has been a significant change in any material information contained in this Prospectus; or 2- the occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the circumstances mentioned above, the Company does not intend to update or otherwise revise any information contained in this Prospectus, whether as a result of new information, future events or otherwise relating to the Company, industry or risk factors. As a result of the foregoing and other risks, assumptions and uncertainties, expectations of future events and conditions set out in this Prospectus may not occur as expected by the Company or may not occur at all. Accordingly, potential investors should examine all forward-looking statements in the light of these interpretations and not rely primarily on such statements.



Company Directory

Board of Directors

Name	Position	Capacity	Nationality	Age	Direct ownership percentage		Indirect ownership percentage		Appointment date
					Before the offering	After the offering	Before the offering	After the offering	
Hassan Ali Hassan Al-Sairafi	Chairman of Board of Directors	Non-executive/ non-independent	Saudi	72	74.00%	71.00%	-	-	13/07/1443H (corresponding to 14/02/2022G)
Rayan Hassan Ali Al-Sairafi	Deputy Chairman of the Board	Non-executive/ non-independent	Saudi	43	5.00%	1.00%	-	-	13/07/1443H (corresponding to 14/02/2022G)
Mohammed Hassan Ali Al-Sairafi	Member of the Board of Directors	Non-executive/ non-independent	Saudi	38	5.00%	1.00%	-	-	13/07/1443H (corresponding to 14/02/2022G)
Sami Fahid Khader Joudeh	Managing Director and CEO	Executive/ Non-independent	Jordanian	56	5.00%	4.00%	-	-	13/07/1443H (corresponding to 14/02/2022G)
Tariq Abdullah Suleiman Al-Qublan	Member of the Board of Directors	Non-executive/ Independent	Saudi	62	-	-	-	-	13/07/1443H (corresponding to 14/02/2022G)
Abdul-Aziz Mohammed Al-Rawaf	Member of the Board of Directors	Non-executive/ Independent	Saudi	59	-	-	-	-	13/07/1443H (corresponding to 14/02/2022G)

Source: Rayan Advanced Industrial Company

- The members of the Board of Directors were appointed by the Company's Transformational General Assembly, which was held on 13/07/1443H (corresponding to 14/02/2022G) for a period of five (5) years.
- The symptoms of independence for the members of the Board of Directors were determined based on the Corporate Governance Regulations issued by the Capital Market Authority, and they are represented in each of the following:
 - To own 5% or more of the Company's shares, or of shares of another company in its group, or is related to a person who owns this percentage.
 - To be related to any of the members of the Board of Directors in the Company.
 - To work or have worked as an employee in the Company during the past two years.

**Company Registered Address****Rayan Advanced Industrial Co**

Second Industrial City, Riyadh
PO Box 54654 Riyadh 11564
Kingdom Saudi Arabia
Tel: +966 11 265 1313
Fax: +966 11 265 1200
Website: www.rayanadvanced.com.sa
E-mail: mail@rayanadvanced.com.sa



شركة الريان المتقدمة للصناعة
Rayan Advanced Industrial Co.

First Authorized Representative of the Company**Name: Mohammed Hassan Ali Al-Sairafi**

Capacity: Member of the Board of Directors
Address: Second Industrial City, Riyadh
PO Box 54654 Riyadh 11564
Kingdom Saudi Arabia
Tel: +966 11 265 1313
Fax: +966 11 265 1200
Website: www.rayanadvanced.com.sa

Second Authorized Representative of the Company**Name: Sami Fahid Khader Joudeh**

Capacity: Managing Director and Chief Executive Officer
Address: Second Industrial City, Riyadh
PO Box 54654 Riyadh 11564
Kingdom Saudi Arabia
Tel: +966 11 265 1313
Fax: +966 11 265 1200
Website: www.rayanadvanced.com.sa

Saudi Stock Exchange**Saudi Tadawul Company (Tadawul Saudi)**

Unit No.: 15, King Fahd Road, Olaya, Riyadh
PO Box: 6897 Riyadh 12211- 3388
Kingdom Saudi Arabia
Tel: +966 920001919
Fax: +966 11 2189133
Website: www.saudiexchange.sa
E-mail: csc@saudiexchange.sa



Financial Advisor

Aldukheil Financial Group

Riyadh - Wazarat District, Naeem Bin Hammad Street
 P.O. Box 2462 Riyadh 11451
 Kingdom of Saudi Arabia
 Tel: + 966 (11) 4309800
 Fax: + 966 (11) 4787795
 Website: www.aldukheil.com.sa
 E-mail: info@aldukheil.com.sa



Auditor

Talal Abu-Ghazaleh & Co. (Certified Public Accountants)

King Fahd Road, Olaya - Riyadh
 P.O. Box: 9767 Riyadh 11423
 Kingdom Saudi Arabia
 Tel: +966 13 464 2936
 Fax: +966 13 465 9915
 Website: tagco.riyadh@tagi.com
 E-mail: halnatour@tagi.com



Lead Manager and Receiving Entity

Alinma Investment Company

King Fahad Road, Riyadh
 (Al Anoud Tower 2)
 Riyadh 11544 P.O Box 55560
 Kingdom of Saudi Arabia
 Tel: 8004413333
 Fax: +966 11 2185970
 Website: www.alinmainvestment.com
 E-mail: info@alinmainvestment.com



Receiving Entities

SNB Capital Company (SNB Capital)

King Saud Road, Riyadh
P.O Box: 22216 Riyadh 12624
Kingdom Saudi Arabia
Tel: +966 920000232
Fax: +966 11 406 0049
Website: www.alahlicapital.com
email: snbc.cm@alahlicapital.com

**Riyad Capital**

Granada Business Oasis 2414 - Al Shuhada District,
Unit No. 69
7279 Riyadh 13241
Kingdom Saudi Arabia
Tel: +966 11 4865649
Fax: +966 11 486 5908
Website: www.riyadcapital.com
email: ask@riyadcapital.com

**Aljazira Capital Markets Company (Aljazira Capital)**

King Fahd Road, Riyadh
P.O Box: 20438 Riyadh 11455
Kingdom Saudi Arabia
Tel: +966 11 225 6000
Fax: +966 11 225 6811
Website: www.aljaziracapital.com.sa
email: contactus@aljaziracapital.com.sa

**Notice:**

All of the above advisors as well as the Auditors have given and not withdrawn their written consent to the publication of their names and logos in the form indicated in the Prospectus; and none of them has withdrawn its approval up to the date of this Prospectus.

Offering Summary

This Summary is intended to provide a brief overview of the information contained in this Prospectus. Hence, this summary does not contain all information that are significant to some prospective investors. Therefore, this summary should be read as an introduction to this Prospectus. Prospective investors should read and review this Prospectus in its entirety. Any decision related to investing in the offered shares by potential investors should be based on all information mentioned in this Prospectus as a whole, especially the “**Important Notice**” section and Section (2) “**Risk Factors**” before making any Investment decision in the Offering Shares.

Summary	
<p>“The Company” or “Issuer”</p>	<p>Rayan Advanced Industrial Company (the “Company” or “the Issuer” or “Rayan”) was established under the name Rayan Plastic Products Factory as a branch of the Gulf Contracting Establishment wholly owned by Mr. Hassan Ali Al-Sairafi in 1989G under the industrial license No. (45/S), dated 25/01/1410H (corresponding to 27/08/1989G). Then the factory was converted into a limited liability company under the memorandum of association certified by the Notary Public in the Ministry of Commerce on 10/08/1426H (corresponding to 14/09/2005G) and the Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 10/10/2005G), and pursuant to Industrial License No. (2182/S), dated 28/08/1428H (corresponding to 10/09/2007G). The capital of the Company, upon its incorporation, amounted to (SAR 10,000,000) ten million Saudi riyals, divided into (10,000) ten thousand in-kind shares of equal value, the value of each of which is (SAR 1,000) one thousand Saudi riyals. On 03/11/1428H (corresponding to 13/11/2007G), the Company’s capital was increased to (SAR 20,000,000) twenty million Saudi riyals, divided into (20,000) twenty thousand shares of equal value, the value of each of which is (SAR 1,000) one thousand Saudi riyals. The increase was effected by transferring the amount of (SAR 10,000,000) ten million Saudi riyals from the partners’ current account to the capital account. On 06/06/1430H (corresponding to 30/05/2009G), the Gulf Company for Restaurants and Parks Ltd. wished to sell its entire shares to Rayan, Mohammed. Wed and Reem, sons of Hassan Ali Al-Sairafi. On 26/09/1430H (corresponding to 16/09/2009G), the partners agreed to increase the Company’s capital from (SAR 20,000,000) twenty million Saudi riyals to (SAR 30,000,000) thirty million Saudi riyals, divided into (30,000) thirty thousand shares of equal value, the value of each is (SAR 1,000) one thousand Saudi riyals. The increase in the capital took place through the current account of the partners in the Company. On 11/11/1431H (corresponding to 19/10/2010G), the Gulf Contracting, Industry and Trade Company wished to sell all its shares to Rayan, Mohammed, Wed and Reem, sons of Hassan Ali Al-Sairafi. On 11/02/1441H (corresponding to 10/10/2019G), the partners agreed to increase the Company’s capital from (SAR 30,000,000) thirty million Saudi riyals to (SAR 50,000,000) fifty million Saudi riyals, divided into (5,000,000) five million shares of equal value along with changing the value of each share from (SAR 1,000) one thousand Saudi riyals to (SAR 10) ten Saudi riyals. The increase in the capital was done through the current account of the partners in the Company. On 22/05/1443H (corresponding to 26/12/2021G), the partners relinquished some of their shares in favor of Hassan Ali Hassan Al-Sairafi and Awatef Hassan Ibrahim Batarjy. On 24/05/1443H (corresponding to 28/12/2021G), Hassan Ali Hassan Al-Sairafi assigned part of his shares in favor of Sami Fahid Khader Joudeh. On 28/06/1443H (corresponding to 31/01/2022G), the partners decided to convert the Company into a closed joint stock company and increase the capital from (SAR 50,000,000) fifty million Saudi riyals to (SAR 100,000,000) one hundred million Saudi riyals. The capital increase was effected by transferring an amount of (SAR 15,000,000) fifteen million Saudi riyals from the statutory reserve account, and transferring an amount of (SAR 35,000,000) thirty-five million Saudi riyals from the retained earnings account. The Company was transformed into a closed joint stock company under Resolution No. (874) of the Ministry of Commerce on 15/07/1443H (corresponding to 16/02/2022G) and in accordance with Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 27/06/2005G), and under the license of the Ministry of Investment No. (101034305119118) dated 21/05/1443H (corresponding to 26/12/2021G). The Company’s current capital is (SAR 100,000,000) one hundred million Saudi riyals, divided into (10,000,000) ten million ordinary shares, paid in full, at a nominal value of (SAR 10) ten Saudi riyals per share, all of which are ordinary shares of one class.</p>



Summary	
Summary of the Company's activities	<p>Rayan Advanced Industrial Company business include production, sale and marketing of plastic products used in packaging and specialized packing that depend on high and low density polyethylene flakes with various uses such as printing and packaging of children's diapers, women's sanitary napkins, paper products packaging, food packaging, food preservation bags, various printed shopping bags and warning tapes, various packaging bags for juices, water and various drinks, printed and plain tablecloths, and various medical and household waste bags. The Company's activities, according to its Commercial registration, are in the manufacture of paper bags, semi-finished products from plastics (including plates, strips, sheets, tapes, pipes, hoses and their fittings, etc.), the manufacture of plastic bags, and household tools, kitchen utensils and single-use decorations, and general stores that hold a variety of merchandise. According to its Articles of Association, the Company's activities include:</p> <ol style="list-style-type: none">1. Manufacturing paper bags,2. Manufacturing semi-finished products from plastics (including plates, strips, sheets, tapes, pipes, hoses, and their fittings, etc.),3. Manufacturing plastic bags4. Manufacturing household tools, kitchen utensils and single-use decorations5. General stores that hold a variety of merchandise <p>The Company conducts its activities from its head office in Riyadh. The Company does not carry out its activities except after obtaining the statutory licenses required by the prevailing laws and regulations in force in the Kingdom of Saudi Arabia. The Company has obtained all the required regulatory licenses including the industrial investment license issued by the Ministry of Investment No. 101034305119118, dated 21/05/1443H. All of those licenses are still valid until the date of this Prospectus (please refer to Section No. (3-19) "Company Licenses" of this Prospectus). As on the date of this Prospectus, the Company does not have any significant new products or activities, as its expansion plans are limited to increasing production lines and opening factories that produce the same products, meaning that the expansions are for the purpose of increasing production capacity only.</p>



Summary				
Substantial Shareholders (who own 5% or more of the Company's shares)	The following table shows the Substantial Shareholders in the Company before the Offering:			
	Substantial Shareholders before the offering	Before the Offering		
		Number of Shares	Direct ownership percentage	Indirect ownership percentage
	Hassan Ali Hassan Al-Sairafi	7,400,000	74.00%	-
	Rayan Hassan Ali Al-Sairafi	500,000	5.00%	-
	Mohammed Hassan Ali Al-Sairafi	500,000	5.00%	-
	Wed Hassan Ali Al-Sairafi	500,000	5.00%	-
	Reem Hassan Ali Al-Sairafi	500,000	5.00%	-
	Sami Fahid Khader Joudeh	500,000	5.00%	-
	Total	9,900,000	99.00%	-
The following table shows the Substantial Shareholders in the Company after the Offering				
Substantial Shareholders after the offering	After the Offering			
	Number of Shares	Direct ownership percentage	Indirect ownership percentage	
	Hassan Ali Hassan Al-Sairafi	7,100,000	71.00%	-
	Total	7,100,000	71.00%	-
Company's capital	(SAR 100,000,000) one hundred million Saudi riyals.			
Total number of shares	(10,000,000) ten million shares.			
Nominal value of the share	Ten (10) Saudi riyals per share.			
Total number of shares offered for subscription	(2,000,000) two million ordinary shares, fully paid in value.			
Percentage of offered shares to the Company's capital	(20%) twenty percent.			
Offering Price	(SAR **) ** Saudi riyals.			

Summary	
Total subtraction amount	(SAR **)** Saudi riyals.
Use Offering Proceeds	The net Offering Proceeds amounting to (SAR **)*** Saudi riyals after deducting the Offering expenses estimated at about (SAR 9,000,000) nine million Saudi riyals will be distributed to the Selling Shareholders according to the number of shares owned by each selling shareholder of the offered shares. The Company will not receive any part of the Offering Proceeds (see Section No. (6) "Use of the Offering Proceeds" of this Prospectus).
Categories of targeted investors	<p>Subscription to the Offer Shares is limited to categories of Qualified Investors, namely:</p> <ol style="list-style-type: none"> 1. Capital Market Institutions acting for their own account. 2. Clients of a Capital Market Institution by the Authority to conduct managing activities provided that this Capital Market Institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client. 3. The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center. 4. Government-owned companies, either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities. 5. Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf. 6. Investment Funds. 7. Non-resident foreigners permitted to invest in the parallel market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market. 8. Qualified foreign financial institutions. 9. Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center. 10. Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria: <ol style="list-style-type: none"> a. Has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months b. His net assets is not less than 5 million Saudi Riyals. c. Works or has worked for at least three years in the financial sector. d. Holds the General Securities Qualification Certificate which is recognised by the Authority. e. Holds a professional certificate that is related to securities business and accredited by an internationally recognised entity. 11. Any other persons prescribed by the Authority.
How to subscribe to the Offering Shares	The Offering shares can be subscribed to by a qualified investor who has an investment account eligible for trading in the Parallel Market with the Lead Manager or any of the receiving entities, by submitting an application for subscription during the Offering Period.
Minimum number of shares that can be subscribed to	The minimum number of shares that can be subscribed is (10) ten shares.
Value of the minimum number of shares that can be subscribed to	(SAR **)** SR.

Summary	
Maximum number of shares that can be subscribed to	The maximum number of shares that can be subscribed to is (490,000) four hundred and ninety thousand ordinary shares.
Value of the maximum number of shares that can be subscribed to	(SAR **) ** Saudi riyals.
Method of allocation and refund	The Lead Manager will open an Escrow Account to receive and collect the subscription amounts. Upon submitting the subscription application, the entire value of the subscribed shares will be deducted from the subscriber's account with the Lead Manager, or the receiving entities and the funds will be transferred directly to the Escrow Account of the Offering process. After the end of the offering period, the allotment will be announced by notification to the investors, no later than Tuesday 05/05/1444H (corresponding to 29/11/2022G). The shares offered for subscription will be allocated according to what suggestion of the Financial Advisor in consultation with the Issuer. The surplus amounts will be refunded within the two working days following the allocation process, without any commissions or deductions from the receiving party of the Offering Proceeds (for more details please refer to Section (9) "Information related to the shares Terms and Offering Terms and Conditions" of this Prospectus)..
Offering Period	From Sunday 26/04/1444H (corresponding to 20/11/2022G) up to end of Thursday 30/04/1444H (corresponding to 24/11/2022G).
Entitlement to profits	The Offering Shares will be eligible to receive any profits announced by the Company from the date of this Prospectus and the following fiscal years (for more details please see section 5 "Dividend Policy" of this Prospectus).
Voting Rights	The Company has one class of shares, and no shareholder has any preferential voting rights, and each share of the offered shares carries the right to vote. Everyone has the right to attend and vote at the meetings of the General Assembly. Each shareholder has the right to delegate another person other than members of the Company's Board of Directors or the Company's employees to represent him in attending the meetings of the General Assembly and voting on its decisions.
Share Restrictions	Substantial Shareholders who own 5% or more of the Company's shares (and whose names are mentioned on page (xix) of this Prospectus) are prohibited from disposing of their shares for a period of twelve months from the starting date of trading of the Company's shares on the Parallel Market "Lock-up Period" . The Securities Depository Center will lift the restrictions on those shares directly after the end of the imposed Lock-up Period.
Shares previously listed by the Company	The Company's shares have never been listed in any Exchange, whether inside or outside the Kingdom of Saudi Arabia, prior to this Offering. The Company submitted a request to the Authority to register the shares and offer them in the Parallel Market in accordance with the rules on the Offer of Securities and Continuing Obligations, and submitted to the Exchange (Tadawul) an application for listing in accordance with the Listing Rules, and all relevant approvals necessary to complete the Offering process were obtained and all supporting documents requested by the Authority have been completed.
Offering expenses	The Offering expenses represent the expenses and costs related to the Offering, which are estimated at about (SAR 9,000,000) nine million Saudi riyals. The Offering expenses include the fees of the Financial Advisor, Lead Manager, the receiving entities, the Auditor, the expenses of opening an Escrow Account, marketing and printing costs, and other expenses related to the Offering. All offering expenses will be deducted from the total Offering Proceeds.



Key Dates and Subscription Procedures

Expected Timeline of the Offering

Event	Date
Offering Period	Begins on Sunday 26/04/1444H (corresponding to 20/11/2022G) up to end of Thursday 30/04/1444H (corresponding to 24/11/2022G).
Deadline for submission Subscription Applications and payment of the full value of the subscribed shares	On Thursday 30/04/1444H (corresponding to 24/11/2022G)
Announcement of final Allocation of the Offer Shares and notifying Investors	On Tuesday 05/05/1444H (corresponding to 24/11/2022G)
Refund of Surplus Amounts (if any)	On Thursday 07/05/1444H (corresponding to 01/12/2022G)
Expected starting date of trading of the Shares	It is expected that the Company's shares will start trading on the Parallel Market after all the requirements are met and all related regulatory procedures are completed. The start of trading in the shares will be announced in the local newspapers and on Tadawul's website (www.saudiexchange.sa).

Disclaimer: All dates mentioned in the above schedule are approximate, and the actual dates will be announced in local daily newspapers and via the Tadawul website (www.saudiexchange.sa), Aldukheil Financial Group website (www.aldukheil.com.sa) and the website of Rayan Advanced Industrial (www.rayanadvanced.com.sa)..



How to apply for subscription

1. Capital Market Institutions acting for their own account.
2. Clients of a Capital Market Institution by the Authority to conduct managing activities provided that this Capital Market Institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client.
3. The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center.
4. Government-owned companies, either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities.
5. Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.
6. Investment Funds.
7. Non-resident foreigners permitted to invest in the parallel market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.
8. Qualified foreign financial institutions.
9. Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.
10. Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria:
 - a. Has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months
 - b. His net assets is not less than 5 million Saudi Riyals.
 - c. Works or has worked for at least three years in the financial sector.
 - d. Holds the General Securities Qualification Certificate which is recognised by the Authority.
 - e. Holds a professional certificate that is related to securities business and accredited by an internationally recognised entity.
11. Any other persons prescribed by the Authority.

According to the requirements of the Rules on the Offer of Securities and Continuing Obligations, subscription to the Offer Shares is limited to the categories of Qualified Investors, namely:

Qualified Investors must subscribe through their investment account with the Lead Manager or the Receiving Entities, no later than four o'clock in the evening of the closing date. Each investor, by completing the subscription application, acknowledges that he has received and read this Prospectus, and accordingly wishes to subscribe to the offered shares as indicated in the subscription application.

Subscription will be available during the Offering Period, and the subscriber must fulfill the subscription requirements and submit subscription applications in accordance with the instructions contained in section (9) **"Information relating to the Shares and Offering Terms and Conditions"** of this Prospectus. Each investor must agree to all items mentioned in the Subscription Application Form. The Company reserves the right to reject any subscription application, in part or in whole, if any of the subscription conditions are not met. It is not allowed to revise or withdraw the subscription application after it has been submitted to the Lead Manager or Receiving Entity, and the Subscription Application once submitted is considered a binding legal agreement between the Subscriber and the Company (for more details please refer to Section (9) **"Information relating to the Shares and Offering Terms and Conditions"** of this Prospectus).



Summary of Key Information

Note to Investors

This summary of key information is intended to give a brief overview of the information contained in the Prospectus. However, it does not include all information that may be of interest to Qualified Subscribers. Therefore, this summary is considered a summary of the basic information included in this Prospectus. Those wishing to subscribe to the Company's shares should read the entire Prospectus before deciding whether or not to invest in the Offering Shares. Definitions and abbreviations in this Prospectus have the meanings given to them in Section (1) **"Terms and Definitions"** in this Prospectus.

Company Overview

Rayan Advanced Industrial Company (the **"Company"** or **"the Issuer"** or **"Rayan"**) was established under the name Rayan Plastic Products Factory as a branch of the Gulf Contracting Establishment wholly owned by Mr. Hassan Ali Al-Sairafi in 1989G under the industrial license No. (45/S), dated 25/01/1410H (corresponding to 27/08/1989G). Then the factory was converted into a limited liability company under the memorandum of association certified by the Notary Public in the Ministry of Commerce on 10/08/1426H (corresponding to 14/09/2005G) and the Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 10/10/2005G), and pursuant to Industrial License No. (2182/S), dated 28/08/1428H (corresponding to 10/09/2007G). The capital of the Company, upon its incorporation, amounted to (SAR 10,000,000) ten million Saudi riyals, divided into (10,000) ten thousand in-kind shares of equal value, the value of each of which is (SAR 1,000) one thousand Saudi riyals. On 03/11/1428H (corresponding to 13/11/2007G), the Company's capital was increased to (SAR 20,000,000) twenty million Saudi riyals, divided into (20,000) twenty thousand shares of equal value, the value of each of which is (SAR 1,000) one thousand Saudi riyals. The increase was effected by transferring the amount of (SAR 10,000,000) ten million Saudi riyals from the partners' current account to the capital account. On 06/06/1430H (corresponding to 30/05/2009G), the Gulf Company for Restaurants and Parks Ltd. wished to sell its entire shares to Rayan, Mohammed. Wed and Reem, sons of Hassan Ali Al-Sairafi. On 26/09/1430H (corresponding to 16/09/2009G), the partners agreed to increase the Company's capital from (SAR 20,000,000) twenty million Saudi riyals to (SAR 30,000,000) thirty million Saudi riyals, divided into (30,000,000) thirty thousand shares of equal value, the value of each is (SAR 1,000) one thousand Saudi riyals. The increase in the capital took place through the current account of the partners in the Company. On 11/11/1431H (corresponding to 19/10/2010G), the Gulf Contracting, Industry and Trade Company wished to sell all its shares to Rayan, Mohammed, Wed and Reem, sons of Hassan Ali Al-Sairafi. On 11/02/1441H (corresponding to 10/10/2019G), the partners agreed to increase the Company's capital from (SAR 30,000,000) thirty million Saudi riyals to (SAR 50,000,000) fifty million Saudi riyals, divided into (5,000,000) five million shares of equal value along with changing the value of each share from (SAR 1,000) one thousand Saudi riyals to (SAR 10) ten Saudi riyals. The increase in the capital was done through the current account of the partners in the Company. On 22/05/1443H (corresponding to 26/12/2021G), the partners relinquished some of their shares in favor of Hassan Ali Hassan Al-Sairafi and Awatef Hassan Ibrahim Batarjy. On 24/05/1443H (corresponding to 28/12/2021G), Hassan Ali Hassan Al-Sairafi assigned part of his shares in favor of Sami Fahid Khader Joudeh. On 28/06/1443H (corresponding to 31/01/2022G), the partners decided to convert the Company into a closed joint stock company and increase the capital from (SAR 50,000,000) fifty million Saudi riyals to (SAR 100,000,000) one hundred million Saudi riyals. The capital increase was effected by transferring an amount of (SAR 15,000,000) fifteen million Saudi riyals from the statutory reserve account, and transferring an amount of (SAR 35,000,000) thirty-five million Saudi riyals from the retained earnings account.

The Company was transformed into a closed joint stock company under Resolution No. (874) of the Ministry of Commerce on 15/07/1443H (corresponding to 16/02/2022G) and in accordance with Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 27/06/2005G), and under the license of the Ministry of Investment No. (101034305119118) dated 21/05/1443H (corresponding to 26/12/2021G). The Company's current capital is (SAR 100,000,000) one hundred million Saudi riyals, divided into (10,000,000) ten million ordinary shares, paid in full, at a nominal value of (SAR 10) ten Saudi riyals per share, all of which are ordinary shares of one class.

Rayan Advanced Industrial Company business include production, sale and marketing of plastic products used in packaging and specialized packing that depend on high and low density polyethylene flakes with various uses such as printing and packaging of children's diapers, women's sanitary napkins, paper products packaging, food packaging, food preservation bags, various printed shopping bags and warning tapes, various packaging bags for juices, water and various drinks, printed and plain tablecloths, and various medical and household waste bags. The Company's activities, according to its Commercial registration, are in the manufacture of paper bags, semi-finished products from plastics (including plates, strips, sheets, tapes, pipes, hoses and their fittings ... etc.), the manufacture of plastic bags, and household appliances, kitchen utensils and single-use decorations , and general stores that hold a variety of merchandise. The head office and factory of the Company are located in the Riyadh at the following address:

Rayan Advanced Industrial Co

Second Industrial City, Riyadh

PO Box 54654 Riyadh 11564

Kingdom Saudi Arabia

Tel: +966 11 265 1313

Fax: +966 11 265 1200

Website: www.rayanadvanced.com.sa

E-mail: mail@rayanadvanced.com.sa

Substantial Shareholders of the Company before and after the Offering

The following tables show the Substantial Shareholders in the Company before and after the Offering:

Shareholders	Before the offering				After the offering			
	Number of shares	Nominal value (SAR)	Direct ownership	Indirect ownership	Number of shares	Nominal value (SAR)	Direct ownership	Indirect ownership
1 Hassan Ali Hassan Al-Sairafi	7,400,000	74,000,000	74.00%	-	7,100,000	71,000,000	71.00%	-
2 Awatif Hassan Ibrahim Baterjee	100,000	1,000,000	1.00%	-	100,000	1,000,000	1.00%	-
3 Rayan Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
4 Mohammed Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
5 Wed Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
6 Reem Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
7 Sami Fahid Khader Joudeh	500,000	5,000,000	5.00%	-	400,000	4,000,000	4.00%	-
Offering shares	-	-	-	-	2,000,000	20,000,000	20.00%	-
Total	10,000,000	100,000,000	100.00%	-	10,000,000	100,000,000	100.00%	-

Source: Rayan Advanced Industrial Company



Substantial Shareholders who own 5% or more in the Company the Company

The following table shows the Substantial Shareholders in the Company before the Offering:

Substantial Shareholders before the offering	Before the Offering		
	Number of Shares	Direct ownership percentage	Indirect ownership percentage
Hassan Ali Hassan Al-Sairafi	7,400,000	74.00%	-
Rayan Hassan Ali Al-Sairafi	500,000	5.00%	-
Mohammed Hassan Ali Al-Sairafi	500,000	5.00%	-
Wed Hassan Ali Al-Sairafi	500,000	5.00%	-
Reem Hassan Ali Al-Sairafi	500,000	5.00%	-
Sami Fahid Khader Joudeh	500,000	5.00%	-
Total	9,900,000	99.00%	-

Source: Rayan Advanced Industrial Company

The following table shows the Substantial Shareholders in the Company after the Offering:

Substantial Shareholders after the offering	After the Offering		
	Number of Shares	Direct ownership percentage	Indirect ownership percentage
Hassan Ali Hassan Al-Sairafi	7,100,000	71.00%	-
Total	7,100,000	71.00%	-



Company Main Activities

Rayan Advanced Industrial Company business include production, sale and marketing of plastic products used in packaging and specialized packing that depend on high and low density polyethylene flakes with various uses such as printing and packaging of children's diapers, women's sanitary napkins, paper products packaging, food packaging, food preservation bags, various printed shopping bags and warning tapes, various packaging bags for juices, water and various drinks, printed and plain tablecloths, and various medical and household waste bags. The Company's activities, according to its Commercial registration, are in the manufacture of paper bags, semi-finished products from plastics (including plates, strips, sheets, tapes, pipes, hoses and their fittings ... etc.), the manufacture of plastic bags, and household tools, kitchen utensils and single-use decorations, and general stores that hold a variety of merchandise. According to its Articles of Association, the Company's activities include:

1. Manufacturing paper bags,
2. Manufacturing semi-finished products from plastics (including plates, strips, sheets, tapes, pipes, hoses and their fittings, etc.),
3. Manufacturing plastic bags
4. Manufacturing household tools, kitchen utensils and single-use decorations
5. General stores that hold a variety of merchandise

The Company does not carry out its activities except after obtaining the statutory licenses required by the prevailing laws and regulations in force in the Kingdom of Saudi Arabia. The Company has obtained all the required regulatory licenses and all of those licenses are still valid until the date of this Prospectus (please refer to Section No. (3-19) "**Licenses, Certificates and Government Approvals**" of this Prospectus).

The Company conducts its main activities through its head office in of Riyadh. As on the date of this Prospectus, the Company does not have any significant new products or activities, as its expansion plans are limited to increasing production lines and opening factories that produce the same products, meaning that the expansions are for the purpose of increasing production capacity only (please refer to Section No.(3-14) "**Company Projects**" in this Prospectus). The Company does not own any property or assets outside the Kingdom.

Company's Vision

To be the first provider of complete solutions in flexible packaging industries in Saudi Arabia and Arabian Gulf region. As well as to be a pillar manufacturer of flexible packaging products, in particular the specialized products, in the world, by successfully meeting the needs of local and global markets while complying with the highest industry standards.

Company's Mission

Relying on modern and innovative manufacturing techniques to provide distinguished and high-quality products, to meet the customers' aspirations and expectations.



Company's Strategy

In its strategy, the Company relies on keeping pace with modern technologies related to flexible packaging products, whether it is in the film products or polyethylene film products (back sheets) that it produces. Through this, the Company strives to maintain its good reputation and enhance its regional and global presence, as it has been able to reach clients from different countries. In its quest to increase success strides, the Company focuses also on increasing attention to the development of its employees, which leads to increased business volume and growth. Its strategy revolves around:

1. Expansion of production capacity to avail of the high demand for products.
2. Reaching the largest segment of customers by effectively marketing the Company's brand.
3. Commitment to continuous improvement and development in the long term.
4. Continuing to keep abreast of relevant technical developments to increase operational efficiency and maintain the highest quality levels of products.
5. Develop the Company employees and attract appropriate competencies of experienced as well as fresh graduates to contribute to advancing the development and progress in the industrial field in the Kingdom of Saudi Arabia.

Company's strengths and competitive advantages

The main strengths and competitive advantages of the Company are:

Excellence in the technology used:

The Company has advanced technologies that are available in a very limited way in the majority of local factories as well as at the regional level, where the Company has equipped and developed its factories with leading international companies, which led to the Company manufacturing its products with high production capacity, strict quality control, and automation of manufacturing and production process to a large extent. This is done by using advanced technologies that allow reducing the number of labor required from end-to-end without human intervention, which has led to creating important competitive advantage for the Company.

Production capacity:

The Company has a large production capacity in advanced printing with European techniques, and the Company seeks to increase this production capacity in the coming years.

Extensive experience of the Managerial Team:

Since its establishment, the Company's management team has local and international expertise, which helps in deep understanding of the industry, and hence supports the Company's interest in terms of local and regional excellence.

Strategic relationships with clients:

Through its sales team, the Company was able to build distinguished strategic relationships with customers from different markets, as it maintained these relationships for long periods of time. Thanks to these relationships, the Company has manufactured products in the names of many large and well-known locally and internationally supermarkets (regarding the production of packaging products and plastic products in the names of such clients), or in the field of foods (regarding packaging for used bags) or in the field of diapers and sanitary napkins (regarding specialized plastic products used in the manufacture of diapers and sanitary napkins) for major companies operating in these fields.

Exporting to neighboring and regional countries:

The Company was able to have a customer base in many Gulf countries and others within the Middle East and North Africa, thanks to the quality of its products and the expertise and professionalism of its team in providing pre- and after-sales services. The Company was able to reach clients in different countries, including, but not limited to: the United Arab Emirates, the State of Kuwait, the Hashemite Kingdom of Jordan, the Arab Republic of Egypt, and the Republic of Algeria.

Relatively low production cost:

The Company has been able to gain the trust of suppliers over the years, which has resulted in obtaining competitive prices for the required raw products. Thus, the cost of production in general gave the Company another advantage in outperforming the domestic and foreign competitors.

Summary of Financial Information

The summary of the financial statements below should be read together with the audited financial statements, including the accompanying notes for the financial year ending on December 31, 2021G and the interim condensed (reviewed) financial statements for the six-month period ending on June 30, 2022G. The comparative figures for the year 2020G and the first half ending on June 30, 2021G have been extracted from the audited financial statements for the year 2021G and the preliminary condensed (reviewed) financial statements for the six-month period ending on June 30, 2021G, respectively.

Income Statement (SAR)	Fiscal year ending on 31/12/2020G (Audited)	Fiscal year ending on 31/12/2021G (Audited)	Period ended 30/06/2021G (Reviewed)	Period ended 30/06/2022G (Reviewed)
Revenues	171,521,102	192,709,956	95,162,038	112,077,450
Cost of revenue	(117,517,302)	(147,873,139)	(70,531,710)	(87,475,729)
Gross profit	54,003,800	44,836,817	24,630,328	24,601,721
Operational Profit	35,713,447	26,878,748	18,443,038	16,782,436
Other Income	4,277,531	137,406,080	679,550	559,230
Financing Costs	(3,286,536)	(3,921,154)	(1,180,789)	(121,2747)
Income before Zakat	36,730,513	36,698,165	17,941,799	16,146,918
Net Income	35,156,043	32,822,321	16,357,328	14,515,183

Statement of Financial Position (SAR)	As of 31/12/2020G (Audited)	As of 31/12/2021G (Audited)	As of 30/12/2022G (Reviewed)
Total current assets	110,049,618	109,433,015	136,488,497
Total Non-current assets	145,365,717	139,568,251	151,106,176
Total assets	255,415,335	249,001,266	287,594,673
Total Current liabilities	82,297,380	55,947,187	86,836,933
Total Non-current liabilities	58,793,684	58,623,188	61,872,312
Total Liabilities	141,091,064	114,570,375	148,709,245
Equity	114,324,271	134,430,891	138,885,428
Total Equity and Liabilities	255,415,335	249,001,266	287,594,673

Statement of Cash Flows (SAR)	Fiscal year ending on 31/12/2020G (Audited)	Fiscal year ending on 31/12/2021G (Audited)	Period ending on 30/06/2021G (Reviewed)	Period ending on 30/06/2022G (Reviewed)
Net cash from (used in) operating activities	46,784,269	33,505,637	(23,596,900)	27,354,313
Net cash used in investing activities	(24,970,425)	4,258,872	(5,307,921)	(23,023,260)
Net cash from (used in) financing activities	(28,653,658)	(38,329,300)	24,137,698	(2,000,459)
Cash and cash equivalents	11,933,391	11,368,600	7,166,268	13,699,194

Key Performance Indicators	Fiscal year ending on 31/12/2020G	Fiscal year ending on 31/12/2021G	Period ending on 30/06/2021G	Period ending on 30/06/2022G
Revenue growth rate	(3.89%)	12.35%	-	17.78%
Selling and marketing expenses as a percentage of revenues	5.64%	6.52%	3.86%	3.38%
Gross profit margin	31.49%	23.27%	25.88%	21.95%
Net profit margin	20.50%	17.03%	17.19%	12.95%
Net Profit Growth Rate	(1.14%)	(6.64%)	-	(11.26%)
Assets Turnover Ratio	67.15%	77.39%	-	38.97%
Total Liabilities to Total Equity	123.41%	85.23%	-	107.07%
Total Liabilities to Total Assets	55.24%	46.01%	-	51.71%
Liquidity Ratio (times)	1.34	1.96	-	1.57
Return on Assets	13.76%	13.18%	-	5.03%
Return on Equity	30.75%	24.42%	-	10.41%



Table of Contents

1- Terms and Definitions	9
2- Risk Factors	19
2-1 Risks related to the Company's Activity and Operations	19
2-1-1 Risks related to Non-compliance with the Companies Law and the Company's Articles of Association.....	19
2-1-2 Risks related to the Issuance of the new Companies Law	20
2-1-3 Risks related to the Recent Formation of the Board of Directors and Committees and the Lack of Application of Governance Rules	20
2-1-4 Risks related to the Participation of Members of the Board of Directors or Senior Executives in Business Competing with the Company's Business.....	20
2-1-5 Risks related to Lack of Experience in Managing Listed Joint Stock Companies	21
2-1-6 Risks related to Non-compliance with the Capital Market Law and its Implementing Regulations	21
2-1-7 Risks of Management Decisions	21
2-1-8 Risks of Transactions with Related Parties	21
2-1-9 Risks related to Staff Errors or Misconduct	24
2-1-10 Risks related to Credit	24
2-1-11 Risks related to Credit Facilities and Financing Agreements.....	25
2-1-12 Risks related to Liquidity	28
2-1-13 Risks related to the Availability of Financing in the Future.....	28
2-1-14 Risks related to Changing the Contractual Terms with the Saudi Basic Industries Corporation- SABIC	28
2-1-15 Risks related to the Company's Payables	28
2-1-16 Risks related to Saudization Requirements.....	29
2-1-17 Risks related to Natural Disasters.....	29
2-1-18 Risks related to the Unexpected Interruption of Operations and Business.....	29
2-1-19 Risks related to Non-issuance or Non-renewal of Licenses, Permits and Regulatory Certificates	29
2-1-20 Risks related to Non-compliance with Quality Standards and Specifications Required by Customers	30
2-1-21 Risks related to Potential Shariyah Zakat Dues and Additional Claims.....	30
2-1-22 Risks related to Changes in Important Accounting Standards	31
2-1-23 Risks related to Relying on a Limited Number of Suppliers.....	31
2-1-24 Risk of Customer Concentration	31
2-1-25 Risks related to the Protection of Trademarks and Proprietary Rights	32



Table of Contents

2-1-26	Risks related to the Adequacy of Insurance Coverage	32
2-1-27	Risks related to Lawsuits and Fines.....	32
2-1-28	Risks related to the Inability to Implement the Company's Strategic Plan.....	33
2-1-29	Risks related to Expansion Plans.....	33
2-1-30	Risks related to the Ability to Continue Achieving Positive Growth in the Company's Future Business and Projects	33
2-1-31	Risks related to High Production Costs.....	34
2-1-32	Risks related to Operating Systems and Information Technology	34
2-1-33	Risks related to Government Fees Applicable to non-Saudi Employees.....	34
2-1-34	Risks related to Relying on non-Saudi Employees	35
2-1-35	Risks related to Reliance on Key Personnel and Executive Management.....	35
2-1-36	Risks related to Non-existence of Legal Department or Internal Audit Department ...	35
2-1-37	Risks of having the Company's Factory on Leased Land	36
2-1-38	Risks related to Storage	36
2-1-39	Risks related to Machinery and Equipment Failure, the Usage Mechanism and Manufacturing Defects	36
2-1-40	Risks related to Increase of Energy and Water Prices.....	37
2-1-41	Risks related to Inventory	37
2-1-42	Risks related to Potential Liabilities.....	37
2-1-43	Risks related to the Coronavirus (COVID-19) Pandemic.....	37
2-2	Risks related to the Market and the Sector in which the Company Operates.....	38
2-2-1	Risks related to the Economic Performance of the Kingdom	38
2-2-2	Risks related to Political and Economic Instability in the Middle East.....	39
2-2-3	Risks related to the Competitive Environment	39
2-2-4	Risks of Growth Opportunities	39
2-2-5	Risks related to Non-compliance with Existing Regulations and Laws and/or Issuance of New Regulations and Laws.....	39
2-2-6	Risks related to Value Added Tax (VAT).....	39
2-2-7	Risks related to Changing the Mechanism for Calculating Zakat and Income Tax	40
2-2-8	Risks related to Fluctuations in Supply and Demand.....	40
2-2-9	Risks associated with the Mandatory Application of the Corporate Governance Regulations	41
2-2-10	Risks related to Currency Exchange Rate Fluctuations.....	41
2-2-11	Risks related to Interest Rate Volatility	41
2-2-12	Risks related to the Imposition of New Duties or Taxes	41



Table of Contents

2-3 Risks related to the Shares that will be Offered in the Parallel Market	42
2-3-1 Risks related to Effective Control by Substantial Shareholders.....	42
2-3-2 Risks related to the Liquidity of the Offer Shares.....	42
2-3-3 Risks related to Limiting Trading to Qualified investors	42
2-3-4 Risks related to the Lack of a Previous Listing of the Company's Shares and the Fluctuation of the Share Price.....	42
2-3-5 Risks related to Non-distribution of Profits.....	42
2-3-6 Risks related to Selling or Offering Additional Shares in the Future.....	43
2-3-7 Risks related to Selling a Large Number of Shares in the Market after the Offering Process	43
2-3-8 Risks related to Inability of the Company to meet the Current Requirements to Move to the Main Market or any Future Regulatory Requirements	43
2-3-9 Risks related to the Company's desire to Continue in the Parallel Market.....	43
3- The Company	45
3-1 Company Overview.....	45
3-2 Company's Ownership structure before and after the Offering	45
3-3 Company Background and most Important Developments in its Capital Structure	47
3-4 Company's Vision	52
3-5 Company's Mission.....	52
3-6 Company's Strategy	52
3-7 Company's strengths and competitive advantages	53
3-8 Commercial Registrations	54
3-9 Company's Main Activities.....	55
3-10 Company Products	55
3-10-1 Film Production	55
3-10-2 Production of Polyethylene Films (Back Sheet).....	56
3-11 Factories of Rayan Advanced Industrial Company	57
3-11-1 Factory No. "1"	57
3-11-2 Factory No. "2"	58
3-11-3 Factory No. "3"	59
3-12 Suppliers and raw materials.....	59
3-13 Storage	62
3-14 Company Projects	62
3-14-1 Current projects of the Company	62
3-14-2 Expansion projects of the Company.....	62
3-15 Main Agreements of the Company	63



Table of Contents

3-15-1 Saudi Basic Industries Corporation - SABIC.....	64
3-15-2 Industrial Group.....	64
3-16 Company Revenue	64
3-16-1 Company's revenue from major customers	65
3-17 Research and Development Policy.....	69
3-18 Certificates obtained by the Company	69
3-19 Licenses, Certificates and Government Approvals	71
3-20 Real estate owned or leased.....	74
3-21 Insurance Agreements.....	76
3-22 Trademarks and proprietary rights.....	77
3-23 Business Interruption.....	77
3-24 Employees and Saudization	77
3-24-1 Employees.....	77
3-24-2 Saudization	79
4- Ownership Structure and Organizational Structure	82
4-1 The Company's Ownership Structure Before and After the Offering.....	82
4-2 Substantial Shareholders who Own 5% or More of the Company's Shares	83
4-3 Organizational Structure of the Company	84
4-4 Board of Directors.....	84
4-4-1 Secretary of the Board of Directors	90
4-5 Board Committees.....	91
4-5-1 Audit Committee.....	91
4-6 Executive Management.....	93
5- Dividends Distribution Policy	100
6- Use of the Offering Proceeds.....	103
7- Board of Directors Declarations	105
8- Offering Expenses	108
9- Information relating to the Shares and Offering Terms and Conditions	110
9-1 Subscription to the Offer Shares	110
9-2 How to Apply for Subscription to Shares	111
9-3 Offering Period and Conditions.....	112
9-4 Notice of Allocation and Refund	112
9-5 Times and Circumstances where Offering may be Suspended.....	112
9-5-1 Suspension of Trading or Cancellation of Listing.....	112
9-5-2 Voluntary Cancellation or Suspension of Listing	114

Table of Contents

9-5-3 Temporary suspension at the request of the Issuer	114
9-5-4 Lifting the suspension.....	115
9-5-5 Re-Registering and Admission of Listing of Previously evocated Securities	115
9-6 Resolutions and Approvals under which the Shares will be Offered.....	115
9-6-1 The Company's Board of Directors' recommendation to offer shares for subscription in the Parallel Market.....	115
9-6-2 Approval of the Ordinary General Assembly	115
9-6-3 Approval of the Capital Market Authority	116
9-6-4 Approval of the Saudi Tadawul Company "Saudi Tadawul" on listing	116
9-7 A statement of any arrangements in place to prevent disposal of certain shares	116
9-8 Miscellaneous provisions.....	116
10- Covenants relating Subscription.....	118
10-1 Subscribers Declaration.....	118
10-2 Share Register and Dealing Arrangements	118
10-3 Saudi Tadawul Company (Saudi Tadawul)	118
10-4 Trading of Shares on the Parallel Market.....	119
11- Procedures for Incomplete Offering	121
12- Documents Available for Inspection	123
13- Auditors Report	125
13-1 The Audited financial statements for the fiscal year ending on 31/12/2021G.....	125
13-2 The Reviewed financial statements for the six-months period ending on 30/06/2022G.....	167

Figures

Figure 1: The Organizational Structure of the Company	84
---	----

Tables

Table No. 1: Terms and Definitions.....	9
Table No. 2: Transactions with related parties during the first half of 2022G	22
Table No. 3: Transactions with related parties during the year 2021G	23
Table No. 4: Transactions with related parties during the year 2020G	23
Table No. 5: Transactions with related parties due to the Company during the year 2020G	24
Table No. 6: Distribution of the Company's receivables according to their ages.....	25
Table No. 7: Classification of loans in the balance sheet	26
Table No. 8: Industrial Development Loan Details.....	27
Table No. 9: Classification of Loan Obligation	27
Table No. 10: Company's Ownership structure before and after the Offering.....	46
Table No. 11: Company's Ownership structure upon establishment as a limited liability company.....	47
Table No. 12: Company's Ownership structure as of 03/11/1428H (corresponding to 13/11/2007G) ...	48
Table No. 13: Company's Ownership structure as of 06/06/1430H (corresponding to 30/05/2009G) ...	48
Table No. 14: Company's Ownership structure as of 26/09/1430H (corresponding to 16/09/2009G) ...	49
Table No. 15: Company's Ownership structure as on 11/11/1431H (corresponding to 19/10/2010G)...	49
Table No. 16: Company's Ownership structure as on 11/02/1441H (corresponding to 10/10/2019G)...	50
Table No. 17: Company's Ownership structure as on 22/05/1443H (corresponding to 26/12/2021G)...	50
Table No. 18: Company's Ownership structure as on 29/05/1443H (corresponding to 02/01/2022G)...	51
Table No. 19: Company's Ownership structure as on 28/01/1443H (corresponding to 31/01/2022G)...	51
Table No. 20: Commercial Registrations.....	54
Table No. 21: Quantities produced from the Company's two production lines.....	57
Table No. 22: Production capacity of factory No. "1"	57
Table No. 23: Production capacity of factory No. "2"	58
Table No. 24: Production capacity of factory No. "3"	59
Table No. 25: Types of raw materials.....	60
Table No. 26: The Company's largest suppliers.....	60
Table No. 27: Storage yards.....	62
Table No. 28: Factory expansion projects.....	63
Table No. 29: Main agreements of the Company.....	63
Table No. 30: Distribution of the Company revenue by products.....	65
Table No. 31: Sales Distribution	65
Table No. 32: The largest five customers inside the Kingdom for the fiscal year ending on 31/12/2020G.....	66
Table No 33: The largest five customers inside the Kingdom for the fiscal year ending on 31/12/2021G66	
Table No. 34: The largest five customers inside the Kingdom for the financial period ending on 30/06/2022G	67
Table No 35: The largest five clients outside the Kingdom for the fiscal year ending on December 31, 2020G	67



Tables

Table No 36: The largest five clients outside the Kingdom for the fiscal year ending on December 31, 2021G	68
Table No 37: The largest five clients outside the Kingdom for the financial period ending on 30/06/2022G ...	69
Table No 38: Certificates obtained by the Company	70
Table No 39: Company licenses, certificates and government approvals	71
Table No 40: Real estate leased by the Company	74
Table No 41: Insurance agreements of the Company	76
Table No 42: Trademarks	77
Table No. 43: Number of employees in the Company	78
Table No 44: Number of employees by company departments	78
Table No.45: The Company's Ownership Structure Before and After the Offering	82
Table No.46: Substantial Shareholders in the Company before the Offering	83
Table No. 47: Substantial Shareholders in the Company after the Offering	83
Table No. 48: Board Members	85
Table No. 49: Biography of the Chairman of the Board of Directors, Hassan Ali Al-Sairafi	87
Table No. 50: Biography of Vice Chairman Rayan Hassan Al-Sairafi	88
Table No. 51: Biography of Board Member Mohammed Hassan Al-Sairafi	88
Table No. 52: Biography of the Managing Director and CEO, Sami Fahid Khader Joudeh	89
Table No. 53: Biography of Board Member Tariq Abdullah Al-Qablan	89
Table No. 54: Biography of Board Member Abdulaziz Mohammed Al-Rawaf	90
Table No. 55: Biography of the Secretary of the Board of Directors, Yazeed Sami Fahid Joudeh	90
Table No. 56: Members of the Audit Committee	91
Table No. 57: Biography of Audit Committee Member Ehsan Amanullah Makhdoom	92
Table No. 58: Biography of Audit Committee Member Ahmad Ishaq Afghani	93
Table No. 59: The Company's Executive Management	93
Table No. 60: The biography of the Chief Financial Officer	95
Table No. 61: Biography of the Director of Human Resources Department	95
Table No. 62: Biography of the Director of Logistics Department	95
Table No. 63: Biography of the Manager of the Information Technology Department	96
Table No. 64: Biography of the Maintenance Department Manager	96
Table No. 65: Biography of the Procurement Department Manager	96
Table No. 66: Biography of the Manager of the Security and Safety Department	97
Table No. 67: Biography of the Factory Manager	97
Table No. 68: Biography of the Quality Management Manager	97
Table No. 69: Biography of the Manager of Sales Department	98
Table No. 70: Biography of the Export Department Manager	98
Table No. 71: Dividends Distribution	101



Terms and Definitions (1)

1- Terms and Definitions

The following table shows a list of definitions and terms mentioned in the prospectus:

Table No. 1: Terms and Definitions

Term or Abbreviation	Definition
The Company or the Issuer	Rayan Advanced Industrial Company, a closed mixed joint stock company.
Company Management, Management, or Executive Management	Management of Rayan Advanced Industrial Company.
Board or Board of Directors	The Company's Board of Directors whose names appear on page No. (v) of this Prospectus.
By-Laws	Bylaws of the Company.
Ministry of Commerce	Ministry of Commerce in the Kingdom of Saudi Arabia.
The Offering	The initial offering of (2,000,000) two million ordinary shares of the Company's shares representing 20% of its capital for the purpose of registration and listing in the Parallel Market.
Offering share	(2,000,000) two million ordinary shares of the Company's shares.
Offering price	(SAR **) ** Saudi riyals per share.
Share	An ordinary share with a nominal value of ten (10) Saudi riyals from the shares of Rayan Advanced Industrial Company.
Nominal value	The nominal value of the Company's share, which is (SAR 10) ten Saudi riyals per share.
Shareholder or Shareholders	Holder of shares or shareholders of the Company at any time.
Shares of current shareholders before the offering	100.00% of the total shares of the Company's capital, which are (10,000,000) ten million ordinary shares of equal value.

Term or Abbreviation	Definition
Shares of existing shareholders after the offering	80% of the total shares of the Company's capital, which are (8,000,000) eight million ordinary shares of equal value.
Selling Shareholders	The Company's Shareholders whose names appear on page No. (xviii) of this Prospectus.
Substantial Shareholders	The shareholders who own 5.0% or more of the Company's Shares, and whose names appear on page (xix) of this Prospectus.
Voting rights	Voting rights in the Company's general assemblies. The Company has only one class of shares, which is the ordinary shares. No shareholder has any preferential voting rights, and each of the offered shares has the right to vote. Each shareholder, regardless of the number of shares he owns, is entitled to attend and vote at the General Assembly.
Person	Natural or legal person
Investor	Each person invests in the Offer Shares.
Subscriber	Each Qualified investor submits an application for subscription in accordance with the subscription terms and conditions.
Subscription Application Form	The subscription application that Qualified Investors must submit to the receiving entity if they are willing to subscribe.
Prospectus	This Prospectus prepared by the Company in relation to the Offering, which is the document required to offer the Company's shares in accordance with the Rules on the Offer of Securities and Continuing Obligations.
Offering Proceeds	The total value of the subscribed shares amounting to (SAR **) ** Saudi riyals.
Net Offering Proceeds	The net proceeds of the offering after deducting the offering expenses.
Offering Period	The period starting from 26/04/1444H (corresponding to 20/11/2022G) and continuing until the end of Thursday 30/04/1444H (corresponding to 24/11/2022G).
Closing date	It is the closing date of the Offering Period, which ends on Thursday 30/04/1444H (corresponding to 24/11/2022G).
Parallel Market "Nomu"	The market in which the Company's shares are traded after being registered and accepted for listing under the "Rules of the Offer of Securities and Continuing Obligations" in the Kingdom of Saudi Arabia.

Term or Abbreviation	Definition
Advisors or Company Advisors	The Company's Advisors regarding the Offering of The Company's shares in the Parallel Market, whose names appear on page No. (vii) of this Prospectus.
Financial Advisor	Aldukheil Financial Group Company.
Lead Manager	Alinma Investment Company.
Receiving Entities	Alinma Investment Company, Riyadh Capital Company, SNB Capital Company (SNB Capital), and Aljazira Capital Markets Company (Aljazira Capital).
Kingdom or Saudi Arabia	Kingdom Saudi Arabia.
Government	Government of the Kingdom of Saudi Arabia.
Capital Market Authority or the Authority	The Capital Market Authority of the Kingdom of Saudi Arabia.
Saudi Tadawul Company, the Exchange, Saudi stock market, or the Market	The Saudi Stock Exchange (Tadawul).
Tadawul	The automated system for trading shares in the Saudi Stock Exchange.
Saudi Organization for Certified Public Accountants (SOCPA)	Saudi Organization for Certified Public Accountants.
Zakat, Tax and Customs Authority	Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia, a governmental agency that are organizationally reports to the Minister of Finance, and it is the body entrusted with the work of Zakat and tax collection.
Ministry of Human Resources and Social Development	The Ministry of Human Resources and Social Development in the Kingdom of Saudi Arabia.
Ministry of Municipal and Rural Affairs and Housing	Ministry of Municipal and Rural Affairs and Housing in the Kingdom of Saudi Arabia.
Civil Defense	The General Directorate of Civil Defense in the Kingdom of Saudi Arabia.

Term or Abbreviation	Definition
Escrow Account	An account with a Receiving Agent licensed to operate in the Kingdom in which to deposit the Offering Proceeds. After the Offering process is completed, the Offering Proceeds will be transferred to the accounts of the Selling Shareholders after deducting the Offering Expenses.
Fiscal year/Fiscal years	It is the period of time for presenting the result of the entity's activity, the beginning, and end of which are specified in the Articles of Association or By-Laws of the concerned company. Noting that the Company's financial year ends on December 31 of each Gregorian year.
Financial Statements	The audited financial statements of the Company for the fiscal year ending on 31/12/2021G, and the reviewed financial statements of the Company for the financial period ending on 30/06/2022G, which were prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the Saudi Organization for Certified Public Accountants (SOCPA).
Listing	Listing the Company's shares in the Parallel Market and approving the trading of its shares.


Term or Abbreviation	Definition
Categories of Qualified Investor	<p>Qualified Investors are:</p> <ol style="list-style-type: none"> 1. Capital Market Institutions acting for their own account. 2. Clients of a Capital Market Institution by the Authority to conduct managing activities provided that this Capital Market Institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client. 3. The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center. 4. Government-owned companies, either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities. 5. Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf. 6. Investment Funds. 7. Non-resident foreigners permitted to invest in the parallel market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market. 8. Qualified foreign financial institutions. 9. Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center. 10. Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria: <ol style="list-style-type: none"> a. Has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months b. His net assets is not less than 5 million Saudi Riyals. c. Works or has worked for at least three years in the financial sector. d. Holds the General Securities Qualification Certificate which is recognised by the Authority. e. Holds a professional certificate that is related to securities business and accredited by an internationally recognised entity. 11. Any other persons prescribed by the Authority.

Term or Abbreviation	Definition
Non-resident foreigners allowed to invest in the Parallel Market	<ol style="list-style-type: none"> 1. A Qualified Foreign Investor in accordance with the rules regulating the investment of qualified foreign financial institutions in listed securities. 2. An ultimate beneficiary in a swap agreement with an authorized person. 3. A legal person may open an investment account in the Kingdom and an account with the Depository Center, provided that it is licensed or established in a country that applies regulatory and control standards similar to those applied by the Authority or acceptable to it according to the list of countries issued by the Authority in accordance with the requirements of subparagraphs (2) and (3) of Paragraph (A), Article Six of the rules regulating the investment of qualified foreign financial institutions in listed securities. 4. Natural person holding the nationality of a country that applies regulatory and control standards similar to those applied by the Authority or acceptable to it according to the list of countries issued by the Authority in accordance with the requirements of subparagraphs (2) and (3) of paragraph (A), Article Six of the rules regulating investment of Qualified Foreign Financial Institutions in listed securities, residing in one of such countries, and fulfilling any of the following criteria: <ol style="list-style-type: none"> a. He must have carried out transactions in the securities markets with a total value of not less than forty million Saudi Riyal and no less than ten transactions in each quarter during the past twelve months. b. His net assets value shall not be less than five million Saudi Riyal. c. He is working or has worked for at least three years in the financial sector. d. He holds a general certificate for dealing in securities approved by the Authority. e. He holds a professional certificate specialized in the field of securities business approved by an internationally recognized body.
Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by the board of the Capital Market Authority under resolution No, (3-123-2017), dated 09/4/1439H (corresponding to 27/12/2017G), based on the Capital Market Law issued under Royal Decree No. M/30, dated 02/06/1424H (corresponding 01/08/2003G) , and amended under the Capital Market Authority Board resolution No. (1-94-2022), dated 24/01/1444H (corresponding to 22/08/2022G).
Listing Rules	The Listing Rules issued by the Board of the Capital Market Authority No. (3-123-2017) on 09/04/1439H (corresponding to 27/12/2017G) and amended by virtue of the decision of the Board of the Capital Market Authority No. (1-104-2019) dated 01/02/1441H (corresponding to 30/09/2019G), and amended by virtue of the Authority's Board Resolution No. (1-22-2021) dated 12/07/1442H (corresponding to 24/02/2021G), and amended by Resolution No. (1-19-2022) dated 12/07/1443H (corresponding to 13/02/2022G), and amended by Resolution No. (1-52-2022) dated 12/09/1443H (corresponding to 13/04/2022G), and amended pursuant to Capital Market Authority Board Resolution No. (3-96-2022) dated 10/02/1444H (corresponding to 06/09/2022G).
Companies Law	The Companies Law in the Kingdom of Saudi Arabia, issued under royal decree No. (M/3), dated 28/01/1437H (corresponding to 10/11/2015G) and amendments thereto.

Term or Abbreviation	Definition
Corporate Governance Regulations	The Corporate Governance Regulations in the Kingdom of Saudi Arabia, issued by the Board of the Capital Market Authority under resolution No. (8-16-2017), dated 16/05/1438H (corresponding to 13/02/2017G), based on the Companies Law issued under Royal Decree No. M/3, dated 28/01/1437H (corresponding to 10/11/2015G), amended by the Capital Market Authority resolution No. (1-7-2021), dated 01/06/1442H (corresponding to 14/01/2021G).
Labor Law	The Saudi Labor Law issued under royal decree No. M/51, dated 23/08/1426H (corresponding to 27/09/2005G) and the amendment thereto.
Nitaqat/ Saudization Program	Labor regulations in the Kingdom of Saudi Arabia that require companies operating in the Kingdom to employ a certain percentage of Saudis. The Saudization program (Nitaqat) was approved by Ministry of Labor Resolution No. (4040) dated 12/10/1422H (corresponding to 10/09/2011G) based on Cabinet Resolution No. (50) dated 12/05/1415H (corresponding to 27/10/1994G). The Ministry of Labor in the Kingdom launched the (Nitaqat) program to provide incentives for enterprises to employ Saudi nationals. This program evaluates the performance of any organization on the basis of specific bands of platinum, green, yellow and red.
International Financial Reporting Standards (IFRS)	A set of accounting standards and their interpretations issued by the Board of International Accounting Standards.
Guidance Note of the Investment of Non-Resident Foreigners in the Parallel Market	The Guidance Note of the Investment of Non-Resident Foreigners in the Parallel Market issued by the Board of the Capital Market Authority pursuant to Resolution No. (4-95-2017) dated 26/01/1439H (corresponding to 16/10/2017G) based on the Capital Market Law issued by Royal Decree No. (M/30) dated 02/06/1424H (corresponding to 31/07/2003G) as amended by Capital Market Authority Board Resolution No. (3-65-2019) dated 14/10/1440H (corresponding to 17/06/2019G).
ISO	International Standards Organization
Lock-up Period	After the offering, Substantial Shareholders who own shares in the Company (and whose names appear on page (xviii) of this Prospectus) must not dispose of any of those shares for a period of (12) twelve months from the starting date of trading on the Parallel Market. Such persons may dispose of such shares after the expiry of the twelve-month period without the need to obtain prior approval from the Authority.

Term or Abbreviation	Definition
Value Added Tax or VAT	On 02/05/1438H (corresponding to 30/01/2017G), the Council of Ministers decided to approve the Unified Agreement on Value Added Tax for the GCC states, which is an indirect tax imposed on all purchased and sold goods and services with some exceptions. The Kingdom of Saudi Arabia has committed to implementing the value-added tax at a rate of 5%, starting from the date of 14/04/1439H (corresponding to 01/01/2018G). VAT has been imposed at every stage of the supply chain, starting from production, through distribution, and up to the final sale of the commodity or service. The Government of the Kingdom of Saudi Arabia has decided, starting from July 2020G, to increase the value-added tax rate from 5% to 15%, and a number of products have been excluded, including (basic foods and services related to health care and education). The consumer pays the cost of value-added tax on goods and services that he/she buys. As for businesses, they pay to the Government the value-added tax collected from consumers' purchases. Businesses recover the value-added tax they paid to their suppliers.
Ordinary General Assembly	Ordinary General Assembly of the Company Shareholders.
Extraordinary General Assembly	Extraordinary General Assembly of the Company Shareholders.
Transformational General Assembly	Transformational General Assembly of the Company Shareholders.
Related parties	<p>Related parties shall mean the following:</p> <ol style="list-style-type: none"> 1. Affiliates of the Issuer. 2. Substantial Shareholders of the Issuer. 3. Directors and senior executives of the Issuer. 4. Directors and senior executives of the affiliates of the Issuer. 5. Directors and senior executives of substantial shareholders of the issuer. 6. Any relatives of the persons in (1, 2, 3, 4 or 5) above. 7. Any Company controlled by any person described in (1, 2, 3, 4, 5, or 6) above.
Control	<p>Ability to influence the actions or decisions of another person, directly or indirectly, individually or collectively closely or remotely, through any of the following:</p> <ol style="list-style-type: none"> 1. Owning 30% or more of the voting rights in a Company. 2. The right to appoint 30% or more of the members of the management body.
Risk factors	It is the set of potential influences that must be known and hedged before deciding to subscribe to the Offering Shares.
SAR or riyal	Saudi Riyal is the currency of the Kingdom of Saudi Arabia.
Working day	Any working day except for Friday and Saturday, any day that is an official holiday in the Kingdom of Saudi Arabia, and any day on which banking institutions close their doors from work in the Kingdom in accordance with the applicable regulations and other government procedures.

Term or Abbreviation	Definition
Saudization	Labor regulations in the Kingdom of Saudi Arabia that require companies operating in the Kingdom to employ a certain percentage of Saudis.
H	Hijri calendar.
G	Gregorian calendar.
Pandemic or Coronavirus (Covid 19)	A viral infectious disease known as (Corona Virus) and referred to in brief as " Covid-19 " that has started to spread in most of the countries worldwide, including the Kingdom of Saudi Arabia in the beginning of the 2020G. It has been classified as pandemic by the World Health Organization.
The film	It is a basic product of the Company's products, in which the granules of the raw materials of polyethylene are melted at a high temperature and the granules are then converted into a balloon to produce various products that fit the specifications required by customers, whether external packaging products or packaging products for food preservation bags or waste bags or others.
Polyethylene (Back Sheet)	It is a product consisting of five layers of treated film and is a basic material in many industries and specialty products such as baby diapers, women sanitary napkins, adult diapers, etc.
Metric ton or ton or MT	A metric ton or ton is a unit of measurement used to express the unit volume description for production capacity and is equivalent to (1,000) thousand kilograms.

A black and white photograph of a large industrial machine, possibly a CNC lathe or mill, in a factory setting. The machine has a long, horizontal bed with a large, curved, segmented cover. The background shows the factory's interior with a high ceiling, steel beams, and hanging lights. A red semi-transparent overlay covers the left and bottom portions of the image, with a diagonal split between a darker red and a lighter red. The text "Risk Factors (2)" is centered in white on the red overlay.

Risk Factors (2)

2- Risk Factors

Investment in the offer shares under this Prospectus involves high risks and may not be appropriate except for investors who are able to assess the advantages and risks of this investment and bear any loss that may result from it.

Anyone wishing to invest in the shares offered for subscription must carefully study all the information contained in this Prospectus, including the risk factors described in this section, before making an investment decision, bearing in mind that the risks described below may not include all the risks that the Company may face, but rather it is possible that there are other additional factors that are not known to the Company or that it does not consider material at the present time, which would affect its operations.

The Company's activity, financial conditions, future prospects, results of operations, and cash flows may be materially and negatively affected if any of the risks included in this section which the Company's management currently considers to be material occur or materialize. In addition to any other risks not identified by the Board of Directors or currently classified as immaterial, but may actually occur and become material risks.

Investment in shares is only suitable for investors who are able to evaluate the risks and benefits of that investment, and who have sufficient financial resources to bear any loss that may result from this investment. An investor (who is eligible to subscribe to the Offer Shares) who has any doubts about the decision he should take regarding the investment whether suitable for him or not, should seek the assistance of a licensed financial advisor to obtain advice on investing in the Offer Shares.

In the event of the occurrence or realization of one of the risk factors that the management believes at the present time to be material, or the occurrence of any other risks that the management was not able to identify, or that it considers at the present time to be immaterial, but when it occurs it turns out to be material, this may lead to a decrease in the share price in the market, weakening the Company's ability to distribute dividends to shareholders, and potential investors may lose all or part of their investment in the Company's shares.

The members of the Company's Board of Directors acknowledge, to the best of their knowledge and belief, that there are no other material risks as at the date of this Prospectus, other than those mentioned in this section, that may affect the investors' decisions to invest in the offer shares.

The risks and uncertainties set out below are presented in an order that does not reflect their importance. There are also additional risks, uncertainties and possibilities, including those currently unknown or considered immaterial by the Company's management, that may have the effects described above.

2-1 Risks related to the Company's Activity and Operations

2-1-1 Risks related to Non-compliance with the Companies Law and the Company's Articles of Association

The Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) imposes some statutory requirements that the Company must comply with, which require the Company to take specific and required measures to ensure its compliance with such requirements, which may affect the Company's business and take a long time. The current Companies Law has also imposed stricter penalties for violating its mandatory

provisions and rules. According to Article No. (213) of the current Companies Law, fines for violating any of its provisions amount to (500,000) five hundred thousand Saudi riyals, and they double in the event of re-violation of its provisions within three years from the date of the ruling according to Article No. (214) of the current Companies Law. Therefore, if the Company is subjected to one of these penalties as a result of its non-compliance with these provisions, or if it does not comply with the provisions of the Company's Articles of Association, this will have a negative and material impact on the Company's business, results of operations, financial performance, profitability and future prospects.

2-1-2 Risks related to the Issuance of the new Companies Law

The Ministry of Commerce is working on a project to issue the new Companies Law, which aims to facilitate the procedures and regulatory requirements to stimulate the business environment and support investment.

It also aims to achieve a balance between stakeholders, provide an effective and fair corporate governance framework, devote institutional work, contribute to the sustainability of economic entities, including family businesses, attract local and foreign investments, provide sustainable financing sources, and meet the needs and requirements of the entrepreneurship sector. It stimulates the growth of small and medium enterprises. The new Companies Law, upon its issuance, may require several changes in the regulations and laws that the Company currently follows, which may result in unexpected costs, or impose some regulations or changes that will negatively affect the Company's business, results of operations, profits and future business plans.

2-1-3 Risks related to the Recent Formation of the Board of Directors and Committees and the Lack of Application of Governance Rules

The Company recently took some measures related to the implementation of some of the provisions of the Corporate Governance regulation issued by the Capital Market Authority, where it formed a board of directors for the Company and approved its appointment by the Transformational General Assembly held on 13/07/1443H (corresponding to 14/02/2022G). An audit committee was appointed based on the recommendation of the Board of Directors and was approved by the Ordinary General Assembly held on 25/08/1443H (corresponding to 28/03/2022G). Since the regulation is indicative for all companies listed in the parallel financial market, the Company may not comply with all the provisions contained therein. In the event that the Corporate Governance Regulation is enforced mandatory, the inability of the members of the Board of Directors and members of the committees to carry out the responsibilities assigned to them to ensure the protection of the interests of the Company and its shareholders, will affect their ability to adhere to the Corporate Governance system. This will expose the Company to the possibility of not complying with the requirements of continuous disclosure after listing on one hand, and to operational, administrative and financial risks on the other hand, which will negatively and fundamentally affect the Company's future business, financial condition and operational results. It is worth noting that the Company is currently working on its internal governance policy, which will be approved at the nearest general meeting of shareholders.

2-1-4 Risks related to the Participation of Members of the Board of Directors or Senior Executives in Businesses Competing with the Company's Business

Some of the members of the Company's Board of Directors or its senior executives may compete with the Company, either through their membership in other boards of directors, or through ownership of businesses involved and entering into the framework of the Company's business. These businesses are similar to the Company's business or compete with its business, directly or indirectly. In the event of a conflict of interest between the Company's

business on the one hand and the businesses of the members of the Board of Directors or senior executives on the other, this will have a material negative impact on the Company's business, financial condition, results of operations and future prospects. Some members of the board of directors and senior executives may have access to the Company's internal information, and they may use that information for their own interests or in a way that conflicts with the Company's interests and goals. This will have a negative and material impact on the Company's business, financial condition, results of operations and future prospects.

2-1-5 Risks related to Lack of Experience in Managing Listed Joint Stock Companies

The success of the Company's business depends mainly on the ability of its management to take appropriate and correct decisions in relation to its business and activities. Since the senior management staff do not have experience in managing public joint stock companies and how to comply with the bylaws and regulations of joint stock companies listed in the Saudi stock market, such as adhering to the requirements of continuous disclosure and preparing various reports according to what is required under these regulations and bylaws, the Company's senior management must exert additional efforts to ensure compliance with the rules and regulations imposed on listed companies. In the event that the Company does not comply with these rules, it will be exposed to legal penalties and fines, which in turn will negatively and fundamentally affect its business, prospects and financial condition.

2-1-6 Risks related to Non-compliance with the Capital Market Law and its Implementing Regulations

After its listing in the Parallel Market, the Company will be subject to the Capital Market Law and regulations, systems and circulars issued by the Capital Market Authority. In the event the Company is unable to comply with any of the regulations and systems to which it will be subject, it will be subject to financial fines and penalties such as temporary suspension of shares trading or cancellation of shares listing in the event of non-compliance. This will negatively and materially affect the Company's business, results of operations, financial performance, profitability and future prospects.

2-1-7 Risks of Management Decisions

The Company's business results depend mainly on the ability of its management to take the right and appropriate decisions in relation to its business and activities in a timely manner. In the event that the Company's management makes wrong decisions regarding its business in general, such as hiring unqualified cadres, developing ineffective business plans, setting inappropriate operational policies, or others, this will negatively reflect on the Company's performance, results of operations and financial condition.

2-1-8 Risks of Transactions with Related Parties

In the course of its normal business, the Company deals with related parties, which consist of dividend distribution transactions with shareholders in addition to the salaries and benefits of senior executives in the Company, and transactions with companies owned by shareholders. The volume of transactions owed to related parties amounted to (10,383,546) ten million three hundred eighty-three thousand five hundred and forty-six Saudi riyals during the first half of 2022G, as the volume of transactions owed to related parties represented 6.88% of the total obligations. These transactions were represented in the transfer of salaries and benefits to the employees in full, which is an amount (383,546) three hundred and eighty-three thousand five hundred and forty-six Saudi

riyals, as well as the announcement of dividend amounts to shareholders with a total of (10,000,000) ten million Saudi riyals, of which (5,248,598) five million two hundred and forty-eight one thousand five hundred and ninety-eight Saudi riyals as on 30/06/2022G, and the remaining amount (4,751,402) four million seven hundred and fifty-one thousand four hundred and two Saudi riyals was paid on 07/08/2022G. Accordingly, the balance of the profits due to related parties was distributed in full and there is no balance due from/to related parties as on the date of this Prospectus. The transactions due to related parties amounted to (15,096,487) fifteen million and ninety-six thousand four hundred and eighty-seven Saudi riyals in the year 2021G, which represents 13.18% of the total obligations. These transactions represented in dividends in the amount of (12,715,701) twelve million seven hundred and fifteen thousand seven hundred and one Saudi riyals, and salaries and benefits for senior executives in the amount of (2,380,786) two million three hundred and eighty thousand seven hundred and eighty-six Saudi riyals. The transactions due to related parties in the year 2020G amounted to (75,135,964) seventy-five million, one hundred thirty-five thousand nine hundred and sixty-four Saudi riyals, which represents 53.26% of the total obligations, which is dividends in the amount of (71,515,429) seventy-one million five hundred and fifteen thousand four hundred and twenty-nine Saudi riyals, and salaries and benefits for senior executives in the amount of (3,620,535) three million six hundred twenty thousand five hundred and thirty-five Saudi riyals. In the same year, transactions due from related parties in favor of the Company amounted to (14,333) fourteen thousand three hundred and thirty-three Saudi riyals, which represents 0.01% of the total liabilities. The following table shows the most important transactions with related parties during the years 2020G, 2021G and the first half of 2022G:

Table No. 2: Transactions with related parties during the first half of 2022G

Entity	Nature of the relationship	Type of transaction	Transactions for the period ending on 30/06/2022G	Balance as on 30/06/2022G	Ratio of total transactions out of total obligations
The most important transactions with related parties owed by the Company during the first half of 2022G					
Partners' Accounts	Shareholders	Dividend distribution	10,000,000	4,751,402*	6.72%
Senior Executives	Senior Management	Salaries and Benefits	383,546	-	0.26%
Total	-	-	10,383,546	4,751,402	6.88%

Source: Rayan Advanced Industrial Company

* The balance of the declared profits was distributed to shareholders on 07/08/2022G

Table No. 3: Transactions with related parties during the year 2021G

Entity	Nature of the relationship	Type of transaction	Transactions for the year 2021G	Balance as at 31/12/2021G	Ratio of total transactions out of total obligations
The most important transactions with related parties due from the Company during the year 2021G					
Partners' Accounts	Shareholders	Dividend distribution	12,715,701	-	11.10%
Senior Executives	Senior Management	Salaries and Benefits	2,380,786	-	2.08%
Total	-	-	15,096,487	-	13.18%

Source: Rayan Advanced Industrial Company

Table No. 4: Transactions with related parties during the year 2020G

Entity	Nature of the relationship	Type of transaction	Transactions for the year 2020G	Balance as at 31/12/2020G	Ratio of total transactions out of total obligations
The most important transactions with related parties due from the Company during the year 2020G					
Partners' Accounts	Shareholders	Dividend distribution	71,515,429	-	50.69%
Senior Executives	Senior Management	Salaries and Benefits	3,620,535	-	2.57%
Total	-	-	75,135,964	-	53.26%

Source: Rayan Advanced Industrial Company

Table No. 5: Transactions with related parties due to the Company during the year 2020G

Entity	Nature of the relationship	Type of transaction	Transactions for the year 2020G	Balance as at 31/12/2020G	Ratio of total transactions out of total obligations
The most important transactions with related parties owed to the Company during the year 2020G					
Gulf Restaurants and Parks Co. Ltd.	Obligated	Pay	14,333	-	0.01%
Total	-	-	14,333	-	0.01%

Source: Rayan Advanced Industrial Company

2-1-9 Risks related to Staff Errors or Misconduct

The Company may face misconduct or errors from employees that it cannot avoid such as fraud, intentional errors, embezzlement, fraud, theft and forgery, in addition to misuse of its property and acting on its behalf without obtaining the required administrative authorizations. These actions may result in consequences and responsibilities borne by the Company, legal penalties, or financial liability, which will negatively and materially affect the Company's reputation, financial condition, results of operations and future prospects.

2-1-10 Risks related to Credit

Credit risk is the risk that arises when one party is unable to fulfill a certain financial obligation to the other party. The Company may face credit risks in several temporary or permanent cases, for example, the existence of unpaid receivable balances from customers, or the failure of other debtor parties to meet their obligations towards Company, or others.

The Company implements a policy approved by the Executive Management to limit its exposure to credit risks, by imposing credit limits for all customers with an average credit period ranging from 90 days to 120 days, and following up the collections performance. The Company makes provisions for doubtful trade receivables according to the expected credit loss model, which is based on historical experience.

As on 30/06/2022G, the total trade receivables of the Company amounted to (80,605,418) eighty million six hundred and five thousand four hundred and eighteen Saudi riyals, most of which constituted the balance of receivables from three clients with a value of (46,728,636) forty-six million seven hundred twenty-eight thousand six hundred thirty-six Saudi riyals, or 57.97% of the total balance of receivables. The Company has set a provision for the decrease in the value of trade receivables (for doubtful debts) amounting to (28,286) twenty-eight thousand two hundred and eighty-six Saudi riyals, bringing the Company's net trade receivables (80,577,132) to eighty million five hundred and seventy-seven thousand one hundred and thirty-two Saudi riyals.

As on 31/12/2021G, the total trade receivables of the Company amounted to (59,606,730) fifty-nine million six hundred and six thousand seven hundred and thirty Saudi riyals, most of which formed the balance of receivables from three clients with a value of (37,674,841) thirty-seven million six hundred and seventy-four thousand eight

hundred and forty-one Saudi riyals, or 63.21% of the total balance of receivables. The Company has set a provision for the decrease in the value of trade receivables (for doubtful debts) amounting to (33,261) thirty-three thousand two hundred and sixty-one Saudi riyals, bringing the net trade receivables of the Company to (59,573,469) fifty-nine million five hundred seventy-three thousand four hundred and sixty-nine Saudi riyals.

And as on 31/12/2020G, the total trade receivables of the Company amounted to (47,434,439) forty-seven million four hundred and thirty-four thousand four hundred and thirty-nine Saudi riyals, most of which constituted the balance of receivables from three clients with a value of (30,743,600) thirty million seven hundred and forty-three thousand six hundred Saudi riyals, or 64.81% of the total balance of accounts receivable. The Company has set a provision for the decrease in the value of trade receivables (for doubtful debts) amounting to (688,765) six hundred and eighty-eight thousand seven hundred and sixty-five Saudi riyals, bringing the net trade receivables of the Company to (46,745,674) forty-six million seven hundred forty-five thousand and six hundred seventy-four Saudi riyals.

The following table shows the Company's total receivables by age:

Table No. 6: Distribution of the Company's receivables according to their ages

Aging	As on 31/12/2020G (Saudi Riyals)	Percentage of the total	As on 31/12/2021G (Saudi Riyals)	Percentage of the total	As on 30/06/2022G (Saudi Riyals)	Percentage of the total
1 - 90 days after maturity	33,937,551	71.55%	45,814,997	76.86%	57,020,972	70.74%
91 - 180 days after maturity	9,248,646	19.50%	11,436,640	19.19%	19,044,417	23.63%
181 - 360 days after maturity	1,484,175	3.13%	84,198	0.14%	2,277,836	2.83%
More than one year after maturity	2,764,067	5.83%	2,270,898	3.81%	2,262,193	2.81%
Total Company trade receivable	47,434,439	100.00%	59,606,730	100.00%	80,605,418	100.00%

Source: Rayan Advanced Industrial Company

In the event that the debtors fail to pay the Company's dues on time, or fail at all to pay in part or in full, this will negatively and fundamentally affect the Company's results of operations, financial condition and cash flows.

2-1-11 Risks related to Credit Facilities and Financing Agreements

The Company obtained loans from the Saudi Industrial Development Fund in the amount of (48,388,000) forty-eight million three hundred and eighty-eight thousand Saudi riyals in order to expand the Company's factory to produce plastic products and with a guarantee of mortgaging all property, machinery and equipment of the factory, and personal guarantees from the partners and other conditions set forth in the contract. The amount is paid in Semi-annual installments in the amount of (2,300,000) two million three hundred thousand Saudi riyals.

The Company also obtained bank facilities from local banks in the amount of (100,800,000) one hundred million eight hundred thousand Saudi riyals at interest rates according to the market. The SIBOR price ranges between 1% to 4% according to the following bank guarantees:

- A joint fine and payment guarantee from the partners, in addition to promissory notes signed by the partners.
- Other guarantees stated in the contract.

The loans were classified in the balance sheet according to the repayment schedule as follows:

Table No. 7 : Classification of loans in the balance sheet

	The current portion of long-term loans			Long-term loans		
	30/06/2022G	2021G	2020G	30/06/2022G	2021G	2020G
	Saudi Riyal	Saudi Riyal	Saudi Riyal	Saudi Riyal	Saudi Riyal	Saudi Riyal
Loans from the Saudi Industrial Development Fund	3,528,189	3,423,709	2,254,502	3,528,189	3,423,709	22,081,122
Loans from local banks	17,588,921	16,684,913	42,116,033	17,588,921	16,684,913	22,618,411
Deferred finance costs	(36,950)	(70,879)	(414,706)	(36,950)	(70,879)	(70,879)
Total	21,080,160	20,037,743	43,955,829	21,080,160	20,037,743	44,628,654

Source: Rayan Advanced Industrial Company

An interest-free industrial development loan was obtained and disclosed in accordance with Standard (9), loan reassessment and recognition of grant obligations. The present value of the loan was calculated using an interest rate of 6%, which represents the borrowing rate of the Company. This resulted in a commitment to grant loans, and in return for it, an interest expense arises that is amortized over the life of the loan using the effective interest method, the details of which were as follows:

Table No. 8: Industrial Development Loan Details

Statement	Loan	Grant Obligation	Total
	Saudi Riyal	Saudi Riyal	Saudi Riyal
Balance as on 01/01/2020G	1,300,000	-	1,300,000
Additions during the year	22,077,707	5,992,093	28,000,000
Amortization of interest/grant expenses	975,717	(957,717)	-
Balance as on 31/12/2020G	24,335,624	4,964,376	29,300,000
Payments during the year	(3,600,000)	-	(3,600,000)
Amortization of interest/grant expenses	1,345,498	(1,345,498)	-
Balance as on 31/12/2021G	22,081,122	3,618,878	25,700,000
Payments during the period	(2,300,00)	-	(2,300,00)
Amortization of interest/grant expenses	609,210	(609,210)	-
Balance as on 30/06/2022G	20,390,332	3,009,668	23,400,000

Source: Rayan Advanced Industrial Company

The classification of the commitment to grant loans in the statement of financial position was as follows:

Table No. 9: Classification of Loan Obligation

	Short term	Long term
	Saudi riyal	Saudi riyal
December 31, 2020G	1,345,498	3,618,878
December 31, 2021G	1,176,292	2,442,586
June 30, 2022G	1,071,811	1,937,857

Source: Rayan Advanced Industrial Company

It is worth noting that the Company has obtained a certificate from the Shariyah Review Bureau Company as a Shariyah advisor to confirm the Shariyah compliance of the Company , its transactions and loans.

2-1-12 Risks related to Liquidity

Liquidity risk is represented by the Company's inability to meet its obligations related to financial liabilities as they become due. The Company's financial liabilities consist of loans, payables, accrued expenses and dues to related parties. Any contingent or sudden events may occur that require immediate liquidity or require the sale of financial assets quickly enough at their fair value to cover the required liquidity.

The net working capital (total current assets after deducting total current liabilities) of the Company amounted to (49,651,564) forty-nine million six hundred and fifty-one thousand five hundred and sixty-four Saudi riyals as on 30/06/2022G, and (53,485,828) fifty-three million four hundred and eighty-five One thousand eight hundred and twenty-eight Saudi riyals as on 31/12/2021G, and (27,752,238) twenty-seven million seven hundred and fifty-two thousand two hundred and thirty-eight Saudi riyals as on 31/12/2020G. The liquidity ratio (total current assets to total current liabilities) with the Company reached about (1.57) times as on 30/06/2022G, about (1.96) times as on 31/12/2021G, and about (1.34) times as on 31/12 /2020G. If the Company is not able to meet its current or future obligations on their due dates, especially short-term ones, it will be subject to financial default, which will negatively affect the Company's business, financial performance and future prospects.

2-1-13 Risks related to the Availability of Financing in the Future

The Company may resort to obtaining loans and bank facilities to finance expansion plans in the future. It is worth noting that obtaining financing may depend on the Company's capital, financial condition, cash flows, credit record and guarantees provided. The Company does not give any assurance or guarantee regarding obtaining the appropriate financing if the need arises. The inability of the Company to obtain the financing it needs from financiers, or its inability to obtain financing on preferential terms acceptable to it, will have a negative impact on the Company's performance, operations, cash flows and future plans.

2-1-14 Risks related to Changing the Contractual Terms with the Saudi Basic Industries Corporation- SABIC

The Company was able to build a strategic relationship with the Saudi Basic Industries Corporation- SABIC on which the Company relies as its main supplier of raw materials. The Company was able to enter into a substantial agreement with SABIC that is renewed annually, given their relationship that extends for more than (30) thirty years. Under this agreement, the Company requests raw materials from SABIC on a monthly basis, with obtaining a discount at a fixed rate agreed upon between the two parties, which supports the Company in reducing the cost of production compared to competitors inside and outside the Kingdom (for more details, please refer to Section (3-15) "**The Company's Substantive Agreements**"). Despite the long relationship between the two parties, and the stability of the discount rate offered to the Company, it cannot be confirmed that there has been no reduction in the discount rate or cancellation of the discount completely for any reason. If this occurs, it will negatively and materially affect the Company's performance and operations.

2-1-15 Risks related to the Company's Payables

The total balance of the Company's trade payables amounted to (51,637,686) fifty-one million six hundred and thirty-seven thousand six hundred and eighty-six Saudi riyals as on 30/06/2022G, which constituted 59.47% of the total current liabilities. The total balance of the Company's trade payables amounted to (27,001,974) twenty-seven million, one thousand nine hundred and seventy-four Saudi riyals as on 31/12/2021G, which constituted 48.26% of the total current liabilities. The total balance of the Company's trade payables amounted to (31,752,842) thirty-one

million seven hundred and fifty-two thousand eight hundred and forty-two Saudi riyals as on 31/12/2020G, which constituted 38.58% of the total current liabilities.

In the event that the Company is unable to pay the full value of the trade payables within the specified time period, it will be difficult for it to continue to obtain debt purchase agreements on suitable terms in the future, and this will negatively affect its reputation and the desire of the creditors to continue dealing with the Company, and thus negatively affect its operations and financial performance.

2-1-16 Risks related to Saudization Requirements

Compliance with the requirements of Saudization is a statutory requirement under which all institutions (companies and establishments) are obligated to employ Saudis and maintain a certain percentage of Saudi employees out of the total number of their employees. As on 14/09/2022G, the Company was classified within the category of medium entities, as the total number of its employees reached (247), including (193) non-Saudi and (54) Saudi, as there are (5) non-Saudi employees among the total non-Saudi employees, who are sponsored by Companies supplying manpower from third parties, and who work in the Company's branches after obtaining an "Ajir" notice. Therefore, the Saudization rate has reached 21.79%, and thus it falls under the "medium green range" (see Section No. (3-24) "Employees and Saudization" of this Prospectus). In the event that the Company is unable to maintain the required Saudization percentage, or if the Ministry of Human Resources and Social Development decides in the future to impose stricter localization policies that are difficult for the Company to adhere to, this may lead to the imposition of penalties on the Company such as suspending work visa applications and transferring sponsorship of non-Saudi workers, which will have a negative impact on the Company's business, results of operations and future prospects.

2-1-17 Risks related to Natural Disasters

The Company may be exposed to any of the natural disasters such as floods, fires, earthquakes and other natural events that cause significant damage to the Company's facilities and factory. In the event that adequate insurance coverage is not available, this may result in high and huge costs for the Company, which will greatly affect the Company's ability to perform and practice its activities, and thus negatively affect its operational activities. The occurrence of any of these natural disasters will have a negative and fundamental impact on the Company's financial performance, financial condition and future prospects.

2-1-18 Risks related to the Unexpected Interruption of Operations and Business

The Company relies on the effectiveness of its production lines and related work systems for the continuation of its operations. Any suspension or interruption of these operations for any reason, such as natural disasters, sudden malfunctions, fires, or any deficiencies affecting production lines or computers, or interruption of power and electricity supply, may lead to interruption of these operations, and consequently, will negatively and materially affect the Company's business, financial condition and future prospects.

2-1-19 Risks related to Non-issuance or Non-renewal of Licenses, Permits and Regulatory Certificates

The Company operates according to a number of licenses, certificates and permits related to its activity, which it obtained from the competent regulatory authorities in the Kingdom, including, but not limited to: commercial

registration certificates for the Company and its branches issued by the Ministry of Commerce, Chamber of Commerce membership certificate, environmental permits, factories operating licenses, Saudization, Zakat and social insurance certificates, industrial licenses, and others (for more details, please refer to Section (3-19) “**Licenses, Certificates and Government Approvals**” and Section No. (3-18) “**Commercial Registries**” of this Prospectus).

These licenses shall remain in effect on an ongoing basis through the Company's compliance with the laws and regulations related to such licenses. In the event that the Company fails to comply with this, some or all of those licenses may be suspended, or the Company may not be able to renew the existing licenses or obtain new licenses that it may need for other purposes such as expansion, which will lead to the suspension or faltering of the Company's business, and thus will have a negative and material impact on the Company's business results, financial condition and future prospects.

2-1-20 Risks related to Non-compliance with Quality Standards and Specifications Required by Customers

The Company has obtained many international certificates related to quality, environmental systems, occupational safety and others, (for more details, please refer to section (3-18) “**Certificates Obtained by the Company**” of this Prospectus) due to its application and compliance with the requirements of quality systems, methods of increasing efficiency in the use of resources and reducing waste, and meet the requirements of international standards for the production of food packaging materials. In the event that the Company is unable to continue providing its products at the same level that matches the required standards, specifications and quality for any reason, this will negatively affect its reputation with its customers and their continuity in dealing with it, and thus will negatively and fundamentally affect the Company's sales, results of operations and financial performance.

2-1-21 Risks related to Potential Shariyah Zakat Dues and Additional Claims

The Company submitted its Zakat and tax returns to the Zakat, Tax and Customs Authority for all years since its establishment until the end of the fiscal year ending on December 31, 2021G. The Company has completed its Zakat and tax status with the Zakat, Tax and Customs Authority since its establishment until December 31, 2012G, according to the final Zakat assessments for the years up to 2012G. This resulted in additional Zakat obligations on the Company during the year 2006G in the amount of (69,315.91) Saudi riyals, in 2007G in the amount of (210,517) Saudi riyals, and in 2012G in the amount of (93,139.53) Saudi riyals, and the Company has paid all the amounts due for the years mentioned. The Company also submitted its Zakat returns for the years 2013G and 2014G, and no Zakat assessments were issued on them. The Zakat assessment was issued by the Zakat Authority for the year 2015G, which resulted in an additional Zakat obligation of (856,480) eight hundred and fifty-six thousand four hundred and eighty Saudi riyals. The Company submitted an objection to the amount due to the General Secretariat of the Tax Committees to complain about the decision issued by the Zakat, Tax and Customs Authority to reject the objection previously submitted by the Company, and the objection is still with the General Secretariat of the Tax Committees under study until the date of preparing this Prospectus. The Company did not create the necessary provision for the aforementioned Zakat differences. As for the years from 2016G to 2021G, the Company submitted its Zakat returns and these returns are still under examination with the Zakat, Tax and Customs Authority until the date of this Prospectus. It is possible that the Zakat, Tax and Customs Authority will require the Company to pay additional amounts for the declarations submitted by the Company. This will negatively and fundamentally affect the Company's business, results of operations, and prospectus, in the event that the Selling Shareholders fail to pay the additional amounts resulting from the Zakat differences for the year 2015G in the event that the objection is rejected, as well as in the event that they fail to pay the additional amounts resulting from the Zakat differences for the years 2016G until 2021G, if any.

It is worth noting that the Selling Shareholders made a pledge on 19/09/2022G to bear the Zakat amounts related to the year 2015G in the event that the Company's objection was not accepted, as well as any additional Zakat amounts imposed by the Zakat, Tax and Customs Authority on the Company in the future, with regard to the previous years until the date of listing. Accordingly, in the event that the Zakat, Tax and Customs Authority imposes Zakat assessments on the Company and demands it to pay the additional Zakat amounts for which the Company did not obtain the final Zakat assessment, and the Selling Shareholders fail to pay the additional Zakat amounts pursuant to the pledge issued by them in this regard, this will have a negative and fundamental impact on the Company's business and financial condition.

The Company obtained the last Zakat certificate on 19/02/1444H (corresponding to 15/09/2022G) and expires on 10/10/1444H (corresponding to 30/04/2023G).

2-1-22 Risks related to Changes in Important Accounting Standards

The audited financial statements of the Company for the fiscal year ending on 31/12/2021G and the audited financial statements of the Company for the financial period ending on 30/06/2022G were prepared in accordance with International Accounting Standards for Financial Reporting (IFRS) approved in the Kingdom of Saudi Arabia and other standards and issuances approved by the Saudi Organization for Certified Public Accountants (SOCPA). The Company are obligated to apply the amendments or changes that occur to these standards from time to time. Therefore, any changes in these standards or the mandatory application of any new standards issued in the future could negatively affect the financial statements, and thus negatively affect the Company's financial results and financial condition.

2-1-23 Risks related to Relying on a Limited Number of Suppliers

In its work, the Company relies heavily on local suppliers and agents and on their ability to provide it with goods and raw materials in the required quantity and within the specified time frame. It is worth noting that the Company relies heavily on one main supplier, as purchases from that supplier represented 71.11% of the total purchases for the first half of 2022G, and 69.61% of the total purchases for the year 2021G, while it represented 62.92% of the total purchases for the year 2020G, (for more details, refer to Section (3-12) "**Raw Materials**").

In the event that the Company is unable to obtain sufficient supplies from suppliers in a timely manner or on acceptable terms; or when there are any changes in the existing relationships with suppliers; or if the prices of products and the costs of obtaining them increase, this will have a negative and material impact on the Company's business, results of operations and financial condition.

2-1-24 Risk of Customer Concentration

Rayan Advanced Industrial Company deals with a number of clients inside and outside the Kingdom, as its sales extend to Gulf countries and other countries within the Middle East and North Africa. The Company's sales depend on its main customers, and its focus on them may vary from year to year, according to the volume of products required by these customers and according to the necessary implementation periods. The Company's revenues from its largest (5) five clients for the first half of the year 2022G amounted to (74,933,949) seventy-four million nine hundred and thirty-three thousand nine hundred and forty-nine Saudi riyals, or 66.86% of the Company's total revenues for the period. The largest revenues from (5) Five clients for the year 2021G, amounted (134,937,659) one hundred and thirty-four million, nine hundred and thirty-seven thousand six hundred and fifty-nine Saudi riyals, or about 73.31% of the Company's total revenues. The revenues resulting from them for the year 2020G

amounted to (119,617,005) one hundred and nineteen million six hundred seventeen thousand and five Saudi riyals, which represents 69.74% of the Company's total revenues (for more details, refer to section (3-16) "**Company's Revenues**" of this Prospectus). The Company operates according to the implementation (production) strategy based on the actual demand of customers, and based on the volume of demand from the main customers, the Company is exposed to the risk of the possibility of the volume of sales being unstable, as sales may vary greatly from one financial period to another, although this did not happen clearly before. In the event that a good and continuous relationship with the main customers is not maintained, or the Company fails to develop its relations with new customers to sustain and increase the volume of sales, this will negatively and fundamentally affect the Company's business, results of operations and financial performance.

2-1-25 Risks related to the Protection of Trademarks and Proprietary Rights

In marketing its products and managing its operations, the Company relies on the reputation of its brand, which gives it a distinguished position among its customers in the market. The Company has registered its trademark with the Saudi Authority for Intellectual Property (for more details, please refer to Section (3-23) "**Trademarks and Property Rights**" of this Prospectus).

Any illegal use of the trademark will affect the Company's reputation, and may lead to lawsuits against the Company or claims before the competent courts to protect these rights. If the Company fails to protect its brand effectively, this will negatively affect the value of that brand, which will negatively affect the Company's business, financial results and performance in the future.

2-1-26 Risks related to the Adequacy of Insurance Coverage

The Company has entered into several insurance contracts to cover its business and assets, such as medical insurance for employees, motor insurance, property, fixed assets, factory facilities and production lines insurance. (Please refer to section (3-21) "**Insurance agreements**" of this Prospectus). The Company may not have all insurance contracts that are important and necessary for its business and assets, or it may not have sufficient insurance cover in all cases. The occurrence of any potential uninsured circumstance resulting from the occurrence of sudden accidents or natural disasters, for example, will negatively and materially affect the Company's business, assets, financial condition and future performance.

2-1-27 Risks related to Lawsuits and Fines

The Company is subject to lawsuits and complaints during the course of its operations, and it cannot accurately predict the size of the cost of the lawsuits or judicial procedures that may be instituted by or against it, or the final results of those claims or judgments that may be issued against it, and the compensations and penalties they include. Therefore, any negative results of such lawsuits will negatively affect the Company and its results of operations. Such claims may include, but are not limited to, Zakat and tax issues, the labor system, social security, contracting with customers and suppliers, and other damages resulting from negligence or fraud by people or entities beyond the control of the Company. Therefore, any negative consequences of such issues will negatively affect the Company's business, results of operations, financial condition and future prospects.

2-1-28 Risks related to the Inability to Implement the Company's Strategic Plan

The Company's future performance depends on its ability and success in implementing its business plan and implementing the targeted growth strategy. In the event that the Company is unable to successfully implement its future plans for any reason, such as lack of funding, unavailability of manpower, or failure to obtain the necessary licenses or others, this will negatively and materially affect its future performance, and consequently the results of its operations and financial condition.

2-1-29 Risks related to Expansion Plans

The Company regularly evaluates its expansion plans such as increasing production capacity and increasing business volume. It is worth noting that the production capacity of the Company's factory when it was established in 1991G amounted to (1,200) one thousand two hundred tons annually. Factory No. "2" was opened in 2009G and factory No. "3" was opened in 2019G. The last increase in production capacity took place in the year 2020G to reach (21,730) twenty-one thousand seven hundred and thirty tons annually. The Company relies in its growth plans on the possibility of obtaining new project contracts, and its ability to permanently finance its operations, in addition to its ability to manage the expansion process and increase the capacity of factories efficiently and respond to the change and development of the industry in terms of costs and production speed, and to attract managers and employees for the Company and train them to operate the factories. In the event that the Company is unable to exploit growth opportunities through expansion and implementation of the growth strategy, or if it is not able to manage the expansion process in the required manner, this will have a negative and material impact on its business, financial condition, results of operations and future prospects.

2-1-30 Risks related to the Ability to Continue Achieving Positive Growth in the Company's Future Business and Projects

The Company expects to witness significant growth in the coming years if it succeeds in expanding its activities by opening two new factories (Factory No. "4" and Factory No. "5") and thus increasing production lines, which would achieve positive growth in the Company's business, but it is also likely to result in operational and administrative difficulties. The Company's ability to manage its business growth in the future depends on several factors, including its ability to increase the effectiveness of the scope of its operational and financial systems to deal with the increasing complexities associated with the process of expanding its operations, and to attract, train and retain qualified personnel to manage and operate new plants and obtain the necessary permits or approvals from the relevant authorities; obtaining appropriate financing on commercially reasonable terms and operating a new business; It will also depend on the Company's ability to adjust and improve its organization of its administrative and operating structure. In the event of the inability to adapt to the requirements of expansion in future projects, or failure to obtain all the necessary licenses and approvals for the implementation of projects, or delay in obtaining them, or changes in demand drivers, this will limit the Company's ability to complete the implementation of some or all of its plans and expansion projects within the expected time frame or not completing them at all, which will bring additional costs and fundamentally affects the Company's business, financial condition, results of operations and future prospects. Also, there is no guarantee that the Company's successful implementation of its strategy will reflect positively on the results of its operations.

2-1-31 Risks related to High Production Costs

It is possible for the Company's production costs to rise and thus adversely affect its profitability. The main production costs at present include the cost of raw materials such as the polymer materials used in production, the cost of electricity consumption, labor costs, and costs of spare parts and maintenance. Changes in any of the above production costs may occur as a result of unforeseen events outside the Company's control. The prices of raw materials and spare parts are subject to fluctuations according to supply and demand variables. In addition, labor costs may be affected by changes in the minimum wage or additional government fees in connection with the employment of non-Saudi workers. Accordingly, any substantial increases in production costs will negatively and materially affect the Company's business, results of operations, financial condition and future prospects.

2-1-32 Risks related to Operating Systems and Information Technology

The Company relies on information technology systems to manage its business, and therefore the Company's failure to maintain and develop information technology systems, or the presence of any malfunctions in its functions will negatively affect the Company's business and financial results. The Company's IT systems may be damaged by viruses, security breaches, data loss or corruption, human errors and other similar events. Therefore, if the Company's information systems fail to work as expected, or in the event of loss of information, or misuse of information about the Company or its customers, this will lead to disruption of the Company's business, which will negatively and fundamentally affect the Company's reputation, financial condition, results of operations and future prospects.

2-1-33 Risks related to Government Fees Applicable to non-Saudi Employees

The Kingdom's government has approved a number of decisions that aim to conduct comprehensive reforms for the labor market in the Kingdom of Saudi Arabia, which included the approval of additional fees for each non-Saudi employee working for a Saudi entity, starting from 01/01/2018G, and amounting to (400) four hundred Saudi riyals per month for each non-Saudi employee, to increase to (600) six hundred Saudi riyals per month for the year 2019G, and then to (800) eight hundred Saudi riyals per month for the year 2020G.

It is worth noting that the Council of Ministers agreed on 25/01/1441H (corresponding to 24/09/2019G) that the state should bear the financial compensation determined for the expatriate workers (non-Saudis) for a period of five years according to paragraphs (1.a) or (2.a) of item No. (2) of Cabinet Resolution No. (197) dated 23/03/1438H (corresponding to 22/12/2016G), regarding industrial facilities licensed under an industrial license as of 02/02/1441H (corresponding to 01/10/2019G). Accordingly, the Company is exempted from the fees for the financial compensation for its expatriate workers for a period of five years, starting from 01/10/2019G.

Any government decision to increase fees on non-Saudi employees, impose additional fees in the future, or cancel support for industrial facilities, will lead to an increase in the Company's costs in general, which will negatively affect its business, financial performance and results of operations.

The number of non-Saudi employees under the Company's sponsorship reached (188) out of a total of (242) Employees, i.e. 77.69%, as on 14/09/2022G. Upon the expiry of the specified period during which the state bears the financial compensation for the expatriate labors, and not to renew it, or in the event of this decision being cancelled, the Company will bear the full government fees that it will pay for its non-Saudi employees, which will increase the Company's costs in general and negatively affect its financial performance and financial operations.

In addition to that, the government has also approved fees for issuing and renewing residency for dependents and companions of non-Saudi employees (fees for the financial compensation for escorts). These fees became effective as of 01/07/2017G, noting that they gradually increased from (100) one hundred Saudi riyals per month for each dependent in the year 2017G to reach (400) four hundred Saudi riyals for the year 2020G per month. Accordingly, the Company may face difficulty in maintaining its non-Saudi employees with the high fees for issuing and renewing residence permits and the cost of living for them, and it may raise the wages of its non-Saudi employees to keep them, which will lead to an increase in the Company's costs and negatively affect its business, financial performance and results of operations.

2-1-34 Risks related to Relying on non-Saudi Employees

The number of non-Saudi employees (includes all employees, including employees of Ajeer system, who are (5) five employees) in the Company is (193) employees out of a total of (247) employees, i.e. 78.14% as of 14/09/2022G. Therefore, the Company's business results, financial condition and operational results will be negatively affected if it is not able to maintain qualified non-Saudi cadres or find replacements for them with the same skills and experience required, especially in the event of a change in the policies, regulations and systems of the Ministry of Human Resources and Social Development that will have an impact on the status of non-Saudi workers with the Company .

During 2016G, the Government approved a number of decisions aimed at comprehensive reforms of the labor market in the Kingdom of Saudi Arabia, including the approval of imposing additional fees for every non-Saudi employee working for a Saudi entity as of 01/01/2018G, in addition to an increase in compensation fees for family members of non-Saudi employees as of 01/07/2017G. Accordingly, these decisions will lead to an increase in Government fees that the Company will pay for its non-Saudi employees in general, on the one hand, and the difficulty of maintaining highly qualified non-Saudi employees on the other hand, which will negatively affect the Company's performance and business results.

2-1-35 Risks related to Reliance on Key Personnel and Executive Management

The Company relies on the efforts and supervision of a number of its leadership employees and other key staff members to implement its strategy and day-to-day operations. Key employees are an important component of the Company's business success. Consequently, the Company's inability to retain them or attract people with the same efficiency will negatively and fundamentally affect its business, results of operations and financial performance.

2-1-36 Risks related to Non-existence of Legal Department or Internal Audit Department

The Company does not have a legal affairs department or an internal audit department as at the date of this Prospectus. The Company presents the legal matters that arise during its operations to an independent legal advisor if necessary, without relying on a specific entity, and the senior management of the Company , represented by the CEO and the Managing Director, is conducting the internal audit at the present time. It is worth noting that work is underway to establish Legal Affairs Department and Internal Audit Department, and it is expected that qualified human cadres will be appointed for these two departments by the end of the first quarter of 2023G as a maximum. Accordingly, the Company at the present time may not be able to meet the challenges related to the absence of these two departments and prepare the reports required for risk management, or investigate regulatory violations within the Company , which exposes it to various operational, administrative, financial and control risks. This will fundamentally and negatively affect the Company's financial condition, results of operations and future prospects. Also, there is no guarantee that the Company will complete the establishment of the two departments and activate them with qualified cadres within the expected time.

2-1-37 Risks of having the Company's Factory on Leased Land

All of the Company's factories are built on lands leased from government agencies. All lands are located in the second industrial area in Riyadh and were leased from the Saudi Authority for Industrial Cities and Technology Zones. The area of the factories ranges between 5,218 square meters and 12,000 square meters, with contracts extending from (7) seven years to (20) twenty Hijri years, and they are automatically renewed (refer to section (3-20) "**Owned or Leased Real Estates**" of this Prospectus).

The absence of land or real estate owned by the Company reduces its asset base, and limits the possibility of mortgaging real estate to financing agencies in exchange for financing. Also, the Company will be subject to a rise in rents in the future. In addition to that, in the event that the Company does not comply with the current contractual agreements and conditions, or is unable to renew those contracts and ensure their continuity on the same current terms or preferential terms, it will be exposed to the loss of these sites, the difficulty of searching for other sites and the difficulty of the process of transferring assets and equipment, as well as stopping the production. This will negatively and materially affect the Company's growth plans, operations and business results.

2-1-38 Risks related to Storage

The Company has rented (2) two warehouses for storage in the second industrial area in Riyadh from the Saudi Authority for Industrial Cities and Technology Zones with annual contracts that are renewed with the approval of both parties. In the event that the Company is not able to maintain the quality of raw materials before they are used in the manufacturing process and store them properly, or if the final products are poorly stored before they are delivered to customers, this will affect the quality of the Company's products. Also, if the lessor (the Saudi Authority for Industrial Cities and Technology Zones) does not wish to renew the contract and the Company does not find other warehouses in the same area, this will have a negative and material impact on the Company's business and financial performance.

2-1-39 Risks related to Machinery and Equipment Failure, the Usage Mechanism and Manufacturing Defects

The production process of the film and polyethylene film (back sheet) is carried out by the Company in its factories, and the production lines in the factory include several advanced and specialized machines, equipment and tools. Accordingly, production lines or any other machines and equipment may be disrupted as a result of various factors, including the Company's failure to carry out periodic or emergency maintenance, the obsolescence of spare parts, or the failure of the production department to implement the required usage mechanism and properly manage the production process, which leads to product damage during manufacturing and the presence of manufacturing problems and defects. It is worth noting that damaged products due to manufacturing defects accounted for 6% to 7% of the total products manufactured during the first half of 2022G, and the two years of 2021G and 2020G. In addition, in the event of any defect, malfunction or sudden interruption of the factory lines operations, this would negatively affect the Company's ability to meet the needs of its customers, a decline in its production capacity, which will lead to a decrease in the volume of production and have negative and material effects on the Company's business, financial condition and results of operations.

2-1-40 Risks related to Increase of Energy and Water Prices

The Council of Ministers issued its Resolution No. (95) dated 17/03/1437H (corresponding to 28/12/2015G) to raise the prices of energy products, the tariff for electricity consumption, the price of selling water and sanitation services for the residential, commercial and industrial sectors, as part of the policies related to rationalizing energy consumption and reducing government subsidies in the Kingdom. The Ministry of Energy also issued a statement on 24/03/1439H (corresponding to 12/12/2017G) on the plan of the financial balance program to correct the prices of energy products, starting on 14/04/1439H (corresponding to 01/01/2018G). It is worth noting that the Company's electricity and water consumption expenses amounted to (2,885,092) two million eight hundred and eighty-five thousand and ninety-two Saudi riyals during the first half of the year 2022G, while it amounted to (5,292,397) five million two hundred and ninety-two thousand three hundred and ninety-seven Saudi riyals during the year 2021G, and (4,346,537) Four million three hundred and forty-six thousand five hundred and thirty-seven Saudi riyals during the year 2020G. The Company's operational activities depend on the availability of energy and electricity products, so any interruption or reduction in the supply of these products or any increase in their prices would significantly affect the Company's profitability, results of operations and future prospects.

2-1-41 Risks related to Inventory

The total value of the Company's inventory amounted to (31,965,374) thirty-one million nine hundred and sixty-five thousand three hundred and seventy-four Saudi riyals as on 30/06/2022G, and most of it constituted the value of raw materials and spare parts at a rate of 82.25%, in addition to materials under operation at a rate of 10.56%. The Company's inventory does not include any slow-moving goods, as its operating model is to produce as per customer orders. The value of the Company's inventory amounted to (31,405,453) thirty-one million four hundred and five thousand four hundred and fifty-three Saudi riyals in the year 2021G. Raw materials and spare parts accounted for 82.65%, finished production represented 10.63%, and materials under operation represented 6.72%. In the year 2020G, the value of the inventory amounted to (30,124,355) thirty million, one hundred and twenty-four thousand three hundred and fifty-five Saudi riyals, where raw materials and spare parts constituted 75.13%, finished production represented 10.55%, and materials under operation represented 14.31%. The Company estimates the expected volume of business and the demand for raw materials according to its future needs. In the event that the Company is not able to increase the volume of sales or enter into new projects, it will not be able to benefit or dispose of the current stock volume, and it will not be able to sell all slow-moving goods, which will negatively and fundamentally affect the Company's results and financial performance.

2-1-42 Risks related to Potential Liabilities

Any potential obligations on the Company, such as costs related to Zakat, taxes, lawsuits, and other obligations or costs related to the Company's activity, if realized, will negatively and materially affect the Company's financial condition, financial position, results of operations and future prospects.

2-1-43 Risks related to the Coronavirus (COVID-19) Pandemic

The spread of the new Corona virus, (COVID-19) began in December 2019G, and the World Health Organization announced its classification of the virus as a global pandemic in March 2020G, and after that the virus spread widely and quickly to affect more than 194 countries around the world which faced unprecedented economical and health crisis. In the second half of February 2020G, when the virus spread and reached many countries around the world, many countries began imposing public health containment measures to delay its spread and enhance the capacity of the health sector, and the development of the situation in this way led to a sudden stop in economic activities

and a sharp decline in the economic prospects. As a result, the spread of the virus had a significant impact on the global economy and put pressure on individuals, companies and governments. The government of the Kingdom of Saudi Arabia has imposed health and economic measures to contain the consequences of the increasing spread of the virus, such as in many countries of the world and the region. The health measures included the imposition of a partial or complete curfew in some cities and governorates of the Kingdom; the complete and partial closure of economic and governmental activities; the closure of shopping centers, retail stores, commercial complexes and all activities inside them, excluding foodstuffs and pharmacies stores; reducing the number of working hours for some sectors or obligating some of them to work remotely and other things; suspending all domestic flights, buses, taxis and trains; suspending entry for the purposes of Umrah and visiting the Prophet's Mosque from outside the Kingdom, and quarantine. The economic measures included financial support for citizens and those affected by the Corona pandemic, giving family and sick leave paid by the state, expansion of unemployment compensation, delaying tax payments, and other measures to support the companies.

Although the Company is committed to the instructions issued by the Ministry of Health and the Ministry of Human Resources and Social Development to implement preventive measures and precautions such as applying social distancing in the workplace, measuring the temperature of each employee when entering the Company's headquarters, wearing the mask when entering and staying at the Company's headquarters or one of its facilities, the Company cannot ensure that one of its employees is not infected with the virus, which may lead to him being unable to work or transmitting the infection to his colleagues. This will lead to disruption of the operation process, and thus negatively affect the Company's business, results of operations, financial condition and future prospects.

On 03/09/1441H (corresponding to 26/04/2020G), the Royal decision was issued to return life to normal and partially lift the curfew in all regions of the Kingdom, with an emphasis on adherence to the precautionary measures of physical distancing and limiting the number of employees present in the workplace and service areas. The current health situation in the Kingdom is subject to a daily follow-up by the Ministry of Health by issuing the daily statistical report to follow up the numbers of infections, recovery cases and deaths. All regions and cities of the Kingdom of Saudi Arabia are subject to continuous evaluation by the Ministry of Health.

In view of the lack of clarity about the possible consequences related to the developments and updates regarding the spread of the virus, which may necessitate the re-imposition of complete or partial closures in some cities of the Kingdom, there is no expected date for the end of this epidemic until the date of this Prospectus.

2-2 Risks related to the Market and the Sector in which the Company Operates

2-2-1 Risks related to the Economic Performance of the Kingdom

The expected future performance of the Company depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, inflation factors, GDP growth, and the average income. The Kingdom's macro and micro economy mainly depends on the oil and petroleum industries, which still control a large share of the GDP. Accordingly, any unfavorable fluctuations in oil prices will have a direct and fundamental impact on the Kingdom's economic growth plans in general and on government spending rates, which in turn will negatively affect the Company's financial performance and future prospects.

The continued growth of the Kingdom's economy also depends on several other factors, including the population growth, and the investments of the governmental and private sectors in the infrastructure. Therefore, any negative change in any of these factors, will have a great impact on the economy and thus negatively and materially affects the Company's business, financial results and future aspirations.

2-2-2 Risks related to Political and Economic Instability in the Middle East

Many countries in the Middle East suffer from political and/or economic instability at present that may affect the economy of the Kingdom of Saudi Arabia. In addition, the political, economic and social environment in this region is still subject to continuous developments, which gives investments in it a great degree of uncertainty. Since the Company's assets, operations and customer base are currently in the Kingdom of Saudi Arabia, any unexpected changes in the political, economic or other conditions in the Middle East may have a negative and fundamental impact on the Kingdom's market, which will negatively and fundamentally affect the Company's business, results of operations, financial condition, and future prospects.

2-2-3 Risks related to the Competitive Environment

The Company works in the field of manufacturing and selling, as it sells its products to companies operating in different industries. This field is characterized by high competition, and therefore in the event that current or potential competitors offer competitive prices or conditions or better products than those offered by the Company, it will not be able to compete with these companies, which leads to a decrease in the Company's share in the market and thus negatively and materially impacts its profits, results of operations and financial condition.

2-2-4 Risks of Growth Opportunities

The Company's ability to develop its business depends on the level of competition in the market, the availability of material and human resources, the ability of its management team, legal systems, and others. There is no guarantee that a level of continuous growth will be maintained, as the Company may face difficulties in expanding its activity, developing its market share and increasing its sales. Accordingly, if the Company is unable to manage its growth positively, its ability to develop its business, increase or maintain its market share, increase profits and enhance returns to its shareholders, may be affected, which will have a negative and material impact on the Company's financial performance, financial condition and future prospects.

2-2-5 Risks related to Non-compliance with Existing Regulations and Laws and/or Issuance of New Regulations and Laws

The Company, like other companies operating in the Kingdom of Saudi Arabia, is subject to many regulations and laws that may be changed or updated by the competent authorities, such as the Companies Law, the Labor Law, the Municipalities and Civil Defense Regulations, the rules and regulations issued by the Capital Market Authority, the Ministry of Industry and Mineral Resources regulations and others. Also, new laws and regulations may be issued by the relevant official authorities from time to time, and accordingly, the Company's business will be negatively and fundamentally affected in the event of any fundamental change to any of these systems or the creation of additional systems that have a direct impact on the Company's performance, profitability and operational activities.

2-2-6 Risks related to Value Added Tax (VAT)

On the second of Jumada Al-Ula 1438H, the Saudi Council of Ministers decided to approve the unified agreement for value added tax for the member states of the Gulf Cooperation Council, which came into force on 01/01/2018G. This system imposed an added value of 5% on a number of products and services, according to what is stated in the system. The Kingdom's government has decided to increase the value-added tax rate from 5% to 15%, starting

from 01/07/2020G, and a number of products and services have been excluded, including (basic foods, services related to health care and education).

If the government raises the value-added tax rate again in the future or imposes other fees and taxes on companies, the Company is expected to raise the fees for its products and services to reflect the increase in value-added tax. Accordingly, if the Company is able to charge value-added tax in full to its customers, the increase in the prices of its products and services may lead to a decrease in demand for them, which will negatively affect the Company's operations and profits. But if the Company is unable to transfer the value added tax in whole or in part to the customer due to competition or other factors, it will have to bear the value of the tax not collected from customers, which will negatively affect the Company's profits and results of operations.

2-2-7 Risks related to Changing the Mechanism for Calculating Zakat and Income Tax

The Zakat, Tax and Customs Authority issued Circular No. 6768/16/1438 on 05/03/1438H (corresponding to 04/12/2016G), which obliges Saudi companies listed in the financial market to calculate income and Zakat on the basis of the nationality of the shareholders and the actual ownership between Saudi and Gulf citizens and others, as stated in "**Tadawulaty System**" at the end of the year. Prior to the issuance of this circular, companies listed in the financial market were generally subject to the payment of Zakat or tax on the basis of the ownership of their founders in accordance with their articles of association, and the impact of listed shares was not taken into account in determining the Zakat base. It was scheduled to apply this circular in the year ending on December 31, 2016G and subsequent years.

However, the Zakat, Tax and Customs Authority issued its letter No. 12097/16/1438 on 19/04/1438H (corresponding to 17/01/2017G), which stipulates the postponement of the implementation of the circular for the fiscal year ending on 31/12/2017G and the following years. Until the Zakat, Tax and Customs Authority issues its directives regarding the mechanisms and procedures for implementing this circular, the implementation of this circular including the final requirements that must be met are still under consideration, as well as the rules imposing income tax on all non-Gulf residents who are shareholders in listed Saudi companies, which applies withholding tax to dividends of non-resident shareholders, regardless of their nationalities. The Company has not assessed the financial impact of this circular and taken sufficient steps to ensure compliance with it, as it is a closed joint stock company. If the financial impact of this circular when applied is significant, or if the Company incurs additional costs to take the necessary steps to ensure compliance with it, this will negatively affect its business, results of operations, financial condition and future prospects.

2-2-8 Risks related to Fluctuations in Supply and Demand

The Company's sector, like other sectors, is affected by the fluctuations of supply and demand in the market. Any fluctuations in the economic conditions in the Kingdom and neighboring countries are a major factor for fluctuations in the levels of supply and demand in the Company's field of work. In the event that the Company does not adapt to deal with the variables in the level of supply and demand and adjust production levels accordingly, it will negatively and fundamentally affect the Company's performance, operations and profitability.

2-2-9 Risks associated with the Mandatory Application of the Corporate Governance Regulations

The Board of the Capital Market Authority (CMA) issued a new corporate governance regulation pursuant to Resolution No. (8-16-2017) dated 16/05/1438H (corresponding to 13/02/2017G), based on the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 11/11/2015G), as amended by CMA Board Resolution No. (1-7-2021) dated 01/06/1442H (corresponding to 14/01/2021G) and its amendments.

Although the Corporate Governance Regulation is considered guidelines for Companies listed in the Parallel Market as of the date of this Prospectus, if it is mandatorily applied, the Company's success in properly adhering to it depends on the extent to which the Board of Directors, its committees, management and employees of the Company understand these rules and procedures. Accordingly, in the event that the corporate governance regulation is mandatorily applied on the companies listed in the Parallel Market, the Company will be obligated to apply all mandatory articles of it. In the event that it is not committed to that, it will be vulnerable to violations and penalties imposed by the CMA. This will have a negative and material impact on the Company's business and results of operations

2-2-10 Risks related to Currency Exchange Rate Fluctuations

Currency exchange rate risk is that the value of financial investments will fluctuate due to changes in the foreign exchange rate. Companies face currency exchange risk in most cases when they have trade relations with international parties or suppliers of imported goods from abroad that require them to deal with them in foreign currency. The Company's transactions are subject to the Saudi riyal, the US dollar and the Euro, so it is exposed to the risk of fluctuation in foreign exchange rates with regard to its obligations and expenses connected to a currency other than the currency of the Kingdom. So, any unexpected large fluctuations in exchange rates will negatively affect the Company's financial performance.

2-2-11 Risks related to Interest Rate Volatility

Interest rates may change according to economic, political or regulatory variables, locally or globally, whether fixed or variable, which are due to the Company's funders. Accordingly, this will lead to an increase in the costs of financing that the Company needs, and thus will have a negative impact on the Company's business, results of operations and financial performance.

2-2-12 Risks related to the Imposition of New Duties or Taxes

Although the Company is not currently subject to any kind of taxes other than Shariyah Zakat and value added tax of 15% of the fees for services provided by the Company, it is possible that other fees or taxes will be imposed on companies by the government in the future. Accordingly, in the event that new taxes or fees are imposed on companies other than those currently applied, this will have a negative and material impact on the Company's financial performance, financial condition and future prospects.

2-3 Risks related to the Shares that will be Offered in the Parallel Market

2-3-1 Risks related to Effective Control by Substantial Shareholders

After the offering, there will be one major shareholder, Hassan Ali Hassan El Sairafi, who will own 71.00% of the Company's total shares. Therefore, he will be able to influence all matters that require the approval of shareholders, and this may conflict with the interests of the new shareholders. Exercising this control in making important decisions such as electing members of the board of directors, appointing the senior management of the Company, carrying out mergers and acquisitions, selling assets, approving and ratifying the contracts and operations of the Company, amending the Company's capital and items of its Articles of Association, may have a negative and material impact on the Company's business, financial condition and operational results.

2-3-2 Risks related to the Liquidity of the Offer Shares

The Company's shares have not previously been listed in any stock market, whether inside or outside the Kingdom of Saudi Arabia, and there are no assurances about the existence of an active and continuous market for the trading of shares after the end of the offering and listing period. If the market is not an active and highly liquid market for trading the Company's shares, the liquidity of trading the Company's share and its price will be materially and negatively affected.

2-3-3 Risks related to Limiting Trading to Qualified investors

The Company intends to list its shares in the Parallel Market, in which trading is restricted to qualified investors only. This reduces the number of traders and thus the trading volume in the stock, which will have a fundamental negative impact on the liquidity and trading price of the Company's shares.

2-3-4 Risks related to the Lack of a Previous Listing of the Company's Shares and the Fluctuation of the Share Price

The Company's shares have never been listed in any stock market, whether inside or outside the Kingdom of Saudi Arabia, and there is no assurance that the offering price will be equal to the price that will be traded in the market after the offering. Investors may not be able to resell the shares they have subscribed for at the same or higher price, as the share price after the offering may be affected by the Company's performance and results, or by other factors beyond the Company's control, including the general condition of the economy, market liquidity, change to government regulations, or others.

2-3-5 Risks related to Non-distribution of Profits

The future distribution of profits depends on several factors, including but not limited to future profits, financial condition, capital requirements, the Company's distributable reserves, general economic conditions, analysis of opportunities and investment needs and other relevant factors. The Board of Directors may consider these factors important from time to time and based on them decide whether it will make any recommendation to the shareholders' general assembly to distribute dividends in the future. The Company does not provide any guarantee whatsoever that the board of directors will recommend the distribution of profits in the future, or that the shareholders in the general assembly meetings will approve the recommendation of the board of directors to

distribute any profits. The Company also does not provide any guarantee about the value of amounts that will be paid as dividends for any specific year.

2-3-6 Risks related to Selling or Offering Additional Shares in the Future

In the event that the Company decides to increase its capital by issuing new shares in the future for the purpose of expanding its activities or to offset losses, this is likely to negatively affect the share price in the market, or lead to a decrease in the percentage of shareholders' ownership in the Company if they do not invest in the new shares when issued.

Also, the Company may not be able to increase its capital at the time it needs, or in a way that serves its interest or the interests of shareholders, which will negatively affect the Company's prospects, results of operations and financial condition.

2-3-7 Risks related to Selling a Large Number of Shares in the Market after the Offering Process

The Company has six (6) Substantial Shareholders, each of whom owns 5% or more of the Company's shares prior to the offering. While there will be only one major shareholder after the offering (for more details, please refer to section (4-2) "**Substantial Shareholders Who Own 5% or More of the Company's Shares**" of this Prospectus). After the offering, the major shareholder will be subject to a ban period starting from the start date of trading the Company's shares in the Parallel Market and continuing for a period of twelve months, during which he will not be able to dispose of any of his shares. However, after the ban period ends, there is no guarantee that he will not sell a large part of his shares. Also, the rest of the Substantial Shareholders before the offering will not have a ban period after the listing, given that their ownership percentage is less than 5%, and as such they can sell any number of shares at any time after the listing. In the event that a large number of shares are sold in the market, or such an event is expected, this will negatively affect the Company's share price.

2-3-8 Risks related to Inability of the Company to meet the Current Requirements to Move to the Main Market or any Future Regulatory Requirements

In the future, the Company may want to transition to the main market. Accordingly, it must fulfill all the regular requirements issued by the CMA and the Saudi Tadawul Company (Saudi Tadawul), based on the rules of offering securities, continuing obligations and the rules of listing, related to the transition of companies listed on the Parallel Market to the main market. Accordingly, in the event that the Company is unable to fulfill those requirements or any additional future regulatory requirements that the supervisory authorities may impose on the Company or the market, the Company will not be able to transition to the main market. Since trading in the Parallel Market until the date of this Prospectus is limited to qualified investors only, this will negatively affect the liquidity of the Company's shares and its market value.

2-3-9 Risks related to the Company's desire to Continue in the Parallel Market

After listing in the Parallel Market, and after the statutory period under the listing rules has passed and the Company has fulfilled the conditions for moving to the Main Market, the Company may wish to continue trading its shares in the Parallel Market instead of moving to the Main Market. Since trading in the Parallel Market until the date of this Prospectus is limited to qualified investors only, this will negatively affect the Company's stock's liquidity and value in the market.



The Company (3)

3- The Company

3-1 Company Overview

Rayan Advanced Industrial Company (hereinafter referred to as the “**Company**”, “**the Issuer**”, “**Rayan**” or “**Rayan Factory**”) is a closed joint stock company under Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 10/10/2005G). The Company's current capital is (SAR 100,000,000) one hundred million Saudi riyals, divided into (10,000,000) ten million ordinary shares, fully paid, at a nominal value of (10) ten Saudi riyals per share. The Company's activities, according to its Commercial registration, are in the manufacture of paper bags, semi-finished products from plastics (including plates, strips, sheets, tapes, pipes, hoses and their fittings, etc.), the manufacture of plastic bags, and household tools, kitchen utensils and single-use decorations, and general stores that hold a variety of merchandise. The head office and factory of the Company is located in Riyadh at the following address:

Rayan Advanced Industrial Co

Second Industrial City, Riyadh

PO Box 54654 Riyadh 11564

Kingdom Saudi Arabia

Tel: +966 11 265 1313

Fax: +966 11 265 1200

Website: www.rayanadvanced.com.sa

E-mail: mail@rayanadvanced.com.sa

3-2 Company's Ownership structure before and after the Offering

The Company's current capital is (SAR 100,000,000) one hundred million Saudi riyals divided into (10,000,000) ten million ordinary shares at a nominal value of (10) ten Saudi riyals per share, fully paid. The following table shows the Company's ownership structure before and after the offering:

Table No. 10: Company's Ownership structure before and after the Offering

Shareholders	Before the offering				After the offering			
	Number of shares	Nominal value (SAR)	Direct ownership	Indirect ownership	Number of shares	Nominal value (SAR)	Direct ownership	Indirect ownership
1 Hassan Ali Hassan Al-Sairafi	7,400,000	74,000,000	74.00%	-	7,100,000	71,000,000	71.00%	-
2 Awatif Hassan Ibrahim Baterjee	100,000	1,000,000	1.00%	-	100,000	1,000,000	1.00%	-
3 Rayan Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
4 Mohammed Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
5 Wed Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
6 Reem Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
7 Sami Fahid Khader Joudeh	500,000	5,000,000	5.00%	-	400,000	4,000,000	4.00%	-
Offering shares	-	-	-	-	2,000,000	20,000,000	20.00%	-
Total	10,000,000	100,000,000	100.00%	-	10,000,000	100,000,000	100.00%	-

Source: Rayan Advanced Industrial Company

3-3 Company Background and most Important Developments in its Capital Structure

Rayan Advanced Industrial Company was established under the name Rayan Plastic Products Factory as a branch of the Gulf Contracting and Industrial Establishment wholly owned by Mr. Hassan Ali Al-Sairafi in 1989G under the industrial license No. (45/S), dated 25/01/1410H (corresponding to 27/08/1989G). Then the factory was converted into a limited liability company pursuant to the memorandum of association approved by the notary public at the Ministry of Commerce in the newspaper (69/70) number (980) of volume (160) for the year 1426H on 10/08/1426H (corresponding to 14/09/2005G) and the Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 10/10/2005G), and pursuant to Industrial License No. (2182/S), dated 28/08/1428H (corresponding to 10/09/2007G). The capital of the Company, upon its incorporation, amounted to (SAR 10,000,000) ten million Saudi riyals, divided into (10,000) ten thousand in-kind shares of equal value, the value of each of which is (SAR 1,000) one thousand Saudi riyals. The Company's activities, according to the Articles of Association, were the production of plastic bags of high- and low-density polyethylene, packaging films of polyethylene and polyamide, and the production of single-use plastic forks, spoons and knives. The shares were distributed among the partners as follows:

Table No. 11: Company's Ownership structure upon establishment as a limited liability company

Partners	No. of Shares	Value per share (SAR)	Total Value of Shares (SAR)	Ownership Percentage (%)
Gulf Contracting and Industrial Establishment	9,000	1,000	9,000,000	90.00%
Hassan Ali Hassan Al-Sairafi	1,000	1,000	1,000,000	10.00%
Total	10,000	-	10,000,000	100.00%

Source: Rayan Advance Industrial Company

On 03/11/1428H (corresponding to 13/11/2007G), Hassan Ali Hassan al-Sairafi assigned his entire shares in the Company to the new partner in the company, the Gulf Restaurants and Parks Company Limited. The Articles of Association was also amended with an increase in the Company's to (SAR 20,000,000) twenty million Saudi riyals, divided into (20,000) twenty thousand shares of equal value, the value of each of which is (SAR 1,000) one thousand Saudi riyals. The increase was effected by transferring the amount of (SAR 10,000,000) ten million Saudi riyals from the partners' current account to the capital account. The shares were distributed among the partners as follows:

Table No. 12: Company's Ownership structure as of 03/11/1428H (corresponding to 13/11/2007G)

Partners	No. of Shares	Value per share (SAR)	Total Value of Shares (SAR)	Ownership Percentage (%)
Gulf Contracting and Industrial Establishment	18,000	1,000	18,000,000	90.00%
Gulf Restaurants and Parks Company Limited	2,000	1,000	2,000,000	10.00%
Total	20,000	-	20,000,000	100.00%

Source: Rayan Advance Industrial Company

On 06/06/1430H (corresponding to 30/05/2009G), the Gulf Company for Restaurants and Parks Ltd. wished to assign its entire shares to Rayan, by selling (666) shares to Rayan Hassan Ali Al-Sairafi, (666) shares to Muhammad Hassan Ali Al- Sairafi, (334) to Wed Hassan Ali Al-Sairafi, and (334) to Reem Hassan Ali Al-Sairafi. The table below shows the structure of the company's ownership structure after assignment:

Table No. 13: Company's Ownership structure as of 06/06/1430H (corresponding to 30/05/2009G)

Partners	No. of Shares	Value per share (SAR)	Total Value of Shares (SAR)	Ownership Percentage (%)
Gulf Contracting and Industrial Company	18,000	1,000	18,000,000	90.00%
Rayan Hassan Ali Al-Sairafi	666	1,000	666,000	3.33%
Mohammed Hassan Ali Al-Sairafi	666	1,000	666,000	3.33%
Wed Hassan Ali Al-Sairafi	334	1,000	334,000	1.67%
Reem Hassan Ali Al-Sairafi	334	1,000	334,000	1.67%
Total	20,000	-	20,000,000	100.00%

Source: Rayan Advance Industrial Company

On 26/09/1430H (corresponding to 16/09/2009G), the partners agreed to increase the Company's capital from (SAR 20,000,000) twenty million Saudi riyals to (SAR 30,000,000) thirty million Saudi riyals. The increase in the capital took place through the current account of the partners in the Company. The table below shows the structure of the company's ownership structure after the capital increase:

Table No. 14: Company's Ownership structure as of 26/09/1430H (corresponding to 16/09/2009G)

Partners	No. of Shares	Value per share (SAR)	Total Value of Shares (SAR)	Ownership Percentage (%)
Gulf Contracting, Industrial and Trade Company	27,000	1,000	27,000,000	90.00%
Rayan Hassan Ali Al-Sairafi	999	1,000	999,000	3.33%
Mohammed Hassan Ali Al-Sairafi	999	1,000	999,000	3.33%
Wed Hassan Ali Al-Sairafi	501	1,000	501,000	1.67%
Reem Hassan Ali Al-Sairafi	501	1,000	501,000	1.67%
Total	30,000	-	30,000,000	100.00%

Source: Rayan Advance Industrial Company

On 11/11/1431H (corresponding to 19/10/2010G), the Gulf Contracting, Industry and Trade Company wished to assign all its shares to Rayan, by selling (9,000) shares to Rayan Hassan Ali Al-Sairafi, (9,000) shares to Mohammed Hassan Ali Al-Sairafi, (4,500) Wed Hassan Ali Al-Sairafi and (4,500) to Reem Hassan Ali Al-Sairafi. The table below shows the structure of the Company's ownership after assignment:

Table No. 15: Company's Ownership structure as on 11/11/1431H (corresponding to 19/10/2010G)

Partners	No. of Shares	Value per share (SAR)	Total Value of Shares (SAR)	Ownership Percentage (%)
Rayan Hassan Ali Al-Sairafi	9,999	1,000	9,999,000	33.33%
Mohammed Hassan Ali Al-Sairafi	9,999	1,000	9,999,000	33.33%
Wed Hassan Ali Al-Sairafi	5,001	1,000	5,001,000	16.67%
Reem Hassan Ali Al-Sairafi	5,001	1,000	5,001,000	16.67%
Total	30,000	-	30,000,000	100.00%

Source: Rayan Advance Industrial Company

On 11/02/1441H (corresponding to 10/10/2019G), the partners agreed to increase the Company's capital from (SAR 30,000,000) thirty million Saudi riyals to (SAR 50,000,000) fifty million Saudi riyals along with changing the value of each share from (SAR 1,000) one thousand Saudi riyals to (SAR 10) ten Saudi riyals. The increase in the capital was done through the current account of the partners in the Company. The table below shows the structure of the Company's ownership after assignment:

Table No. 16: Company's Ownership structure as on 11/02/1441H (corresponding to 10/10/2019G)

Partners	No. of Shares	Value per share (SAR)	Total Value of Shares (SAR)	Ownership Percentage (%)
Rayan Hassan Ali Al-Sairafi	1,666,667	10	16,666,670	33.33%
Mohammed Hassan Ali Al-Sairafi	1,666,667	10	16,666,670	33.33%
Wed Hassan Ali Al-Sairafi	833,333	10	8,333,330	16.67%
Reem Hassan Ali Al-Sairafi	833,333	10	8,333,330	16.67%
Total	5,000,000	-	50,000,000	100.00%

Source: Rayan Advance Industrial Company

On 22/05/1443H (corresponding to 26/12/2021G), the partners relinquished some of their shares in favor of Hassan Ali Hassan Al-Sairafi and Awatef Hassan Ibrahim Baterjee as new partners, and the Articles of Association was amended accordingly. The table below shows the ownership structure of the company after assignment:

Table No. 17: Company's Ownership structure as on 22/05/1443H (corresponding to 26/12/2021G)

Partners	No. of Shares	Value per share (SAR)	Total Value of Shares (SAR)	Ownership Percentage (%)
Hassan Ali Hassan Al-Sairafi	3,950,000	10	39,500,000	79.00%
Awatif Hassan Ibrahim Baterjee	50,000	10	500,000	1.00%
Rayan Hassan Ali Al-Sairafi	250,000	10	2,500,000	5.00%
Mohammed Hassan Ali Al-Sairafi	250,000	10	2,500,000	5.00%
Wed Hassan Ali Al-Sairafi	250,000	10	2,500,000	5.00%
Reem Hassan Ali Al-Sairafi	250,000	10	2,500,000	5.00%
Total	5,000,000	-	50,000,000	100.00%

Source: Rayan Advance Industrial Company

On 29/05/1443H (corresponding to 02/01/2022G), Hassan Ali Hassan al-Sairafi wished to waive part of his shares, amounting to (250,000) shares to Sami Fahid Khader Joudeh (Jordanian). The partners also wished to amend some articles of the Articles of Association. The Articles of Association has been amended and attested with the Ministry of Commerce as a mixed limited liability company. The table below shows the Company's ownership structure as on 29/05/1443H:

Table No. 18: Company's Ownership structure as on 29/05/1443H (corresponding to 02/01/2022G)

Partners	No. of Shares	Value per share (SAR)	Total Value of Shares (SAR)	Ownership Percentage (%)
Hassan Ali Hassan Al-Sairafi	3,700,000	10	37,000,000	74.00%
Awatif Hassan Ibrahim Baterjee	50,000	10	500,000	1.00%
Rayan Hassan Ali Al-Sairafi	250,000	10	2,500,000	5.00%
Mohammed Hassan Ali Al-Sairafi	250,000	10	2,500,000	5.00%
Wed Hassan Ali Al-Sairafi	250,000	10	2,500,000	5.00%
Reem Hassan Ali Al-Sairafi	250,000	10	2,500,000	5.00%
Sami Fahid Khader Joudeh	250,000	10	2,500,000	5.00%
Total	5,000,000	-	50,000,000	100.00%

Source: Rayan Advance Industrial Company

On 28/06/1443H (corresponding to 31/01/2022G), the partners decided to increase the Company's capital from (SAR 50,000,000) fifty million Saudi riyals to (SAR 100,000,000) one hundred million Saudi riyals, divided into (10,000,000) ten million shares. The partners decided also to convert the Company into a closed mixed joint stock company pursuant to the decision of the Ministry of Commerce No. (874) dated 15/07/1443H (corresponding to 16/02/2022G) and pursuant to Commercial Registration No. (1010213199) issued from Riyadh on 07/09/1426H (corresponding to 01/10/2005G), with a capital amounting to (SAR 100,000,000) one hundred million Saudi riyals, divided into (10,000,000) ten million shares paid in full, the nominal value of each share is (10) ten Saudi riyals, all of which are ordinary shares of one class.

Table No. 19: Company's Ownership structure as on 28/01/1443H (corresponding to 31/01/2022G)

Partners	No. of Shares	Nominal Value per share (SAR)	Total Nominal Value of Shares (SAR)	Ownership Percentage (%)
Hassan Ali Hassan Al-Sairafi	7,400,000	10	74,000,000	74.00%
Awatif Hassan Ibrahim Baterjee	100,000	10	1,000,000	1.00%
Rayan Hassan Ali Al-Sairafi	500,000	10	5,000,000	5.00%
Mohammed Hassan Ali Al-Sairafi	500,000	10	5,000,000	5.00%
Wed Hassan Ali Al-Sairafi	500,000	10	5,000,000	5.00%
Reem Hassan Ali Al-Sairafi	500,000	10	5,000,000	5.00%

Partners	No. of Shares	Nominal Value per share (SAR)	Total Nominal Value of Shares (SAR)	Ownership Percentage (%)
Sami Fahid Khader Joudeh	500,000	10	5,000,000	5.00%
Total	10,000,000	-	100,000,000	100.00%

3-4 Company's Vision

To be the first provider of complete solutions in flexible packaging industries in Saudi Arabia and Arabian Gulf region. As well as to be a pillar manufacturer of flexible packaging products, in particular the specialized products, in the world, by successfully meeting the needs of local and global markets while complying with the highest industry standards.

3-5 Company's Mission

Relying on modern and innovative manufacturing techniques to provide distinguished and high-quality products, to meet the customers' aspirations and expectations.

3-6 Company's Strategy

In its strategy, the Company relies on keeping pace with modern technologies related to flexible packaging products, whether it is in the film products or polyethylene film products (back sheets) that it produces. Through this, the Company strives to maintain its good reputation and enhance its regional and global presence, as it has been able to reach clients from different countries. In its quest to increase success strides, the Company focuses also on increasing attention to the development of its employees, which leads to increased business volume and growth. Its strategy revolves around:

1. Expansion of production capacity to avail of the high demand for products.
2. Reaching the largest segment of customers by effectively marketing the Company's brand.
3. Commitment to continuous improvement and development in the long term.
4. Continuing to keep abreast of relevant technical developments to increase operational efficiency and maintain the highest quality levels of products.
5. Develop the Company employees and attract appropriate competencies of experienced as well as fresh graduates to contribute to advancing the development and progress in the industrial field in the Kingdom of Saudi Arabia.

3-7 Company's strengths and competitive advantages

The main strengths and competitive advantages of the Company are:

– **Excellence in the technology used:**

The Company has advanced technologies that are available in a very limited way in the majority of local factories as well as at the regional level, where the Company has equipped and developed its factories with leading international companies, which led to the Company manufacturing its products with high production capacity, strict quality control, and automation of manufacturing and production process to a large extent. This is done by using advanced technologies that allow reducing the number of labor required from end-to-end without human intervention, which has led to creating important competitive advantage for the Company.

– **Production capacity:**

The Company has a large production capacity in advanced printing with European techniques, and the Company seeks to increase this production capacity in the coming years.

– **Extensive experience of the Managerial Team:**

Since its establishment, the Company's management team has local and international expertise, which helps in deep understanding of the industry, and hence supports the Company's interest in terms of local and regional excellence.

– **Strategic relationships with clients:**

Through its sales team, the Company was able to build distinguished strategic relationships with customers from different markets, as it maintained these relationships for long periods of time. Thanks to these relationships, the Company has manufactured products in the names of many large and well-known locally and internationally supermarkets (regarding the production of packaging products and plastic products in the names of such clients), or in the field of foods (regarding packaging for used bags) or in the field of diapers and sanitary napkins (regarding specialized plastic products used in the manufacture of diapers and sanitary napkins) for major companies operating in these fields.

– **Exporting to neighboring and regional countries:**

The Company was able to have a customer base in many Gulf countries and others within the Middle East and North Africa, thanks to the quality of its products and the expertise and professionalism of its team in providing pre- and after-sales services. The Company was able to reach clients in different countries, including, but not limited to: the United Arab Emirates, the State of Kuwait, the Hashemite Kingdom of Jordan, the Arab Republic of Egypt, and the Republic of Algeria.

– **Relatively low production cost:**

The Company has been able to gain the trust of suppliers over the years, which has resulted in obtaining competitive prices for the required raw products. Thus, the cost of production in general gave the Company another advantage in outperforming the domestic and foreign competitors.

3-8 Commercial Registrations

The following table shows the commercial registrations of Rayan Advanced Industrial Company:

Table No. 20: Commercial Registrations

Company Name	Legal Entity	Commercial Registration No.	Activity	Place of Issue	Date of Issue	Expiry Date
Rayan Advanced Industrial Co	A Mixed Closed Joint Stock Company	(1010213199)	Manufacture of paper bags, manufacture of semi-finished products from plastics (including plates, strips, sheets, tapes, tubes, hoses and their fittings, etc.), manufacture of plastic bags, manufacture of household tools, kitchen utensils and single-use decorations, and general stores that include a variety of goods	Riyadh City	07/09/1426H (10/10/2005G)	07/09/1446H (07/03/2025G)
Rayan Advanced Industrial Co	A branch of Mixed Closed Joint Stock Company	(1010670184)	Manufacturing of paper bags, printing, plastic bags, general stores that include a variety of goods.	Riyadh City	09/04/1442H (24/11/2020G)	09/04/1444H (03/11/2022G)

Source: Rayan Advanced Industrial Co

3-9 Company's Main Activities

Rayan Advanced Industrial Company business include production, sale and marketing of plastic products used in packaging and specialized packing that depend on high and low density polyethylene flakes with various uses such as printing and packaging of children's diapers, women's sanitary napkins, paper products packaging, food packaging, food preservation bags, various printed shopping bags and warning tapes, various packaging bags for juices, water and various drinks, printed and plain tablecloths, and various medical and household waste bags. The Company's activities, according to its Commercial registration, are in the manufacture of paper bags, semi-finished products from plastics (including plates, strips, sheets, tapes, pipes, hoses and their fittings ... etc.), the manufacture of plastic bags, and household tools, kitchen utensils and single-use decorations, and general stores that hold a variety of merchandise. According to its Articles of Association, the Company's activities include:

1. Manufacturing paper bags,
2. Manufacturing semi-finished products from plastics (including plates, strips, sheets, tapes, pipes, hoses and their fittings, etc.),
3. Manufacturing plastic bags,
4. Manufacturing household tools, kitchen utensils and single-use decorations,
5. General stores that hold a variety of merchandise.

The Company does not carry out its activities except after obtaining the statutory licenses required by the prevailing laws and regulations in force in the Kingdom of Saudi Arabia. The Company has obtained all the required regulatory licenses and all of those licenses are still valid until the date of this Prospectus (please refer to Section No. (3-19) "**Licenses, Certificates and Government Approvals**" of this Prospectus).

The Company conducts its main activities through its head office in of Riyadh. As on the date of this Prospectus, the Board of Directors confirm that the Company does not have any commercial activities or assets outside the Kingdom.

The Company's Board of Directors declares that there is no intention to make any fundamental change to the nature of the Company's activity, and declares also that the Company does not intend to produce any new products or engage in new activities, as its expansion plans are limited to increasing production lines and opening factories that produce the same products, i.e. the expansions are for the purpose of increasing production capacity only.

3-10 Company Products

The Company's field of work is concentrated in two main production lines: film and polyethylene film (back-sheet). Below is an overview of each of them:

3-10-1 Film Production

The film production line includes three stages to reach the final product:

The first stage "**film production**": The raw materials and plastics are melted by heat, and transferred in the production process until they are turned into a balloon. The width and thickness of the film are controlled through modern control devices available in the production line, and then the film is treated with an electric charge to make the film printable.

The second stage "**Printing**": The various films and films produced in the first stage are printed on different printing lines (up to (10) ten colors) according to customers' designs and different sizes, which are required with high and advanced technologies.

The third stage "**cutting and processing**": The printed films and films are converted into a final product with the specifications, sizes and designs required by each customer so that they are suitable for packaging on the production lines of customers, each according to his request.

The most important products that are manufactured within the film production line are as follows:

1. Printed baby and elderly diaper packaging bags.
2. Printed women's sanitary napkin packaging bags.
3. Printed paper product packaging bags and foil.
4. Printed food and bakery product packaging bags.
5. Food preservation bags.
6. Various printed shopping bags.
7. Various plain and printed pouches and foils.
8. Various warning tapes.
9. Foil outer packaging for juices, water and various beverages.
10. Various printed and plain tablecloths.
11. Ordinary waste bags.
12. Medical waste bags

3-10-2 Production of Polyethylene Films (Back Sheet)

The raw materials are heated and thawed at a high temperature (up to about 250°C), and then dried, cooled and thickened. Then the electric charge is added to make the films printable according to the designs and requests of each customer, and then the process of cutting and rewinding is done according to the sizes of the final product.

The most important products that are manufactured in the polyethylene film production line (back sheet) are as follows:

1. Polyethylene film for printed and unprinted baby diapers.
2. Polyethylene film for printed and unprinted women sanitary napkins
3. Polyethylene films for printed and unprinted diapers for the elderly
4. PE foil lined with woven fabric.

The following table shows the quantities produced from the Company's two production lines according to their types during 2020G, 2021G and first half of 2022G:

Table No. 21: Quantities produced from the Company's two production lines

Types of Lines	2020G (MT)	2021G (MT)	As on 30/06/2022G (MT)
Film production	10,400	10,263	5,768
Polyethylene (Back Sheet)	7,166	8,652	4,742
Total	17,566	18,915	10,510
Production Capacity	21,600	21,730	10,865
Percentage of Used Production Capacity *	81.32%	87.5%	96.73%

Source: Rayan Advanced Industrial Co

* The percentage of the used production capacity for each year was calculated based on the annual production capacity.

3-11 Factories of Rayan Advanced Industrial Company

3-11-1 Factory No. "1"

Factory No. "1" was established in 1989G and started production in 1991G, as the factory was affiliated with the Gulf Contracting Establishment, and in 2005 the factory was transformed into a limited liability company in the name of Rayan Factory for Plastic Products. The factory started with a production capacity of (300 MT) three hundred metric tons annually. Then work was done to expand the production capacity of the factory by adding machines and equipment continuously until the production capacity reached (9,000MT) nine thousand metric tons annually in 2016G. The factory contains (10) ten film production lines. The following table shows the production capacity of the factory since its establishment:

Table No. 22: Production capacity of factory No. "1"

Year of increase	Production capacity before increase (MT)	Production capacity after increase (MT)	Percentage of increase
Year 1991G	1,200	-	-
Year 1993G	1,200	1,500	25.00%
Year 1994G	1,500	2,000	33.33%
Year 1996G	2,000	2,200	10.00%

Year of increase	Production capacity before increase (MT)	Production capacity after increase (MT)	Percentage of increase
Year 1998G	2,200	3,000	36.36%
Year 1999G	3,000	4,000	33.33%
Year 2006G	4,000	5,000	25.00%
Year 2007G	5,000	5,500	10.00%
Year 2008G	5,500	6,500	18.18%
Year 2012G	6,500	7,500	15.38%
Year 2015G	7,500	8,200	9.33%
Year 2016G	8,200	9,000	9.75%

Source: Rayan Advanced Industrial Co

3-11-2 Factory No. "2"

Factory No. "2" was opened in 2009G with a production capacity of (2,500MT) two thousand five hundred metric tons annually. After that, the production capacity of the factory was raised over several years until it reached (6,480MT) six thousand four hundred and eighty metric tons annually. The factory consists of two polyethylene film production lines (back sheets). The following table shows the production capacity of the factory since its establishment:

Table No. 23: Production capacity of factory No. "2"

Year of increase	Production capacity before increase (MT)	Production capacity after increase (MT)	Percentage of increase
Year 2009G	2,500	-	-
Year 2010G	2,500	6,480	159.20%

Source: Rayan Advanced Industrial Company

3-11-3 Factory No. "3"

Factory No. "3" was opened in 2019G with a production capacity of (4,500MT) four thousand five hundred metric tons annually. The production capacity of the factory was raised in the year 2020G to reach (6,250MT) six thousand two hundred and fifty metric tons annually. The factory consists of a polyethylene back sheet production line and two film production lines. The following table shows the production capacity of the factory since its establishment:

Table No. 24: Production capacity of factory No. "3"

Year of increase	Production capacity before increase (MT)	Production capacity after increase (MT)	Percentage of increase
Year 2019G	4,500	-	-
Year 2020G	4,500	6,250	38.89%

Source: Rayan Advanced Industrial Company

3-12 Suppliers and raw materials

The materials of Polyethylene, inks, solvents, plastic pigments, and packaging materials are the main raw materials used in the manufacture of film and polyethylene back sheets. The Company obtains them from several sources according to the required quantities and at competitive prices. The various polyethylene materials accounted for 73.78% of the total raw materials used in the manufacturing process during the year 2020G, and accounted for 76.49% of the total raw materials used in the manufacturing process during the year 2021G. The following table shows the types of raw materials used in manufacturing:

Table No. 25: Types of raw materials

Kinds of raw materials	Value of purchases during the year 2020G (SAR million)	Percentage of the total	Value of purchases during the year 2021G (SAR million)	Percentage of the total	Purchases value as on 30/06/2022G (SAR million)	Percentage of the total
Various polyethylene	67.31	73.78%	88.86	76.49%	53.76	76.81%
Inks and solvents	9.47	10.38%	9.72	8.37%	5.79	8.27%
plastic pigments	6.05	6.63%	8.24	7.09%	4.58	6.54%
Packaging Materials	2.64	2.89%	3.30	2.84%	4.00	5.72%
Other	5.76	6.32%	6.05	5.21%	1.86	2.66%
Total	91.23	100.00%	116.17	100.00%	69.99	100.00%

Source: Rayan Advanced Industrial Co

The Company relies on (50) fifty suppliers of raw materials used in manufacturing, where the percentage of its dependence on the largest (5) five suppliers combined amounted to 88.22% during the first half of 2022G, and 85.27% during 2021G, and 82.92% during 2020G. The following table shows the details of the suppliers:

Table No. 26: The Company's largest suppliers

Company	Country of origin	Nature of Procurement	Value of purchases during the year 2020G (SAR)	percentage *	Value of purchases during the year 2021G (SAR)	percentage *	Value of purchases as on 30/06/2022G (SAR)	percentage *
Supplier (1)	Kingdom Saudi Arabia	Polymer materials	58,078,354	63.66%	63,097,739	54.32%	49,768,096	71.11%
Supplier (2)	Kingdom Saudi Arabia	Inks and solvents	6,300,560	6.91%	5,478,813	4.72%	4,722,219	6.75%
Supplier (3)	Kingdom Saudi Arabia	Plastic pigments	-	-	-	-	2,747,520	3.93%

Company	Country of origin	Nature of Procurement	Value of purchases during the year 2020G (SAR)	percentage *	Value of purchases during the year 2021G (SAR)	percentage *	Value of purchases as on 30/06/2022G (SAR)	percentage *
Supplier (4)	Kingdom Saudi Arabia	Polymer materials	-	8.20%	-	-	2,661,615	3.80%
Supplier (5)	Kingdom Saudi Arabia	Finished Clichés	2,559,324	2.81%	2,358,789	2.03%	1,841,857	2.63%
Supplier (6)	Kingdom Saudi Arabia	Plastic pigments	5,201,482	5.70%	3,357,368	2.89%	1,395,775	1.99%
Supplier (7)	Kingdom Saudi Arabia	Noon Rolls	4,958,698	5.44%	4,452,639	3.83%	-	-
Supplier (8)	Kingdom Saudi Arabia	Noon Woven Rolls	4,013,172	4.40%	2,147,980	1.85%	-	-
Supplier (9)	Kingdom Saudi Arabia	Inks and solvents	2,633,946	2.88%	2,083,212	1.79%	-	-
Other suppliers	-	-	7,487,082	8.21%	33,192,747	28.57%	6,853,982	9.79%
Total Purchases	-	-	91,232,618	100.00%	116,169,287	100.00%	69,991,064	100.00%
Total cost of sales	-	-	117,517,302	-	147,873,139	-	87,475,729	-
Percentage of total purchases to total cost of sales	-	-	-	77.63%	-	78.56%	-	80.01%

Source: Rayan Advanced Industrial Company

* Percentages are rounded to the nearest percentage point

3-13 Storage

The Company has prepared a storage yard within the leased land to be used as a warehouse in which materials are stored before they go to the factory. It is also currently using the land of Factory No. "4" as a storage yard until the factory is fully equipped and starts operations (for more details about Factory No. "4" please refer to Section (3-14) "**Company Projects**"). The following table shows the details of the storage yards:

Table No. 27: Storage yards

Storage yard	Type of material stored	Area (m2)
Storage yard "1"	Finished products, packaging materials, inks, solvents, packaging materials and plastic pigments	1,150m ²
Storage Yard No. "2"*	Polyethylene, resin, adhesives and packaging materials	5,218 m ²

Source: Rayan Advanced Industrial Company

* Temporary storage yard on factory No. "4" land until completion of its preparation.

3-14 Company Projects

3-14-1 Current projects of the Company

The Company relies on the strategy of making products on demand, and this is done periodically during the year by customers communicating with the Company and requesting a certain number of products, and that amount is manufactured and sold to the customer.

3-14-2 Expansion projects of the Company

Rayan Advanced Industrial Company is based on 3 factories in the Second Industrial City in Riyadh. The Company plans to expand production capacity by adding new production lines to Factory No. "3" and building two additional factories (Factory No. "4" and Factory No. "5") in the same area, where land for additional factories has already been leased. The Company does not intend to produce any new products or enter into new activities through additional factories, as its expansion plans are limited to increasing production lines and opening factories that produce the same products, meaning that the expansions are for the purpose of increasing production capacity only. The current production capacity of the Company is (MT 21,730) twenty-one thousand seven hundred and thirty metric tons annually. The following table shows the details of the increased production capacity of the Company:

Table No. 28: Factory expansion projects

Factory	Lines	Added production capacity (MT)	Cost (SAR)	Expected date to finish the line
Factory No. "3"	Back Sheet Line	6,250	48,800,000	2023G
Factory No. "4"	Back Sheet Line	3,240	41,200,000	2024G
	Back Sheet Line	3,240		2027G
Factory No. "5"	Film Production Line	8,400	73,694,500	2026G
	Film Production Line	8,400		2028G
Total	-	29,530	163,694,500	-

Source: Rayan Advanced Industrial Company

3-15 Main Agreements of the Company

The following table shows the details of the Company's Major agreements:

Table No. 29: Main agreements of the Company

Name	Agreement type	value	Agreement date	Expiry date
Saudi Basic Industries Company - SABIC	Polymer materials supply agreement	By product and quantity (sale order)	01/01/2022G	31/12/2022G
Industrial group	Irrevocable supply contract	(SAR 93,896,538.12)	29/05/2019G	29/05/2021G

Source: Rayan Advanced Industrial Company

3-15-1 Saudi Basic Industries Corporation - SABIC

On January 01, 2022G, an annual agreement was signed for supplying polymer materials (raw materials used in the manufacture of the Company's products) between Rayan Advanced Industrial and the Saudi Basic Industries Company (SABIC), which allows the Company to request raw materials on a monthly basis from SABIC. It is worth noting that the relationship between the two companies began in 1990G and the dealings between the two companies continued over the years without interruption until the date of this Prospectus. Based on the strong relationship between them, SABIC has been offering a fixed rate discount to Rayan Advanced Industrial Company on its purchases of raw materials that it purchases from SABIC, over the past years. It is not expected that there will be any change in the relationship between the two parties, unless any urgent developments occur.

3-15-2 Industrial Group

On 04/03/1442H (corresponding to 21/10/2020G) a commercial contract was signed between Rayan Advanced Industrial Company and one of the industrial groups (a former client for many years, but it faced financial difficulties that led to the accumulation of amounts owed by it to the Company), according to which the group assigned to the Company finally and irrevocably the revenues of one of the medical government tenders for the hospitals of the Ministry of Health in the Kingdom of Saudi Arabia. The agreement stipulates that Rayan Advanced Industrial Company will supply the Industrial Group with the materials necessary for that industrial group to carry out the work related to the mentioned tender, such as packaging materials and others, in return for Rayan Advanced Industrial Company obtaining all the payment requests and financial dues resulting from that tender in order to pay the debt based on the Industrial Group over the past years as well as to cover the agreed profit amounts. In order to guarantee the rights of Rayan Advanced Industrial Company, promissory notes were issued in favor of Rayan Advanced Industrial Company in exchange for those supplies and materials that were supplied to the Industrial Group. Since the supply of all the works resulting from the tender has been completed, and the full dues to Rayan Company have not been paid, Rayan Advanced Industrial decided to withdraw from the agreement, noting that the agreement grants Rayan Advanced Industrial the right to withdraw without restriction or condition.

In view of the existence of many financial claims based on the industrial group, the Board of Directors of Rayan Advanced Industrial Company decided to make a provision for long-term trade receivables in consultation with the Company's auditor. Accordingly, the provision was recorded in installments as follows: an amount of (SAR 9,000,000) nine million Saudi riyals in the year 2019G, an amount of (SAR 3,000,000) three million Saudi riyals in the year 2020G, and an amount of (SAR 5,000,000) five million Saudi riyals in the year 2021G.

Provided that the remaining debts will be processed over a period of (3) three years in the event of non-payment of the due amounts. It is worth noting that work is currently underway by the Industrial Group to pay the amounts due in favor of Rayan Advanced Industrial Company, after Rayan Company submitted a request for execution under the promissory notes on the Industrial Group.

3-16 Company Revenue

The Company's revenues are mainly from film production and polyethylene film production (back-sheet), and the revenue is recognized when the final products are delivered to customers, where the value of the revenue is recorded to reflect the value of the delivered products. The following table shows details of the Company's revenues in 2020G, 2021G and the first half of 2022G, according to product types:

Table No. 30: Distribution of the Company revenue by products

Products	2020G (SAR Million)	Percentage of the total	2021G (SAR Million)	Percentage of the total	As on 30/06/2022G (SAR Million)	Percentage of the total
Film production	119.30	69.55%	123.09	63.87%	70.13	62.57%
Polyethylene production (back sheet)	52.22	30.45%	69.62	36.13%	41.95	37.43%
Total	171.52	100.00%	192.71	100.00%	112.08	100.00%

Source: Rayan Advanced Industrial Company

3-16-1 Company's revenue from major customers

Rayan Factory Company deals with a large number of customers inside and outside the Kingdom. Its sales extended to several Gulf countries and others within the Middle East and North Africa, thanks to the Company's progress in production lines, quality of products and excellence in customer service. The Company has been able to have a client base in many countries, including, but not limited to the United Arab Emirates, State of Kuwait, Hashemite Kingdom of Jordan, Arab Republic of Egypt, and the Republic of Algeria.

The revenues of the Company's largest (5) five clients in general (from inside and outside the Kingdom) accounted for 66.86% during the first half of 2022G, 64.73% during the year 2021G, and 64.46% during the year 2020G.

Table No. 31: Sales Distribution

Name	Fiscal year ended on 31/12/2020G (SAR)	Percentage of the total*	Fiscal year ended on 31/12/2021G (SAR)	Percentage of the total*	Fiscal year ended on 30/06/2022G (SAR)	Percentage of the total*
Sales inside the kingdom	127,102,505	74.10%	139,355,888	72.31%	69,401,909	61.92%
Sales outside the kingdom	44,418,597	25.90%	53,354,068	27.69%	42,675,541	38.08%
Total sales**	171,521,102	100%	192,709,956	100%	112,077,450	100%

Source: Rayan Advanced Industrial Company

* Percentages are rounded to the nearest percentage point

** The sum has been rounded to the nearest whole number

The largest (5) five customers inside the Kingdom represented 84.67% of the total sales within the Kingdom during the first half of 2022G, 69.48% during the year 2021G, and 73.63% during the year 2020G. The following tables show details of the largest (5) five clients within the Kingdom:

Table No. 32: The largest five customers inside the Kingdom for the fiscal year ending on 31/12/2020G

Name	Fiscal year ended on 31/12/2020G (SAR)	Percentage of total sales*
Customer (a)	72,626,121	42.34%
Customer (b)	11,277,030	6.57%
Customer (c)	6,761,500	3.94%
Customer (d)	1,706,068	0.99%
Customer (e)	1,216,016	0.71%
Other Customers	33,515,770	19.54%
Total sales within the Kingdom**	127,102,505	74.10%
Total sales**	171,521,102	100.00%

Source: Rayan Advanced Industrial Company

* Percentages are rounded to the nearest percentage point

** The sum has been rounded to the nearest whole number

Table No. 33: The largest five customers inside the Kingdom for the fiscal year ending on 31/12/2021G

Name	Fiscal year ended on 31/12/2021G (SAR)	Percentage of total sales*
Customer (a)	82,619,656	42.87%
Customer (b)	12,844,089	6.66%
Customer (c)	7,799,089	4.05%
Customer (d)	2,855,872	1.48%
Customer (e)	1,818,953	0.94%
Other Customers	31,418,229	16.30%
Total sales within the Kingdom**	139,355,888	72.31%
Total sales**	192,709,956	100.00%

Source: Rayan Advanced Industrial Company

* Percentages are rounded to the nearest percentage point

** The sum has been rounded to the nearest whole number

Table No. 34: The largest five customers inside the Kingdom for the financial period ending on 30/06/2022G

Name	Fiscal year ended on 30/06/2022G (SAR)	Percentage of total sales*
Customer (a)	42,047,038	37.52%
Customer (b)	7,881,426	7.03%
Customer (c)	5,407,601	4.82%
Customer (d)	1,827,693	1.63%
Customer (e)	1,605,273	1.43%
Other Customers	10,632,878	9.49%
Total sales within the Kingdom**	69,401,909	61.92%
Total sales**	112,077,450	100.00%

Source: Rayan Advanced Industrial Company

* Percentages are rounded to the nearest percentage point

** The sum has been rounded to the nearest whole number

The Company's export revenues represented 38.08% of its total revenues during the first half of 2022G. The Company follows organized steps to manage all export orders. After receiving the order from the customer, the Company begins to manufacture the order, after which the matching procedures are carried out to ensure the order in its final form and conformity to the customer's requirements, and then communicate with the shipping companies to choose the best offer, and the products are shipped to the customer accordingly. Most of the time, the shipping cost is added to the customer's order invoice, but sometimes the Company bears the cost of international shipping. The largest (5) five customers outside the Kingdom represented 75.6% of the total sales outside the Kingdom during the first half of 2022G, 72.16% during the year 2021G, and 69.61% during the year 2020G. The following tables show details of the largest (5) five clients outside the Kingdom:

Table No. 35: The largest five clients outside the Kingdom for the fiscal year ending on December 31, 2020G

Name	Country	Fiscal year ended on 31/12/2020G (SAR)	Percentage of total sales*
Customer (a)	Hashemite Kingdom of Jordan	10,661,836	6.22%
Customer (b)	Arab Republic of Egypt	9,242,424	5.39%
Customer (c)	Arab Republic of Egypt	6,088,410	3.55%
Customer (d)	Arab Republic of Egypt	2,959,688	1.73%

Name	Country	Fiscal year ended on 31/12/2020G (SAR)	Percentage of total sales*
Customer (e)	Hashemite Kingdom of Jordan	2,363,628	1.38%
Other Customers	-	13,102,611	7.64%
Total sales within the Kingdom**	-	44,418,597	25.90%
Total sales**	-	171,521,102	100.00%

Source: Rayan Advanced Industrial Company

* Percentages are rounded to the nearest percentage point

** The sum has been rounded to the nearest whole number

Table No. 36: The largest five clients outside the Kingdom for the fiscal year ending on December 31, 2021G

Name	Country	Fiscal year ended on 31/12/2021G (SAR)	Percentage of total sales*
Customer (c)	Arab Republic of Egypt	12,005,539	6.23%
Customer (a)	Hashemite Kingdom of Jordan	9,481,571	4.92%
Customer (e)	Hashemite Kingdom of Jordan	7,039,849	3.65%
Customer (b)	Arab Republic of Egypt	6,313,514	3.28%
Customer (d)	Arab Republic of Egypt	3,658,047	1.90%
Other Customers	-	14,855,548	7.71%
Total sales within the Kingdom**	-	53,354,068	27.69%
Total sales**	-	192,709,956	100.00%

Source: Rayan Advanced Industrial Company

* Percentages are rounded to the nearest percentage point

** The sum has been rounded to the nearest whole number

Table No. 37: The largest five clients outside the Kingdom for the financial period ending on 30/06/2022G

Name	Country	Fiscal year ended on 30/06/2022G (SAR)	Percentage of total sales*
Arab Republic of Egypt	Arab Republic of Egypt	9,657,469	8.62%
Customer (a)	Hashemite Kingdom of Jordan	8,475,541	7.56%
Customer (b)	Arab Republic of Egypt	6,872,475	6.13%
Customer (g)	Republic of Tunisia	3,896,473	3.48%
Customer €	Hashemite Kingdom of Jordan	3,361,539	3.00%
Other Customers	-	10,412,044	9.29%
Total sales within the Kingdom**	-	42,675,541	38.08%
Total sales**	-	112,077,450	100.00%

Source: Rayan Advanced Industrial Company

* Percentages are rounded to the nearest percentage point

** The sum has been rounded to the nearest whole number

3-17 Research and Development Policy

The Company does not have a clear and approved policy for research and development, but it is constantly developing its products through internal discussions between technical and technology departments, and through cooperation with international consultants in the field of packaging, and participation in exhibitions and specialized forums on a permanent basis for the purpose of communicating with suppliers of machinery, equipment and raw materials, as well as global manufacturers in the same field. The Company is also working on attracting competencies with expertise in the field of industry and requesting technical advice from well-known sources in any products that the Company wants to develop.

3-18 Certificates obtained by the Company

The Company has obtained several international certificates for its application of many quality assurance systems in production processes, achieving international standards for the environmental management system, achieving international standards requirements for the production of packaging materials, etc.. Below are the details of these certificates:

Table No. 38: Certificates obtained by the Company

Certificate type	Certificate Number	Reason for obtaining the certificate	Certificate date	Certificate end date
ISO 14001:2015	0121786	Achieving international standards for an environmental management system, using resources more efficiently while reducing the amount of waste.	02/06/2020G	01/06/2023G
ISO 45001:2018	0121789	Achieving the requirements of the British Standard regarding the application of occupational health and safety management systems.	07/02/2022G	06/02/2025G
ISO 9001:2015	0121790	Applying the quality assurance system in the Company by meeting the specifications and standards required in the production processes.	07/02/2022G	06/02/2025G
ISO 22000:2018	0122469	Achieving the requirements of the Food Safety Management System (FSMS) with regard to the Company's manufacture of plastic food packaging products.	01/03/2022G	28/02/2025G
BRCGS Site Code: 10003636	0122632	Achieving the requirements of international standards for the production of packaging materials	10/03/2022G	19/03/2023G

Source: Rayan Advanced Industrial Company

3-19 Licenses, Certificates and Government Approvals

Rayan Advanced Industrial Company obtained the necessary licenses, certificates and government approvals from the competent authorities to conduct its business as shown in the following table:

Table No. 39: Company licenses, certificates and government approvals

License/ Certificate	Licensor	Activity / Production Capacity	Number and date	Products Description	Expiry date
Industrial license	Ministry of Industry and Mineral Resources	Manufacture of plastic products	(431110119514) 29/11/1443H (28/06/2022G)	Polyethylene films for outer packaging, diapers, printed and unprinted low- density plastic bags.	10/12/1444H (28/06/2023G)
Industrial Investment License	Ministry of Investment	Manufacture of paper bags, manufacture of semi-finished products from plastics, manufacture of plastic bags, manufacture of household utensils, kitchen utensils, single- use decorations, and general stores that include a group of commodities.	(101034305119118) 21/05/1443H (26/12/2021G)	Disposable plastic knives, forks and spoons. Polypropylene films, polyethylene films, plastic films, plastic and paper bags, and non- woven fabrics.	20/05/1444H (14/12/2022G)
Environmental permit to operate	National Center for Monitoring Environmental Compliance	Production of various plastic products	Issued number (15177) 28/06/1443H (31/01/2022G)	-	24/06/1446H (25/12/2024G)
Environmental permit to operate	National Center for Monitoring Environmental Compliance	Manufacture of single-use plastic products	Number (M KH/ 4556/ 1443) 19/03/1443H (25/10/2021G)	-	19/03/1446H (22/09/2024G)

License/ Certificate	Licensor	Activity / Production Capacity	Number and date	Products Description	Expiry date
Zakat certificate	Zakat, Tax and Customs Authority	-	(1110256375) 19/02/1444H (15/09/2022G)	-	10/10/1444H (30/04/2023G)
VAT registration certificate	Zakat, Tax and Customs Authority	-	(300046882200003) 01/12/1438H (23/08/2017G)	-	Undefined
Chamber of Commerce Membership Certificate	Chamber of Commerce in Riyadh	-	(22205) 25/11/1411H (08/06/1991G)	-	07/09/1446H (07/03/2025G)
Certificate of the General Organization for Social Insurance	General Organization for Social Insurance	-	(48913712) 16/02/1444H (12/09/2022G)	-	15/03/1444H (11/10/2022G)
Saudization certificate	Ministry of Human Resources and Social Development	-	(20252561-445934) 14/11/1444H (13/06/2022G)	-	17/05/1444H (11/12/2022G)
Wage Protection Law Compliance Certificate	Ministry of Human Resources and Social Development	-	(20012209015070) 16/02/1444H (12/09/2022G)	-	60 days from the date of issue.
Factory 1 operating license	Saudi Authority for Industrial Cities and Technology Zones	-	(57814431018025500)	-	29/01/1444H (19/05/2023G)
Factory 2 operating license	Saudi Authority for Industrial Cities and Technology Zones	-	(57814431114026216)	-	24/11/1444H (13/06/2023G)
Factory 3 operating license	Saudi Authority for Industrial Cities and Technology Zones	-	(57814431114026220)	-	24/11/1444H (13/06/2023G)

License/ Certificate	Licensor	Activity / Production Capacity	Number and date	Products Description	Expiry date
Factory 5 operating license	Saudi Authority for Industrial Cities and Technology Zones	-	(57814431114026214)	-	24/11/1444H (13/06/2023G)
Certificate of authorization to use the biodegradable plastic logo	Saudi Standards, Metrology and Quality Organization	-	(5-20220385472) 05/02/1444H (01/09/2022G)	Waste bags and disposable plastic bags	16/02/1445H (01/09/2023G)
Certificate of authorization to use the biodegradable plastic logo	Saudi Standards, Metrology and Quality Organization	-	(4-20220385472) 05/02/1444H (01/09/2022G)	Waste bags and disposable plastic bags	16/02/1445H (01/09/2023G)
Certificate of authorization to use the biodegradable plastic logo	Saudi Standards, Metrology and Quality Organization	-	(2-20220385472) 05/02/1444H (01/09/2022G)	Disposable plastic rolls	16/02/1445H (01/09/2023G)
Certificate of authorization to use the biodegradable plastic logo	Saudi Standards, Metrology and Quality Organization	-	(8-20220385472) 05/02/1444H (01/09/2022G)	Film caps	16/02/1445H (01/09/2023G)
Certificate of authorization to use the biodegradable plastic logo	Saudi Standards, Metrology and Quality Organization	-	(1-20220385472) 05/02/1444H (01/09/2022G)	Packaging bags for nuts, sweets and baked goods	16/02/1445H (01/09/2023G)
Certificate of authorization to use the biodegradable plastic logo	Saudi Standards, Metrology and Quality Organization	-	(3-20220385472) 05/02/1444H (01/09/2022G)	Food Packaging Bags	16/02/1445H (01/09/2023G)
Certificate of authorization to use the biodegradable plastic logo	Saudi Standards, Metrology and Quality Organization	-	(7-20220385472) 05/02/1444H (01/09/2022G)	Plastic caps for secondary packaging	16/02/1445H (01/09/2023G)

License/ Certificate	Licensor	Activity / Production Capacity	Number and date	Products Description	Expiry date
Certificate of authorization to use the biodegradable plastic logo	Saudi Standards, Metrology and Quality Organization	-	(6-20220385472) 05/02/1444H (01/09/2022G)	Diapers rolls	16/02/1445H (01/09/2023G)

Source: Rayan Advanced Industrial Company

*The Company is working to renew the license to operate plant 4 and plant 5 at the present time.

3-20 Real estate owned or leased

Rayan Advanced Industrial Company has entered into several lease contracts, which are (5) five lease contracts for lands for factories, in addition to (1) another contract to lease land used as a warehouse for the Company. The Company does not have any owned real estate as at the date of this Prospectus. The following table shows the properties leased by the Company:

Table No. 40: Real estate leased by the Company

Real estate	Owned/ Leased	lessor	City	The purpose of the property	Area (Sqm)	Annual rent value (SAR)	Contract Duration	Contract starting date	Contract end date	Contract renewal terms
1 Industrial land	Leased	Saudi Authority for Industrial Cities and Technology Zones	Riyadh	Empty land for the factory	9,028 M ²	36,112	18 Hijri years	17/06/1441H	16/06/1459H	Automatically renewed
2 Industrial land	Leased	Saudi Authority for Industrial Cities and Technology Zones	Riyadh	Empty land for the factory construction	6,747 M ²	26,988	18 Hijri years	17/06/1441H	16/06/1459H	Automatically renewed
3 Industrial land	Leased	Saudi Authority for Industrial Cities and Technology Zones	Riyadh	Empty land for the factory construction	12,000 M ²	24,000	20 Hijri years	14/01/1435H	13/01/1455H	Automatically renewed

Real estate	Owned/ Leased	lessor	City	The purpose of the property	Area (Sqm)	Annual rent value (SAR)	Contract Duration	Contract starting date	Contract end date	Contract renewal terms
4 Industrial land	Leased	Saudi Authority for Industrial Cities and Technology Zones	Riyadh	Empty land for the factory construction	5,218 M ²	20,872	20 Hijri years	05/06/1440H	04/06/1460H	Automatically renewed
5 Industrial land	Leased	Saudi Authority for Industrial Cities and Technology Zones	Riyadh	Empty land for the factory construction	9,963 M ²	39,852	7 Hijri years	28/01/1443H	27/01/1451H	Automatically renewed
6 Warehouse	Leased	Lessor No. 1	Riyadh	Warehouse	1,150 M ²	241,500	1 calendar year	04/03/2022G	03/03/2023G	Consent of both parties

Source: Rayan Advanced Industrial Company

3-21 Insurance Agreements

The following table shows the details of the Company's insurance agreements:

Table No. 41: Insurance agreements of the Company


Insurance company	Insured	Beneficiary	Insurance type	Total Coverage Value	Agreement date	Expiry date
National Insurance Company	Rayan Advanced Industrial Company and the Saudi Industrial Development Fund	Rayan Advanced Industrial Company	Factories Insurance	355,303,484 SAR	01/01/2022G	31/12/2022G
National Insurance Company	Rayan Advanced Industrial Company	Rayan Advanced Industrial Company	Fire and lightning insurance	1,925,000 SAR	25/01/2022G	24/01/2023G
National Insurance Company	Rayan Advanced Industrial Company	Rayan Advanced Industrial Company	Land transport insurance	-	01/01/2022G	31/12/2022G
National Insurance Company	Rayan Advanced Industrial Company	Rayan Advanced Industrial Company	Money transfer insurance	SAR 100,000 per safe and 3,000,000 Saudi Riyals per move	01/01/2022G	31/12/2022G
National Insurance Company	Rayan Advanced Industrial Company	Rayan Advanced Industrial Company	Marine transportation insurance	-	01/01/2022G	31/12/2022G
National Insurance Company	Rayan Advanced Industrial Company	Rayan Advanced Industrial Company	Company motor insurance, covering 14 cars	710,000 SAR	01/01/2022G	31/12/2022G
Bupa Arabia for Cooperative Insurance Company	Employees of Rayan Advanced Industrial Company	Rayan Advanced Industrial Company	Medical insurance	-	09/06/2022G	08/06/2023G

Source: Rayan Advanced Industrial Company

3-22 Trademarks and proprietary rights

In marketing its products, the Company relies on its trade name and trademark, as it has registered its trademark with the Saudi Authority for Intellectual Property. The following table shows the Company's Trademark details:

Table No. 42: Trademarks

Owning company	Registration number	Category	Protection start date	Protection end date	Registrar	Trademark
Rayan Advanced Industrial Company	1443015035	16	05/05/1443H	04/05/1453H	Saudi Authority for Intellectual Property	 شركة الريان المتقدمة للصناعة Al-Rayyan Advanced Industrial Co.

Source: Rayan Advanced Industrial Company

The Company does not own any trademarks other than those mentioned above. The Company has not entered into any licensing agreement to use its above trademark with any other party, whether inside or outside the Kingdom.

3-23 Business Interruption

The Company's Board of Directors declares that there has been no interruption in the Company's business that could affect or have had a noticeable impact on the Company's financial position during the last twelve (12) months.

3-24 Employees and Saudization

3-24-1 Employees

The number of employees in Rayan Advanced Industrial Company reached (247) employees as on 14/09/2022G. The following table shows the number of employees and Saudization rates for the Company during the past three years:

Table No. 43: Number of employees in the Company

	2020G		2021G		As on 14/09/2022G	
	Number	Percentage (%)	Number	Percentage (%)	Number	Percentage (%)
Saudis	51	20.32%	50	20.49%	54	21.86%
Non-Saudis*	200	79.68%	194	79.51%	193	78.14%
Total	251	100.00%	244	100.00%	247	100.00%

Source: Rayan Advanced Industrial Company

* The total number of non-Saudi employees for all periods includes (5) five employees who are not under the Company's sponsorship, as they are affiliated with the "Ajeer" system.

The following table shows the number of employees by Company departments during the past three years:

Table No. 44: Number of employees by company departments

Department	2020G			2021G			As on 14/09/2022G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Financial Department	2	4	6	3	4	7	5	4	9
Human Resources Department	3	1	4	6	1	7	7	-	7
Business Development Department	-	1	1	-	1	1	1	1	2
Logistics Department	1	9	10	1	9	10	2	10	12
Information Technology Department	-	2	2	-	2	2	-	2	2
Maintenance Department	-	8	8	-	9	9	-	11	11
Procurement Management	-	2	2	2	2	4	4	2	6

Department	2020G			2021G			As on 14/09/2022G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Security and Safety Department	5	2	7	11	2	13	12	2	14
Factory No. "1"*	15	117	132	8	108	116	8	94	102
Factory No. "2"	-	27	27	-	25	25	6	29	35
Factory No. "3"	-	13	13	-	14	14	-	19	19
Quality Department	-	8	8	3	11	14	5	10	15
Sales Department	-	5	5	3	5	8	4	8	12
Export Department	-	1	1	-	1	1	-	1	1
Trainees	25	-	25	13	-	13	-	-	-
Total	51	200	251	50	194	244	54	193	247

Source: Rayan Advanced Industrial Company

*The total number of non-Saudi employees of factory No. "1" for all periods includes (5) five employees who are not under the Company's sponsorship, as they are affiliated with the "Ajeer" system.


3-24-2 Saudization

The Saudization program "**Nitaqat**" was approved pursuant to the decision of His Excellency the Minister of Human Resources and Social Development No. (4040) dated 12/10/1432H (corresponding to 10/09/2011G), based on Cabinet Resolution No. (50) dated 21/05/1415H. (corresponding to 27/10/1994G), and the Nitaqat program was implemented on 12/10/1432H (corresponding to 10/09/2011G).

In implementation of Ministerial Resolution No. (182495) dated 15/11/1442H (corresponding to 25/06/2021G), the Nitaqat program was amended to the Nitaqat Developer Program, which approved the integration of small and micro economic activities and their inclusion with the rest of the economic activities and to present a fixed settlement plan for the next three years to provide legislative stability and improvement of the positive relationship between the number of employees and the Saudization rate as an alternative to the ratios based on specific and fixed sizes of entities. It is also worth noting the issuance of a decision by His Excellency the Minister of Human Resources and Social Development on 01/06/1441H (corresponding to 26/01/2020G) to abolish the yellow band in the stimulus program for enterprises to localize jobs (Nitaqat), and this decision aims to stimulate enterprises in this band to move to the green band and above, leading to an increase in Saudization and job opportunities for male and female citizens, and to make the Ministry's services available to these enterprises.

Through the Developer Nitaqat program, the performance of any company is evaluated based on specific categories "**Netaqat**" or "**Domains**" that include Platinum domain, Green domain (divided into sub-categories, ie: Low, Medium and High) and Red domains. Companies that are within the platinum or green scale are considered to have met the requirements of Saudization, and therefore are entitled to a number of benefits, such as enabling non-Saudi workers to obtain and renew work visas or change their professions (except for professions exclusively for Saudi citizens). As for companies that are in the red scale (based on the extent to which they do not comply with the specific requirements), they are considered to have violated the requirements of Saudization, and may be subject to some punitive measures such as limiting their ability to renew work visas for non-Saudi employees or obtain new work visas.

It is worth noting that the Company was classified within the medium green range as on 18/02/1444H (corresponding to 14/09/2022G), as the Company was able to achieve a localization rate of 21.79%.

A black and white photograph of an industrial robotic arm in a factory setting. The arm is positioned in the center, with its joints and cables visible. The background shows a complex industrial environment with various pipes, structural beams, and equipment. A large red diagonal overlay covers the left and bottom portions of the image, creating a modern, high-tech aesthetic. The text "Ownership Structure and Organizational Structure (4)" is centered over the red area in a white, sans-serif font.

Ownership Structure and Organizational Structure (4)

EVOL

4- Ownership Structure and Organizational Structure

4-1 The Company's Ownership Structure Before and After the Offering

The Company's current capital is (100,000,000) one hundred million Saudi riyals, divided into (10,000,000) ten million ordinary shares with a nominal value of (10) ten Saudi riyals per share, paid in full. The following table shows the Company's ownership structure before and after the offering:

Table No.45: The Company's Ownership Structure Before and After the Offering

Shareholders	Before the offering				After the offering			
	Number of shares	Nominal value (SAR)	Direct ownership	Indirect ownership	Number of shares	Nominal value (SAR)	Direct ownership	Indirect ownership
1 Hassan Ali Hassan Al-Sairafi	7,400,000	74,000,000	74.00%	-	7,100,000	71,000,000	71.00%	-
2 Awatif Hassan Ibrahim Baterjee	100,000	1,000,000	1.00%	-	100,000	1,000,000	1.00%	-
3 Rayan Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
4 Mohammed Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
5 Wed Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
6 Reem Hassan Ali Al-Sairafi	500,000	5,000,000	5.00%	-	100,000	1,000,000	1.00%	-
7 Sami Fahid Khader Joudeh	500,000	5,000,000	5.00%	-	400,000	4,000,000	4.00%	-
Offering shares	-	-	-	-	2,000,000	20,000,000	20.00%	-
Total	10,000,000	100,000,000	100.00%	-	10,000,000	100,000,000	100.00%	-

Source: Rayan Advanced Industrial Company

4-2 Substantial Shareholders who Own 5% or More of the Company's Shares

The Company has (6) six Substantial Shareholders before the offering who own 5% or more of the Company's shares as on the date of this Prospectus. The following table shows the number of their shares and their percentage of ownership:

Table No.46: Substantial Shareholders in the Company before the Offering

Substantial Shareholders before the offering	Before the Offering		
	Number of Shares	Direct ownership percentage	Indirect ownership percentage
Hassan Ali Hassan Al-Sairafi	7,400,000	74.00%	-
Rayan Hassan Ali Al-Sairafi	500,000	5.00%	-
Mohammed Hassan Ali Al-Sairafi	500,000	5.00%	-
Wed Hassan Ali Al-Sairafi	500,000	5.00%	-
Reem Hassan Ali Al-Sairafi	500,000	5.00%	-
Sami Fahid Khader Joudeh	500,000	5.00%	-
Total	9,900,000	99.00%	-

Source: Rayan Advanced Industrial Company

After the offering, only one major shareholder will own 5% or more of the Company's shares. The following table shows the Substantial Shareholders after the offering:

Table No. 47: Substantial Shareholders in the Company after the Offering

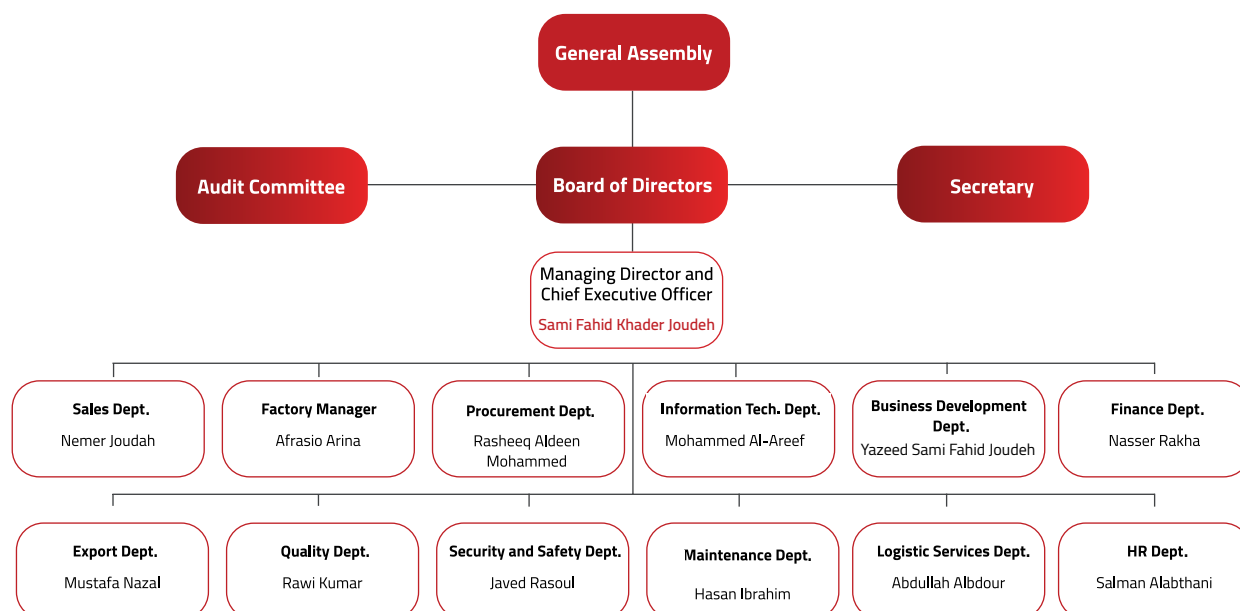
Substantial Shareholders after the offering	After the Offering		
	Number of Shares	Direct ownership percentage	Indirect ownership percentage
Hassan Ali Hassan Al-Sairafi	7,100,000	71.00%	-
Total	7,100,000	71.00%	-

Source: Rayan Advanced Industrial Company

4-3 Organizational Structure of the Company

The following figure shows the organizational structure of Rayan Advanced Industrial Company:

Figure 1: The Organizational Structure of the Company



Source: Rayan Advanced Industrial Company

* The Company does not have a department specialized in Legal Affairs, nor is there an Internal Audit Department. Work is underway to establish the two departments and employ qualified human cadres for them by the end of the first quarter of the year 2023G as a maximum (for more details, please refer to section (2-1-36) **"Risks related to Non-existence of Legal Affairs or Internal Audit Department."**)

4-4 Board of Directors

Rayan Advanced Industrial Company is managed by a board of directors consisting of (6) six members elected by the ordinary general assembly of shareholders for a period not exceeding (3) three years. With the exception of that, the first board of directors was appointed for a period of (5) five years at the Company's Transformational General Assembly, which was held on 13/07/1443H (corresponding to 14/02/2022G). The Board of Directors shall hold its meetings at least (2) twice a year.

Responsibilities of the Chairman, Vice Chairman and Managing Director

The responsibilities of the Chairman, Vice Chairman and Managing Director are, in brief, as follows:

- The Chairman of the Board of Directors shall have the power to invite the Board to a meeting and to chair the Board meetings and the general assemblies of shareholders.
- The Chairman of the Board of Directors (or the Vice Chairman and Managing Director in the absence of the Chairman of the Board of Directors) shall have the power to:

- To delegate or authorize some or all of his powers to a third party.
- Manage the daily business of the Company within the limits of the powers granted to them, implementing the instructions issued by the Board of Directors, and submitting periodic reports thereon to the Board.
- Represent the Company inside and outside the Kingdom in its relations with others and before all courts, bodies, judicial committees and all government agencies.

Responsibilities of Board Members

Taking into account the powers prescribed for the General Assembly, the members of the Board of Directors shall have the widest powers and authorities in managing the Company and supervising the management and implementation of its business and the conduct of its affairs. The role of the Company's Board of Directors, in brief, is to set general strategies, policies, main plans and financial objectives for the Company's business, to appoint the Company's executive managers, and to certify all financial reserves and budgets. In addition, the members of the Board of Directors protect the interests of shareholders by ensuring full compliance with all laws and regulations in force in the Kingdom in accordance with the Articles of Association and Corporate Governance system.

The following table shows the members of the Board of Directors:

Table No. 48: Board Members

Name	Position	Capacity	Nationality	Age	Direct ownership percentage		Indirect ownership percentage		Appointment date
					Before the offering	After the offering	Before the offering	After the offering	
Hassan Ali Hassan Al-Sairafi	Chairman of Board of Directors	Non-executive/ non-independent	Saudi	72	74.00%	71.00%	-	-	13/07/1443H (corresponding to 14/02/2022G)
Rayan Hassan Ali Al-Sairafi	Deputy Chairman of the Board	Non-executive/ non-independent	Saudi	43	5.00%	1.00%	-	-	13/07/1443H (corresponding to 14/02/2022G)
Mohammed Hassan Ali Al-Sairafi	Member of the Board of Directors	Non-executive/ non-independent	Saudi	38	5.00%	1.00%	-	-	13/07/1443H (corresponding to 14/02/2022G)
Sami Fahid Khader Joudeh	Managing Director and CEO	Executive/ Non-independent	Jordanian	56	5.00%	4.00%	-	-	13/07/1443H (corresponding to 14/02/2022G)

Name	Position	Capacity	Nationality	Age	Direct ownership percentage		Indirect ownership percentage		Appointment date
					Before the offering	After the offering	Before the offering	After the offering	
Tariq Abdullah Suleiman Al-Qublan	Member of the Board of Directors	Non-executive/ Independent	Saudi	62	-	-	-	-	13/07/1443H (corresponding to 14/02/2022G)
Abdul-Aziz Mohammed Al-Rawaf	Member of the Board of Directors	Non-executive/ Independent	Saudi	59	-	-	-	-	13/07/1443H (corresponding to 14/02/2022G)

Source: Rayan Advanced Industrial Company

- The members of the Board of Directors were appointed by the Company's Transformational General Assembly, which was held on 13/07/1443H (corresponding to 14/02/2022G) for a period of five (5) years.
- The conflict with independence for the members of the Board of Directors were determined based on the corporate governance regulations issued by the Capital Market Authority, and they are represented in each of the following:
 - To own 5% or more of the Company's shares, or of the shares of another company in its group, or is a close relative to the person who owns this percentage.
 - To be a close relative to any of the members of the board of directors in the Company.
 - To work or have worked as an employee during the last two years with the Company.

The following is a summary of the biographies of the members of the Board of Directors:

Table No. 49: Biography of the Chairman of the Board of Directors, Hassan Ali Al-Sairafi

Name	Hassan Ali Hassan Al-Sirafi	Position:	Chairman of the Board of Directors
Age	72 years	Year of Appointment	2022G
		Nationality	Saudi
Academic Qualifications	– Holds a Bachelor's degree in Civil Engineering from the University of Washington in the United States of America in 1975.		
Practical Experiences	<ul style="list-style-type: none"> – General Manager of Kingdom Holding Company in the Kingdom of Saudi Arabia from 1997G to 2001G. – General Manager of the Kingdom Corporation in the Kingdom of Saudi Arabia from 1983G until 1997G. – General Manager of Al Mawarid Marketing Company in the Kingdom of Saudi Arabia from 1975G until 1983G. 		
Memberships in other boards of directors	<ul style="list-style-type: none"> – Chairman of the Board of Directors of the Gulf Holding Company in the Kingdom of Saudi Arabia from 2000G until 2019G. – Chairman of the Board of Directors of Al-Ta'afuf Company for Electrical Works in the Kingdom of Saudi Arabia from 2000G until 2011G. – Chairman of the Board of Directors of the Gulf Trading Holding Corporation in the Kingdom of Saudi Arabia from 2000G until 2011G. – Chairman of the Board of Directors of the National Travel and Tourism Office Company in the Kingdom of Saudi Arabia from 1986G to 2003G. – Chairman of the Board of Directors of the Saudi Company for Development and Maintenance in the Kingdom of Saudi Arabia from 1985G to 1999G. – Chairman of the Board of Directors of the National Electronics Company in the Kingdom of Saudi Arabia from 1985G to 1997G. 		

Source: Rayan Advanced Industrial Company

Table No. 50: Biography of Vice Chairman Rayan Hassan Al-Sairafi

Name:	Rayan Hassan Ali Al-Sirafi	Position:	Vice Chairman of the Board of Directors
Age:	43 Years	Year of Appointment	2022G
		Nationality:	Saudi
Academic Qualifications	– Holds a Bachelor's degree in Business Administration/Finance from New Haven University in the United States of America in 2000G.		
Practical Experiences	<ul style="list-style-type: none"> – General Manager of Al Mawarid House Contracting Company in the Kingdom of Saudi Arabia from 2021G until now. – Senior Manager at Samba Financial Group (currently the Saudi National Bank) in the United Arab Emirates from 2005G to 2008G. – A member of the Middle East team at Semitar Global Ventures in the United Arab Emirates from 2004G to 2005G. – Relations Manager at Samba Financial Group (currently the Saudi National Bank) in the Kingdom of Saudi Arabia from 2000G until 2004G. 		
Memberships in other boards of directors	<ul style="list-style-type: none"> – Member of the Board of Directors of the National Office for Travel and Tourism Company in the Kingdom of Saudi Arabia from 2002G until 2004G. – Member of the Board of Directors of Al-Rifai Roastery Company in the Kingdom of Saudi Arabia from 2001G to 2008G. 		

Source: Rayan Advanced Industrial Company

Table No. 51: Biography of Board Member Mohammed Hassan Al-Sairafi

Name:	Mohammed Hassan Ali Al-Sirafi	Position:	Member of the Board of Directors
Age:	38 years	Year of Appointment	2022G
		Nationality:	Saudi
Academic Qualifications	– Holds a Bachelor's degree in Business Administration/Finance from George Washington University in the United States of America in 2006G.		
Practical Experiences	<ul style="list-style-type: none"> – Vice President of Finance in the Gulf Company for Restaurants and Parks Co. Ltd. in the Kingdom of Saudi Arabia since 2012G until now. – Senior Relationship Manager at Samba Financial Group (currently the Saudi National Bank) in the Kingdom of Saudi Arabia from 2006G to 2012G 		
Memberships in other boards of directors	– None.		

Source: Rayan Advanced Industrial Company

Table No. 52: Biography of the Managing Director and CEO, Sami Fahid Khader Joudeh

Name:	Sami Fahid Khader Joudeh		Position:	Managing Director and CEO
Age:	56 years	Year of Appointment	2022G	Nationality: Jordanian
Academic Qualifications	– Holds a Bachelor's degree in Marketing and Production Management from the University of Science and Technology in the Kingdom of Saudi Arabia in 2004G.			
Practical Experiences	<ul style="list-style-type: none"> – CEO of Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2005G until now. – Director of Marketing and Sales and Assistant General Manager at Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 1997G to 2005G. – Sales representative at Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 1990G until 1997G. – Sales employee at the Medical Supplies Company in the Kingdom of Saudi Arabia from 1989G to 1990G. 			
Memberships in other boards of directors	– None.			

Source: Rayan Advanced Industrial Company

Table No. 53: Biography of Board Member Tariq Abdullah Al-Qablan

Name:	Tariq Abdullah Suleiman Al-Qablan		Position	Member of the Board of Directors
Age:	62 years	Year of Appointment	2022G	Nationality: Saudi
Academic Qualifications	– Holds a Bachelor of Arts from King Saud University in the Kingdom of Saudi Arabia in 1979G.			
Practical Experiences	<ul style="list-style-type: none"> – Director of Government and Private Accounts at the Saudi Investment Bank in Riyadh from 1999G to 2015G. – Manager of the United Bank branch in Riyadh from 1984G to 1997G. – Head of banking services at Cairo Saudi Bank in Riyadh from April 1984G until December 1984G. 			
Memberships in other boards of directors	– Vice Chairman of the Board of Directors of Bazi Trading and Contracting Company in Riyadh from 1988 to this date.			

Source: Rayan Advanced Industrial Company

Table No. 54: Biography of Board Member Abdulaziz Mohammed Al-Rawaf

Name:	Abdulaziz Mohammed Abdulaziz Al-Rawaf	Position:	Member of the Board of Directors
Age:	59 years	Year of Appointment:	2022G
		Nationality:	Saudi
Academic Qualifications	<ul style="list-style-type: none"> – Bachelor Degree in Petroleum Engineering from King Saud University in the Kingdom of Saudi Arabia in 1987. 		
Practical Experiences	<ul style="list-style-type: none"> – General Manager of SIACO Petrochemical Company in Riyadh, Saudi Arabia, from 2010G to date. – General Manager of the Energy and Construction Contracting Company in Riyadh from 2010G to date. – General Manager of the Strategic Planning Unit at SABIC in Riyadh, Saudi Arabia, from 2007G to 2010G. – Director of the Methanol and Methyl tert-butyl ether producers at SABIC in Riyadh from 1993G to 2007G. – Operations Engineer at Aramco's Riyadh Refinery in Riyadh in the Kingdom of Saudi Arabia from 1988G until 1993G. 		
Memberships in other boards of directors	<ul style="list-style-type: none"> – None. 		

Source: Rayan Advanced Industrial Company

4-4-1 Secretary of the Board of Directors

The Company's Board of Directors decided on 25/08/1443H (corresponding to 28/03/2022G) to appoint Yazeed Sami Fahid Khader Joudeh as Secretary of the Board of Directors. He is responsible for recording the minutes of the meetings of the Board of Directors, recording and keeping the decisions issued in these meetings, in addition to exercising other powers assigned to him by the Board of Directors.

The following is a summary of the biography of the Secretary of the Board of Directors:

Table No. 55: Biography of the Secretary of the Board of Directors, Yazeed Sami Fahid Joudeh

Name:	Yazeed Sami Fahid Joudeh	Position:	Secretary of the Board of Directors
Age:	30 years	Year of appointment:	2014G
		Nationality:	Jordanian
Academic Qualifications	<ul style="list-style-type: none"> – Holds a master's degree in international management from Northwestern University of Applied Sciences in Switzerland in 2017. – Holds a master's degree in international business from Anglia Ruskin University in the United Kingdom in 2016G. – Holds a Bachelor's degree in Business Administration from Al-Ahliyya Amman University in the Hashemite Kingdom of Jordan in 2014G. 		
Practical Experiences	<ul style="list-style-type: none"> – Business Development Manager for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2014G until now. 		

Source: Rayan Advanced Industrial Company

4-5 Board Committees

4-5-1 Audit Committee

The Audit Committee was formed in accordance with Article (54) of the Corporate Governance Regulations issued by the Capital Market Authority. The Ordinary General Assembly, in its meeting held on 25/08/1443H (corresponding to 28/03/2022G), approved the formation of an Audit Committee, defining its tasks, work controls, the remuneration of its members, and the duration of their membership.

Responsibilities of the Audit Committee:

The Audit Committee is responsible for monitoring the Company's business, and for this purpose, it has the right to review its records and documents and to request any clarification or statement from the members of the Board of Directors or the Executive Management. It may ask the board of directors to invite the Company's general assembly to convene if the board of directors obstructs its work or the Company suffers serious damage or losses. It has the right to look into the Company's financial statements and reports and notes provided by the auditor, if any, and evaluate the effectiveness of the Company's assessment of risks, evaluate internal control systems, the accuracy of financial and administrative reports, ensure compliance with the rules of financial and administrative transactions and professional behavior, express an opinion about them, and prepare reports on its opinion regarding the adequacy of the Company's internal control system and its work.

The following table shows the members of the Audit Committee:

Table No. 56: Members of the Audit Committee

Name	Position	Capacity
Muhammed Hassan Ali Al-Sairafi	Chairman of the Audit Committee	Non-Executive / Non-Independent
Ehsan Amanullah Aminullah Makhdoom	Member of the Audit Committee	Non-Executive/Independent
Ahmed Ishaq Abdul Karim Afghani	Member of the Audit Committee	Non-Executive/Independent

Source: Rayan Advanced Industrial Company

The biography of the Chairman of the Audit Committee, Mohammed Hassan Ali al-Sirafi, was contained on page No. (88) within the biography of the members of the Board of Directors.

Below is the biography of the two members of the Audit Committee:

Table No. 57: Biography of Audit Committee Member Ehsan Amanullah Makhdoom

Name:	Ehsan Amanullah Aminullah Makhdoom	Position:	Member of the Audit Committee
Age:	47 years	Year of Appointment:	2022G
		Nationality:	Saudi
Academic Qualifications	– Holds a Bachelor's degree in Accounting from King Fahd University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia, in 1997G.		
Practical Experiences	<ul style="list-style-type: none"> – Owner of Ehsan Abed Makhdoom Audit Office, in Riyadh, Saudi Arabia, from 2019G until now. – Partner in Deloitte Co., Riyadh, Saudi Arabia, from 2004G to 2019G. – Audit supervisor at Deloitte Co., Indiana, in the United States of America, from 2002G until 2004G. – Senior auditor at Deloitte Co., Jeddah, Saudi Arabia, from 1997G to 2002G. 		
Memberships in other boards of directors	<ul style="list-style-type: none"> – Member of the Audit Committee of the Cultural Development Fund, in Riyadh, Saudi Arabia since 2022G. – Head of the Audit Committee at the Third Mills Company, in Riyadh, Saudi Arabia, from 2021G until now. – Member of the Audit Committee of Roshan Real Estate Company, in Riyadh, Saudi Arabia, from 2021G until now. – Member of the Board of Directors and Head of the Audit Committee at Credit Agricole Arabia, in Riyadh, Kingdom of Saudi Arabia from 2021G until now. – Member of the Audit Committee of the Saudi Limestone Industries Company, in Riyadh, Saudi Arabia, from 2021G until now. – Member of the Audit Committee of Etihad Atheeb Telecom Company, in Riyadh, Saudi Arabia, from 2021G until now. – Head of the Audit Committee at Dammam Pharma Company, Dammam, Kingdom of Saudi Arabia from 2020G to 2021G. – Member of the Audit Committee of the Saudi Tourism Authority, in Riyadh, Saudi Arabia, from 2020G until now. – Member of the Audit Committee at Downtown Saudi Company, in Riyadh, Saudi Arabia, from 2020G until now. – Member of the Audit Committee at the Riyadh Chamber, in Riyadh, Saudi Arabia, from 2020G until now. – Member of the Audit Committee of the Trahum Committee, in Riyadh, Saudi Arabia, from 2020G until now. – Member of the Audit Committee of the Cooperative Insurance Company, in Riyadh, Saudi Arabia, from 2020G until now. – Member of the Audit Committee at the Public Pension Agency, in Riyadh, Saudi Arabia, from 2019G to 2021G. – Member of the Audit Committee at the Support and Liquidation Center, in Riyadh, Saudi Arabia, from 2019G until now. 		

Source: Rayan Advanced Industrial Company

Table No. 58: Biography of Audit Committee Member Ahmad Ishaq Afghani

Name:	Name: Ahmad Ishaq Abdul Karim Afghani		Position:	Member of the Audit Committee	
Age:	34 Years	Year of Appointment:	2022G	Nationality:	Saudi
Academic Qualifications	– Holds a Bachelor's degree in Accounting from King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia, in 2011G.				
Practical Experiences	– Assistant Director at Ernst & Young, in Riyadh, Saudi Arabia, from 2011G until now.				
Memberships in other boards of directors	– None.				

Source: Rayan Advanced Industrial Company

4-6 Executive Management

Rayan Advanced Industrial Company has a number of main departments that work on managing and developing the Company's business, each according to its role. Each department must carry out the duties and tasks that fall under its responsibility to activate the overall performance of the Company and achieve the Company's vision, mission, goals and strategies in the short and long term. The following table shows the members of the Company's executive management:

Table No. 59: The Company's Executive Management

	Name	Position	Nationality	Age	Joining Date	Date of appointment to the current position	Direct ownership*	Indirect ownership
1	Sami Fahid Khader Joudeh	Managing Director and CEO	Jordanian	56	01/07/2005G	01/07/2005G	5.00%	-
2	Nasr Ibrahim Rakha	Chief Financial Officer	Egypt	59	07/05/1993G	07/05/1993G	-	-
3	Salman Al Obathani	Director of Human Resources Department	Saudi	57	03/03/2007G	03/03/2007G	-	-
4	Yazeed Sami Fahid Joudeh	Business Development Manager	Jordanian	30	04/09/2014G	04/09/2014G	-	-
5	Abdullah Mahmoud Al-Bdour	Director of Logistics Department	Jordanian	35	01/01/2014G	01/01/2014G	-	-

	Name	Position	Nationality	Age	Joining Date	Date of appointment to the current position	Direct ownership*	Indirect ownership
6	Mohammed Abd Al-Khader - Sultan Al-Areef	IT department manager	Indian	41	05/04/2018G	05/04/2018G	-	-
7	Hassan Nasr Abdel Fattah Ibrahim	Maintenance department manager	Egypt	42	28/04/2002G	28/04/2002G	-	-
8	Rasheeq Al-Din Fahd Muhammed	Purchasing Department Manager	Indian	33	23/03/2012G	23/03/2012G	-	-
9	Javed Rasool Ghulam Rasool	Director of Security and Safety Department	Pakistani	39	04/04/2018G	04/04/2018G	-	-
10	Avrasio Arena	Factory Manager	Filipino	63	07/11/1990G	01/08/2010G	-	-
11	Rawi Ranjan Kumar	Quality Management Manager	Indian	27	21/07/2019G	21/07/2019G	-	-
12	Nimr Walid Joudah	Sales department manager	Jordanian	35	05/03/2008G	05/03/2008G	-	-
13	Mustafa Falah Amin Nazzal	Export department manager	Jordanian	49	01/01/2018G	01/01/2018G	-	-

Source: Rayan Advanced Industrial Company

* The direct ownership mentioned in this table is his ownership before the offering (for more information, please refer to Section (4-1) "**The Company's Ownership Structure Before and After the Offering**").

The following is a summary of the biographies of the members of the Executive Management:

The biography of the Managing Director and CEO, Sami Fahid Khader Joudeh, appeared on page No. (89) within the biographies of the members of the Board of Directors. The biography of the Director of Business Development (and the Secretary of the Board), Yazeed Sami Fahid Joudeh, was also provided on page No. (90).

Table No. 60: The biography of the Chief Financial Officer

Name:	Nasr Ibrahim Rakha			Position:	Chief Financial Officer
Age:	59 years	Year of Joining the Company:	1993G	Nationality:	Egyptian
Academic Qualifications	– Holds a Bachelor's degree in Accounting from Helwan University in the Arab Republic of Egypt in 1984.				
Practical Experiences	– Chief Financial Officer of Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia since 1993G until now. – Accountant at El-Adawy Glass Factory in the Arab Republic of Egypt from 1987G to 1991G. – Accountant at Abdullah Al Ghati Contracting Establishment in the Kingdom of Saudi Arabia from 1991G to 1993G.				

Source: Rayan Advanced Industrial Company

Table No. 61: Biography of the Director of Human Resources Department

Name:	Salman Muhammed Suleiman Al-Obthani			Position:	Director of Human Resources
Age:	57 years	Year of Joining the Company:	2007G	Nationality:	Saudi
Academic Qualifications	– Holds a high school diploma.				
Practical Experiences	– Director of Human Resources for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia since 2007G until now.				

Source: Rayan Advanced Industrial Company

Table No. 62: Biography of the Director of Logistics Department

Name:	Abdullah Mahmoud Mohammed Al-Bdour			Position:	Logistics Services Manager
Age:	35 years	Year of Joining the Company:	2014G	Nationality:	Jordanian
Academic Qualifications	– Holds a Bachelor's degree in Marketing from the University of Jordan in the Hashemite Kingdom of Jordan in 2008G.				
Practical Experiences	– Logistics Services Manager for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2014G until now.				

Source: Rayan Advanced Industrial Company

Table No. 63: Biography of the Manager of the Information Technology Department

Name:	Mohammed Abdul-Al-Khader - Sultan Al-Arif	Position:	IT Manager
Age:	41 years	Year of Joining the Company:	2018G
		Nationality:	Indian
Academic Qualifications	– Holds a master's degree in Computer from Bharatidasan University in India in 2006.		
Practical Experiences	– Information Technology Manager for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2018G until now.		

Source: Rayan Advanced Industrial Company

Table No. 64: Biography of the Maintenance Department Manager

Name:	Hassan Nasr Abdel Fattah Ibrahim	Position:	Maintenance Manager
Age:	42 years	Year of Joining the Company:	2002G
		Nationality:	Egyptian
Academic Qualifications	– Holds a bachelor's degree in mechanical engineering from Tanta in the Arab Republic of Egypt in 1996G		
Practical Experiences	– Maintenance Manager for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2002G until now.		

Source: Rayan Advanced Industrial Company

Table No. 65: Biography of the Procurement Department Manager

Name:	Rashiq Al-Din Fahd Mohammed	Position:	Procurement Manager
Age:	33 years	Year of Joining the Company:	2012G
		Nationality:	Indian
Academic Qualifications	– Holds a master's degree in Finance from the Ottoman University in India in 2010G.		
Practical Experiences	– Manager of Materials and Purchasing for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2012G until now. – Accountant at One Stop Forex Company in India from 2011G to 2012G.		

Source: Rayan Advanced Industrial Company

Table No. 66: Biography of the Manager of the Security and Safety Department

Name:	Javed Rasool Ghulam Rasool	Position:	Manager of the Security and Safety
Age:	39 years	Year of Joining the Company:	2018G
		Nationality:	Pakistani
Academic Qualifications	– Holds a master's degree in Business Administration from Preston Institute in Pakistan in 2013G.		
Practical Experiences	– Manager of Health and Safety for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2018G until now. – Manager at Karachi Institute of Economics and Technology in Pakistan from 2002G to 2013G.		

Source: Rayan Advanced Industrial Company

Table No. 67: Biography of the Factory Manager

Name:	Avrasio Arena	Position:	Factory Manager
Age:	63 years	Year of Joining the Company:	2009G
		Nationality:	Filipino
Academic Qualifications	– Holds a Bachelor's degree in Electricity from Nacthan Polytechnic University in the Philippines in 1975G.		
Practical Experiences	– Factory Manager for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2022G until now. – Technical Manager of Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2009G to 2022G. – Production supervisor for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 1990G to 2009G. – Production supervisor for Al Hameed Plastic Company in the United Arab Emirates from 1989G to 1990G. – Shift manager and maintenance technician for the Poly Resin Factory Company in the Philippines from 1979G to 1989G.		

Source: Rayan Advanced Industrial Company

Table No. 68: Biography of the Quality Management Manager

Name:	Rawi Ranjan Kumar	Position:	Quality Manager
Age:	27 years	Year of Joining the Company:	2019G
		Nationality:	Indian
Academic Qualifications	– Holds a master's degree in polymer sciences from the Central Institute of Plastics Engineering and Technology in India in 2013G.		
Practical Experiences	– Quality Manager for Rayan Advanced Industrial Company in Saudi Arabia from 2019G until now. – Quality Manager at Sunson Plastic Company in India from 2013G to 2016G.		

Source: Rayan Advanced Industrial Company

Table No. 69: Biography of the Manager of Sales Department

Name:	Nimer Walid Joudah			Position:	Sales Manager
Age:	35 years	Year of Joining the Company:	2008G	Nationality:	Jordanian
Academic Qualifications	– Holds a diploma in Marketing and Product Management from An-Najah National University in Palestine in 2007G.				
Practical Experiences	– Manager of Sales and Marketing for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia, from 2008G until now.				

Source: Rayan Advanced Industrial Company

Table No. 70: Biography of the Export Department Manager

Name:	Mustafa Falah Amin Nazzal			Position:	Export Manager
Age:	49 years	Year of Joining the Company:	2018G	Nationality:	Jordanian
Academic Qualifications	– Holds a bachelor's degree in programming and systems analysis from the Intermediate University in Jordan in 1996G.				
Practical Experiences	– Export Manager for Rayan Advanced Industrial Company in the Kingdom of Saudi Arabia from 2018G until now. – Sales manager of plastic packaging materials at Al Sharq Factory for Packaging in the Kingdom of Saudi Arabia from 2004G to 2017G.				

Source: Rayan Advanced Industrial Company



Dividends Distribution Policy (5)

5- Dividends Distribution Policy

Shares give their holders the right to receive the profits announced by the Company. According to the Company's Articles of Association, any decision to distribute cash dividends must be issued by the ordinary general assembly based on a recommendation from the Board of Directors, which takes into account when issuing this recommendation the various factors prevailing at the time, including the Company's profits, its financial conditions, and the restrictions on profit distribution in accordance with financing and debt agreements, the results of the Company's activities, the Company's cash needs now and in the future, and the expansion plans and investment requirements of the Company.

The Company does not provide any guarantees that it will distribute dividends for any year, nor does it guarantee the value of those dividends that can be distributed in any specific year. The profit distribution process is subject to certain restrictions in accordance with Article (45) of the Company's Articles of Association, which stipulates that net annual profits shall be distributed after deducting all other expenses and costs as follows:

1. Ten percent (10%) of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may discontinue this deduction when the said reserve reaches (30%) thirty percent of the Company's capital.
2. The Ordinary General Assembly, based on a proposal by the Board of Directors, may set aside a percentage not exceeding (20%) twenty percent of the net profits to form a consensual reserve and allocate it for a specific purpose or purposes.
3. The Ordinary General Assembly may decide to create other reserves, to the extent that achieves the interest of the Company or ensures the distribution of fixed profits as much as possible to the shareholders. The aforementioned assembly may also deduct sums from the net profits for the establishment of social institutions for the Company's employees or to assist the existing ones of these institutions.
4. After that, a percentage representing (5%) five percent of the paid-up capital shall be distributed to the shareholders of the remainder.
5. Taking into consideration the provisions stipulated in Article (19) of the Articles of Association of the Company and Article (76) of the Companies Law, after the above, a percentage not exceeding (10%) ten percent of the remainder shall be allocated as a remuneration to the Board of Directors, provided that the entitlement to this remuneration is proportional to the number of sessions attended by the member, so that in all cases it does not exceed the maximum permissible limits in accordance with the official decisions and instructions issued by the competent authorities in this regard.

A shareholder shall be entitled to his share of the profits in accordance with the decision of the General Assembly issued in this regard. The decision shall indicate the due date and the date of distribution. The eligibility for profits shall be for the owners of shares registered in the shareholders' records at the end of the day specified for entitlement. The subject offering shares are entitled to their share of any profits announced by the Company as of the date of this Prospectus and for the following fiscal years.

The following table shows the dividend distributions during the financial years ending on 31/12/2020G, 31/12/2021G, and 30/06/2022G:

Table No. 71: Dividends Distribution

	Fiscal year ended on 31/12/2020G	Fiscal year ended on 31/12/2021G	Financial period ended on 30/06/2022G
Net Income	35,156,043	32,822,321	14,454,537
Announced dividends	71,515,429*	12,715,701**	10,000,000***
Dividends Paid	71,515,429	12,715,701	5,248,598****
Ratio of declared dividends to net income	203.42%	38.74%	69.18%
Total retained earnings	49,324,271	69,430,891	38,885,428

Source: Al Rayan Advanced Industrial Company

* On 31/12 2020G, the partners decided to distribute profits in the amount of (71,515,429) Saudi Riyals from the balance of retained earnings for the financial year ending on 31/12/2019G.

** On 01/12/2021G, the partners decided to distribute profits in the amount of (12,715,701) Saudi Riyals from the balance of retained earnings for the financial year ending on 31/12/2020G.

*** Based on the decision of the First Ordinary General Assembly on 28/03/2022G, dividend distribution was approved in the amount of (5,000,000) Saudi Riyals from the balance of retained earnings for the fiscal year ending on 31/12/2022G. In addition to approving the distribution of additional dividends in the amount of (5,000,000) Saudi Riyals from the balance of retained earnings for the fiscal year ending on 31/12/2021G, based on the decision of the Extraordinary General Assembly on 24/05/2022G.

****As on 30/06/2022G, (5,248,598) Saudi riyals were distributed from the total distributions announced during the period, and the remaining amount (4,751,402) four million seven hundred and fifty-one thousand four hundred and two Saudi riyals were paid on 07/08/2022G.



Use of the Offering Proceeds (6)

6- Use of the Offering Proceeds

The total Offering Proceeds are expected to amount to (**) ** Saudi Riyals, of which approximately (SAR 9,000,000) Nine million Saudi Riyals will be paid as Offering expenses, which include the fees of the Financial Advisor and Lead Manager, as well as the expenses of opening an Escrow Account and other Offering expenses and costs.

The net Offering Proceeds, estimated at about (**) ** Saudi Riyals, will be distributed to the Selling Shareholders, each according to his ownership percentage in the Company's capital. The Company will not receive any amount of the net Offering Proceeds



Board of Directors Declarations (7)

7- Board of Directors Declarations

The Board of Directors declare that:

- √ There was no interruption in the Issuer's business that could affect or have had a noticeable impact on its financial condition during the past (12) months.
- √ No commissions, discounts, brokerage fees or any non-cash compensation were granted by the Issuer during the year immediately preceding the date of the application for registration and offering of shares in connection with the issuance or Offering of any shares.
- √ There was no major negative change in the financial and commercial position of the Issuer during the year immediately preceding the date of submitting the registration application and offering the shares.
- √ Other than what is stated in Section (4-4) "**Board of Directors**" of this Prospectus, neither the members of the Board of Directors nor any of their relatives have any shares or interest of any kind in the Issuer.
- √ As at the date of this Prospectus, the Company is not subject to any lawsuits or legal procedures that may materially affect its business or financial position.
- √ As on the date of this Prospectus, the members of the Board of Directors are not subject to any lawsuits or legal procedures that may materially affect the Company's business or its financial position.
- √ As of the date of this Prospectus, none of the members of the Board of Directors is involved in business competing with the Company.
- √ The Company declares that it does not have any contracts or arrangements in effect upon submitting this Prospectus, in which the Chairman of the Board of Directors, a member of the Board of Directors, the Chief Executive Officer, the CFO, or other related parties have an interest.
- √ There are no other facts that could affect the application for registration of securities that were not included in this Prospectus.
- √ The Company has obtained all the basic licenses and approvals required to carry out its activities.
- √ The Company has obtained all the necessary approvals to list its shares On the Parallel Market.
- √ Except for what is mentioned in Section No. (2) "**Risk Factors**" of this Prospectus, the members of the Board of Directors are not aware of any other major risks that may affect the decision of potential investors to invest in the Company's shares.
- √ There is no authority that gives a member of the Board of Directors or the CEO the right to vote on remunerations granted to them.
- √ There is no authority that permits members of the Board of Directors or senior executives the right to borrow from the Company.
- √ None member of the Company's board of directors or any of the Company's executive management members or the Secretary of the Board of Directors has been declared bankrupt, and they have not been subject to any bankruptcy procedures until the date of this Prospectus.
- √ Other than what was mentioned in Section No. (2-1-11) "**Risks Related to Credit Facilities and Financing Agreements**" of this Prospectus, the Company confirms that it does not have any credit facilities or other loans as on the date of this Prospectus.
- √ Other than what was mentioned in Section No. (2-1-21) "**Risks Related to Possible Zakat Entitlements and Additional Claims**" of this Prospectus, the Company does not have any variations or Zakat claims on the zakat Declarations submitted by it, and the Company has paid the Zakat due on it, and as of the date of this Prospectus, there are no provisions related to Zakat differences and there are no existing disputes with the Zakat, Tax and Customs Authority.
- √ The Company is committed to all provisions contained in the Companies Law issued by Royal Decree No. (M/3) dated 28/01/1437H (corresponding to 10/11/2015G) and its amendments.

- √ The Company obtained a letter of no objection from the financing parties and it is committed to all contractual obligations, with regard to the Company's transformation into a public joint stock company and its listing on the Parallel Market.
- √ The Company is working to establish a Legal Department and an Internal Audit Department, and it will employ qualified human cadres by the end of the first quarter of 2023G as a maximum (for more details, please refer to section (2-1-36) "**Risks related to the absence of a Legal Department or Internal Audit Department**").

A black and white photograph of a large warehouse interior, featuring high ceilings with exposed steel beams and numerous industrial shelving units filled with boxes. A large, semi-transparent red diagonal overlay covers the left and center portions of the image. The text "Offering Expenses (8)" is centered in white on this red area.


Offering Expenses (8)

8- Offering Expenses

The Selling Shareholders will bear all costs related to the Offering, which are expected to amount to about (SAR 9,000,000) nine million Saudi Riyals, as they will be fully deducted from the total Offering Proceeds of (SAR**) ** Riyals Saudi.

The Offering expenses include the fees of the Financial Advisor, Lead Manager, receiving entities, the Auditor, expenses of opening an Escrow Account, marketing and printing costs, and other expenses related to the offering.

The Company will not bear any of the expenses related to the Offering, but will be deducted in full from the total Offering Proceeds, and the Selling Shareholders will pay all the Offering Expenses incurred by the Company on their behalf once the Offering process is completed.



Information relating to the Shares and Offering Terms and Conditions (9)

9- Information relating to the Shares and Offering Terms and Conditions

The Company Filed an application to the Capital Market Authority to register and offer shares in the Parallel Market in accordance with the requirements of the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority. This Prospectus has been approved and all supporting documents requested by the Authority have been submitted, and all necessary official approvals have been obtained for the process of offering shares in the Parallel Market. The Company also submitted a request to list its shares in the Parallel Market to the Saudi Stock Exchange Company “**Tadawul**”, and the application for listing was approved by Tadawul.

All Qualified Investors willing to participate in this offering must read the terms and conditions of the offering carefully before submitting the subscription application. The submission of the subscription application to the receiving entity is a declaration of acceptance and approval of the mentioned offering terms and conditions.

9-1 Subscription to the Offer Shares

Two million (2,000,000) ordinary shares will be offered at a nominal value of ten (SAR 10) Saudi Riyals per share, representing 20.0% of the Company's capital, for subscription in the Parallel Market at an Offer Price of (SAR**) ** Saudi Riyal per share, with a total value of (SAR**) ** Saudi Riyals. The Offering is limited to the following categories of Qualified Investors:

1. Capital Market Institutions acting for their own account.
2. Clients of a Capital Market Institution by the Authority to conduct managing activities provided that this Capital Market Institution has been appointed as an investment manager on terms which enable it to make decisions concerning the acceptance of an offer and investment in the Parallel Market on the client's behalf without obtaining prior approval from the client.
3. The Government of the Kingdom, any government body, any supranational authority recognised by the Authority or the Exchange, and any other stock exchange recognised by the Authority or the Securities Depository Center.
4. Government-owned companies, either directly or through a portfolio managed by a Capital Market Institution authorised to carry out managing activities.
5. Companies and funds established in a member state of the Cooperation Council for the Arab States of the Gulf.
6. Investment Funds.
7. Non-resident foreigners permitted to invest in the parallel market and who meet the requirements stipulated in the Guidance Note for the investment of Non-Resident Foreigners in the Parallel Market.
8. Qualified foreign financial institutions.
9. Any other legal persons allowed to open an investment account in the Kingdom and an account at the Depository Center.
10. Natural persons allowed to open an investment account in the Kingdom and an account at the Depository Center, and fulfil any of the following criteria:
 - a. Has conducted transactions in security markets of not less than 40 million Saudi riyals in total, and not less than ten transactions in each quarter during the last twelve months
 - b. His net assets is not less than 5 million Saudi Riyals.
 - c. Works or has worked for at least three years in the financial sector.
 - d. Holds the General Securities Qualification Certificate which is recognised by the Authority.

e. Holds a professional certificate that is related to securities business and accredited by an internationally recognised entity.

11. Any other persons prescribed by the Authority.

9-2 How to Apply for Subscription to Shares

The subscription will be available to Qualified Investors through their investment account with the Lead Manager or the Receiving Entities during the Offering Period. The subscriber must fulfill the subscription requirements in accordance with the subscription instructions set out in the subscription application and in this Prospectus. The subscriber must agree to all terms and conditions and complete all relevant sections of the subscription application. The company and the Lead Manager reserve the right to reject any subscription application, in part or in whole, in case any of the subscription terms and conditions are not met or the necessary instructions are not followed. It is not permissible to make any amendments to the subscription application or withdraw it after its submission, as the subscription application, once submitted, represents a legally binding agreement between the Company and the subscriber. The Selling Shareholders before the offering own 100% of the Company's Capital, and they will own 80% of the Company's capital after the Offering. Investors can obtain an electronic copy of this Prospectus on the website of the Financial Advisor or Lead Manager or through the contact information below:

Financial Advisor	Lead Manager
Aldukheil Financial Group Riyadh, Wazarat District P.O. Box 2462 Riyadh 11451 Kingdom of Saudi Arabia Tel: + 966 (11) 4309800 Fax: + 966 (11) 4787795 Website: www.aldukheil.com.sa E-mail: info@aldukheil.com.sa	Alinma Investment Company Riyadh, King Fahd Road (Al Anoud Tower 2) Riyadh 11544 P.O. Box 55560 Kingdom of Saudi Arabia Tel: 8004413333 Fax: +966 11 2185970 Website: www.alinmainvestment.com E-mail: info@alinmainvestment.com

The investor must indicate in the subscription application the number of shares he wishes to subscribe to, so that the total subscription amount is the product of multiplying the number of shares he wishes to subscribe to by the offer price of (SAR **) ** Saudi Riyals per share. Note that the minimum subscription is (10) ten shares, while the maximum subscription is (490,000) four hundred and ninety thousand shares for each subscriber.

Upon submitting the subscription application, the entire value of the subscribed shares will be deducted from the subscriber's investment account with the Lead Manager or the receiving entity and the funds will be transferred directly to the Escrow Account of the Offering process. The Company or the Lead Manager has the right to reject the subscription request in whole or in part if the request does not meet the conditions and the provisions of the Offering, and the subscriber will accept the number of shares allotted to him/her, unless these shares exceed the shares he/she requested for subscription.

9-3 Offering Period and Conditions

Subscription will be available to Qualified Investors starting from Sunday 26/04/1444H (corresponding to 20/11/2022G) until Thursday 30/04/1444H (corresponding to 24/11/2022G). Upon completion of the subscription application, the Lead Manager or the receiving entity will notify the subscriber of this by means of a text message. In the event that the subscription application is incomplete, or the information provided in it is incorrect, the subscription application will be considered null.

9-4 Notice of Allocation and Refund

Each Subscriber shall acknowledge that he has received and read this Prospectus, and accordingly declares his desire to subscribe to the offered shares as indicated in the Subscription Application. The Offer shares will be allocated as proposed by the Financial Advisor in consultation with the Issuer and the final allocation of the offer shares will be announced on Tuesday 05/05/1444H (corresponding to 29/11/2022G). The surplus amounts, if any, will be refunded on Thursday 07/05/1444H (corresponding to 01/12/2022G), without commissions or deductions by the Lead Manager, or the Company.

The subscribers will be notified of the final number of shares allotted to each of them and the surplus amounts that will be refunded to them, if any. For more information, subscribers should contact the Financial Advisor or Lead Manager.

9-5 Times and Circumstances where Offering may be Suspended

9-5-1 Suspension of Trading or Cancellation of Listing

- a. MA may suspend trading in listed securities or cancel the listing at any time as it deems fit, in any of the following circumstances:
 1. CMA considers it necessary for the protection of investors or maintenance of an orderly market.
 2. The Issuer fails, in a manner which CMA considers material, to comply with the Capital Market Law, its Implementing Regulations or the Listing Rules.
 3. The Issuer fails to pay on time any fees due to CMA or the Exchange or any fines due to CMA.
 4. If it considers that the Issuer or its business, the level of its operations or its assets are no longer suitable for the continued listing of its securities on the Exchange.
 5. When a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the Issuer announces sufficient information regarding the target and CMA is satisfied, following the Issuer's announcement, that there will be sufficient information available for the public about the proposed transaction of the reverse takeover, CMA may decide not to suspend trading at this stage.
 6. When the information of the suggested deal of reverse takeover are disclosed, and the issuer cannot evaluate his financial position accurately, and cannot inform the market accordingly.
 7. If the liquidity requirements specified in Paragraph (B) of Article (41) of the Listing Rules have not been met, after the period specified in Sub-Paragraph (1) of Paragraph (D) of Article (43) of the Listing Rules has not been met.
 8. When an application for financial restructuring of the Issuer in case of its accumulated losses reaching 50% or more of its capital is registered with a court under the Bankruptcy Law.
 9. When the request for liquidation procedure or the administrative liquidation of the issuer is registered with the court under the Bankruptcy Law.

10. Upon issuance of a final judgment closing the financial restructuring and initiating the liquidation procedure or the administrative liquidation procedure of the Issuer in the court under the Bankruptcy Law.
 11. Upon issuance of a final judgment initiating the liquidation procedure or the administrative liquidation procedure of the issuer in the court under the Bankruptcy Law.
- b. Lifting of trading suspension under paragraph (A) above is subject to the following:
1. The issuer adequately addressing the conditions that led to the suspension and the lack of a need to continue the suspension for the protection of investors.
 2. That lifting the suspension is unlikely to affect the normal activity of the Exchange
 3. The issuer complies with any other conditions that the CMA may require.
 4. Upon issuance of a final judgment initiating financial restructuring for the issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, in the event that the suspension is made in accordance with paragraph (A) (8) of the above.
 5. Upon issuance of a final judgment rejecting the commencement of liquidation procedure or administrative liquidation of the issuer under the Bankruptcy Law, unless the issuer was suspended from its activities by the relevant competent authority, in the event that the suspension is made in accordance with the above paragraph (A) (9).
- c. The Exchange shall suspend the trading of securities of the Issuer in any of the following cases:
1. When the issuer does not comply with the deadlines for disclosure of its periodic financial information within the periods specified in accordance with applicable implementing regulations.
 2. When the external auditor's report on the financial statements of the issuer contains an adverse opinion or an abstention from expressing opinion.
 3. If the liquidity requirements in parts two and eight of the Listing Rules are not satisfied after elapse of the time limit set forth by the Exchange for the issuer to rectify its conditions unless CMA agrees otherwise.
 4. Upon a resolution entered into force by issuer's Extraordinary General Assembly to reduce its capital for the two trading days following the issuance of such a resolution.
- d. The Exchange removes the suspension referred to in subparagraphs (1), (2) and (3) of paragraph (C) above, after one trading session has passed after the cause of suspension ceases to exist. In case that the issuer's shares are available for trading outside the platform, the Exchange removes the suspension within a period of not more than five trading sessions after the cause of suspension ceases to exist.
- e. The Exchange may at any time propose to CMA to suspend the trading of any listed security or cancel its listing where, in its opinion, it is likely that any of the above circumstances of paragraph (a) above are to occur.
- f. The issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its Implementing Regulations and the Listing Rules.
- g. If listing suspension continues for six (6) months with no appropriate procedure taken by the issuer to correct such a suspension, CMA may cancel the listing of issuer.
- h. Upon the issuer's completion of a reverse takeover, the issuer's shares are de-listed. If the issuer wishes to relist its shares, it shall submit a new application for registration and admission to listing in accordance with the requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations.
- i. These clauses shall not prejudice the suspension of trading and cancellation of listing resulting from the losses of the issuer pursuant to the relevant implementing regulations of the Exchange Rules.

9-5-2 Voluntary Cancellation or Suspension of Listing

- a. An issuer whose securities have been listed on the Exchange may not cancel the listing without a prior approval from the Authority. To obtain the Authority's approval, the issuer must submit a cancellation request to the Authority with simultaneous notification to the Exchange, and the application must include the following information:
 1. Specific reasons for the request for cancellation.
 2. Copy of the disclosure described in paragraph (D) below.
 3. Copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or other corporate action by the issuer.
 4. Names and contact information of the Financial Advisor and Legal Advisor appointed according to the Rules on the Offer of Securities and Continuing Obligations.
- b. CMA may, at its discretion, approve or reject the cancellation request.
- c. The issuer must obtain the consent of the Extraordinary General Assembly on the cancellation of the listing after obtaining CMA's approval.
- d. Where cancellation is made at the issuer's request, it must disclose this to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the issuer's activities.

9-5-3 Temporary suspension at the request of the Issuer

- a. An issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event that occurs during trading hours which requires immediate disclosure under the CML, its Implementing Regulations or the Listing Rules, where the issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange suspends trading of the securities of that issuer immediately upon receiving such request.
- b. When trading is temporarily suspended at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the suspension, its anticipated period and the nature of the event that caused it, and the extent to which it affects the issuer's activities.
- c. CMA may impose a temporary trading suspension without a request from the issuer where CMA becomes aware of information or circumstances affecting the issuer's activities which CMA considers would be likely to interrupt the operation of the Exchange or the protection of investors. If its securities are subject to temporary trading suspension, the issuer must continue to comply with Capital Market law, its Implementing Regulations and Listing Rules.
- d. The Exchange may propose to CMA to exercise its powers in accordance with paragraph (C) above, if it becomes aware of information or circumstances affecting the issuer's activities which would be likely to interrupt the operation of the Exchange or the protection of investors.
- e. A temporary trading suspension will be lifted following the elapse of the period referred to in the disclosure specified in paragraph (B) above in this Section, unless CMA or the Exchange decided otherwise.

9-5-4 Lifting the suspension

Lifting the trading suspension imposed in accordance with Paragraph (A) of “**Suspension of Trading or Cancellation of Listing**” of Section No. (9-5-1) is subject to the following considerations:

1. Sufficiently address the situations that led to the suspension, and there is no need to continue the suspension in order to protect investors.
2. Lifting the suspension is likely not to affect the normal activity of the market.
3. The issuer's commitment to any other conditions deemed appropriate by the Authority.
4. Upon the issuance of the final court ruling opening the financial reorganization procedure of the issuer under the Bankruptcy Law, unless it was suspended from carrying out his activities by the relevant competent authority, in the event that the suspension was in accordance with subparagraph (8) of Paragraph (A) contained in the section. (9-5-1) “**Suspension of Trading or Cancellation of Listing**”.
5. When a final court ruling is issued refusing to open the liquidation procedure or the administrative liquidation procedure under the Bankruptcy Law unless it was suspended from conducting its activities by the relevant competent authorities, in the event that the suspension was in accordance with subparagraph (14) of Paragraph (A), Section (9-5-1) “**Suspension of Trading or Cancellation of Listing**”.

If the suspension of trading in securities continues for a period of six months without the Company taking appropriate measures to correct such suspension, the Authority may cancel the listing of the Company's securities.

9-5-5 Re-Registering and Admission of Listing of Previously evocated Securities

If the Issuer wishes to re-register its shares after their cancellation, the Issuer is required to submit a new application in accordance with the procedures set out in the Rules on the Offer of Securities and Continuing Obligations.

9-6 Resolutions and Approvals under which the Shares will be Offered

The decisions and approvals under which the shares will be offered are as follows:

9-6-1 The Company's Board of Directors' recommendation to offer shares for subscription in the Parallel Market

The Company's Board of Directors, in its meeting held on 20/08/1443H (corresponding to 23/08/2022G), recommended Offering (2,000,000) two million shares representing 20% of the Company's capital on the Parallel Market, after obtaining the necessary regulatory approvals.

9-6-2 Approval of the Ordinary General Assembly

The approval of the Ordinary General Assembly held on 25/08/1443H (corresponding to 28/03/2022G) was obtained to offer the Company's shares and list them on the Parallel Market.

9-6-3 Approval of the Capital Market Authority

The Authority's approval was obtained to offer the Company's Shares on the Parallel Market on the date of its announcement on its official website on Wednesday 23/03/1444H (corresponding to 19/10/2022G).

9-6-4 Approval of the Saudi Tadawul Company "Saudi Tadawul" on listing

Approval was obtained from the Saudi Tadawul Company "Saudi Tadawul" to list the Company's shares on 29/10/1443H (corresponding to 30/05/2022G).

9-7 A statement of any arrangements in place to prevent disposal of certain shares

Substantial Shareholders who own 5% or more of the Company's shares after the Offering, whose names appear in this Prospectus (refer to section No. (4-2) "**Substantial Shareholders who own 5% or more of the Company's shares**" after the Offering of this Prospectus) are prohibited from disposing of their shares before the expiration of a period of (12) Twelve months from the date of commencing the trading of the Company's shares on the Parallel Market "**Lock-up Period**".

Other than the Lock-up Period imposed by the Authority on the Substantial Shareholders after Offering, there are no other existing arrangements that prevent the disposal of certain shares

9-8 Miscellaneous provisions

1. The subscription application and all related terms, conditions and covenants are binding and for the benefit of the subscription parties, their successors, assigns, will executors, estate managers and heirs. The subscription application or any rights, interests or obligations arising from it may not be assigned or delegated by the parties to the subscription without the prior written consent of the other party.
2. These instructions and terms and any receipt of the Subscription Application Forms or the contracts resulting therefrom shall be subject to the Kingdom's laws and shall be interpreted and implemented in accordance with them.
3. This Prospectus will be published in Arabic after approval by the Capital Market Authority.

The background is a grayscale photograph of an industrial facility, likely a paper mill, showing large rollers and machinery. A prominent red diagonal band runs from the top left towards the bottom right. A grey diagonal band runs from the bottom left towards the top right. The text is centered in the white area where these bands intersect.

Covenants relating Subscription (10)

10- Covenants relating Subscription

10-1 Subscribers Declaration

By filling in and submitting the Subscription Application Form, the subscriber:

- Agrees to subscribe to the number of shares mentioned in the Subscription Application he/she submitted.
- Acknowledges that he has read this Prospectus and all its contents, studied it carefully and understood its content.
- Accepts the By-Laws of the Company and the Offering terms and conditions mentioned in the Prospectus and the Subscription Application Form and subscribe to the shares accordingly.
- Confirms that he will not waive his right to claim and recourse to the Company for any damage resulting from the fact that this Prospectus contains incorrect or insufficient material information, or as a result of omission of material information that directly affects the subscriber's acceptance of subscription if it is added in the Prospectus.
- Declares that he and any member of his family included in the Subscription Application Form have never submitted an application to subscribe to the Company's shares, and that the Company has the right to reject any or all of his applications in the event of a repeat application for subscription.
- Accepts the number of the Offer Shares allocated to him/her (within the maximum amount he/she subscribed to) in accordance with the Subscription Application, and he also accepts all the subscription terms and instructions contained in the Subscription Application and in this Prospectus.
- Warrants not to cancel or amend the Subscription Application Form after submission to the Lead Manager.

10-2 Share Register and Dealing Arrangements

Tadawul maintains a register of shareholders containing their names, nationalities, residence addresses, occupations, shares they own, and the amounts paid from these shares.

10-3 Saudi Tadawul Company (Saudi Tadawul)

Tadawul system was established in 2001G as an alternative system for the electronic securities information system. The electronic stock trading started in the Kingdom in 1990G. The trading process is carried out through an integrated electronic system from the execution of the transaction to the settlement. Trading is conducted on each business day at one go from 10 a.m. until 3:00 p.m., during which orders are executed. Beyond such times, orders are permitted to be inserted, amended, and cancelled from 9:30 a.m. until 10 a.m. Such times is changed during the month of Ramadan, and the new times are announced through Tadawul.

The transactions are executed through automatic order matching, and orders are received and prioritized according to the price. In general, market orders are executed first, which are the orders that have the best prices, followed by fixed-price orders, and in the event that several orders are entered at the same price, they are executed according to the entry time.

Tadawul system distributes a comprehensive range of information through different channels, most notably the Tadawul website on the Internet, which provides up-to-date market information for major information providers such as Reuters.

The Issuer must disclose all decisions, material and important information to investors through Tadawul, which is responsible for monitoring the market in order to ensure fair trading and efficient market operations.

10-4 Trading of Shares on the Parallel Market


A request has been submitted to the Saudi Tadawul Company for their listing on the Parallel Market.

It is expected to start trading of the Company's shares after the final allocation of such shares and fulfilling all relevant statutory procedures. Tadawul will announce the trading date of the shares in due course. The dates and times mentioned in this Prospectus are considered tentative dates mentioned for guidance only, and they can be changed or extended with the approval of the Capital Market Authority.

Trading in the Offered Shares can only be made after approving the allocation of the shares in the shareholders' accounts in Saudi Tadawul, registering the Company in the official list, and listing its shares in Saudi Tadawul.

Trading in shares is strictly prohibited before the official trading. The investors who deal in such prohibited trading activities shall be held responsible for them, and the Company will not bear any legal responsibility in such a case.

Trading in shares listed in the Parallel Market is restricted to Qualified Investors (for more information, refer to Section (1) "**Terms and Definitions**" of this Prospectus).

A black and white photograph of an industrial facility, likely a power plant or refinery, featuring large pipes, machinery, and structural beams. The image is overlaid with a red diagonal band and a dark gray diagonal band. The text "Procedures for Incomplete Offering (11)" is centered in the red band.

Procedures for Incomplete Offering (11)

11- Procedures for Incomplete Offering

If the Offering is not completed on the date specified for the end of the Offering process indicated in this Prospectus (please refer to the “**Important Dates and Offering Procedures**” section on page (xiv) of this Prospectus), the Financial Advisor shall notify the Authority in writing within (10) ten days from the end of the Offering Period, that the Offering has not been completed. Then, the Financial Advisor shall notify the subscribers, and in coordination with the receiving bank of the Offering Proceeds, the amounts collected from the subscribers (if any) shall be returned without deducting any commissions or fees.

The Company confirms its commitment to any decisions, instructions, or procedures issued by the Capital Market Authority in the event that the Offering is not completed.

A grayscale photograph of a worker in a hard hat and safety gear walking away from the camera in a large industrial facility. The worker is carrying a tablet or clipboard. A large red diagonal overlay covers the left and bottom portions of the image, with the text 'Documents Available for Inspection (12)' centered over it.

Documents Available for Inspection (12)

12- Documents Available for Inspection

The following documents will be available for inspection through a virtual data room. The Financial Advisor "**Aldukheil Financial Group**" will send the electronic link of the virtual room to the Qualified Investors upon request via email "**info@aldukheil.com.sa**", during working days from Wednesday 22/04/1444H (corresponding to 16/11/2022G) to Thursday 30/04/1444H (corresponding to 24/11/2022G) within a period of no less than (7) days before the end of the Offering Period:

1. The Company's main Commercial Registration.
2. The Company's Bylaws.
3. The Company's Articles of Association and all amendments thereto.
4. The Company's Board of Directors' recommendation on the request for registration, offering and listing of the Company's shares on the parallel market.
5. The General Assembly's decision approving the registration, Offering, and listing of the Company's shares on the Parallel Market.
6. Copy of the announcement of the Capital Market Authority's approval of the application for registration and offering of shares on the Parallel Market.
7. Copy of the approval of the Saudi Tadawul Company "**Tadawul Saudi**" to list the Company's shares on the parallel market.
8. The Company's financial assessment report.
9. Letters of consent to include the name, logo and attestation in the Prospectus for:
 - Financial advisor to the Company "**Aldukheil Financial Group**".
 - Lead Manager "**Alinma Investment Company**"
10. Letter of consent from the Company's Auditor "**Talal Abu-Ghazaleh & Co. - Certified Public Accountants**" to include the name and logo and to publish the Company's audited financial statements for the fiscal year ending on 31/12/2021G and the Reviewed financial statements for the six months period ending on 30/06/2022G in the Prospectus.
11. The Company's audited financial statements for the fiscal year ending on 31/12/2021G.
12. The Company's reviewed financial statements for the financial period ending on 30/06/2022G.

A man wearing a white hard hat, glasses, and a safety vest is working on a laptop. He is standing in front of a construction site with scaffolding and rebar visible in the background. The image is overlaid with a large red diagonal shape and a grey diagonal shape.

Auditors Report (13)

13- Auditors Report

13-1 The Audited financial statements for the fiscal year ending on 31/12/2021G.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia**

**Financial Statements
For the Year Ended 31 December 2021
And Independent Auditor's Report**

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia**

Index	Page	Exhibit
Independent Auditor's Report	1-2	--
Statement of Financial Position as of 31 December 2021	3	A
Statement of Comprehensive Income for the Year Ended 31 December 2021	4	B
Statement of Changes in Equity for the Year Ended 31 December 2021	5	C
Statement of Cash Flows for the Year Ended 31 December 2021	6	D
Notes to the Financial Statements for the Year Ended 31 December 2021	7-39	--

شركة طلال أبوغزالة وشركاه محاسبون قانونيون
Talal Abu-Ghazaleh & Co. Certified Public Accountants
 License No. 323/11/81 ترخيص رقم ٨١/١١/٣٢٣ تاريخ ١٤١١/٧/هـ



Independent Auditor's Report

The Partners
Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion:

We have audited the financial statements of **Rayan Plastic Factory Co. (the Company) – A Limited Liability Company** which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the accompanying notes 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 of 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted in the Kingdom of Saudi Arabia and other pronouncements and Standards endorsed by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing 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 ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Saudi Arabia, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements:

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS as adopted in the Kingdom of Saudi Arabia and other pronouncements and Standards endorsed by the Saudi Organization of Chartered and Professional Accountants (SOCPA) and Companies' Regulation and Company's Bylaws 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, 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (the board of directors) are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report to the Partners of Rayan Plastic Factory Co. – A Limited Liability Company for the year ended 31 December 2021 (continued):

Auditor's Responsibilities for the Audit of the Financial Statements

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

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


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

Report on Other Legal and Regulatory Requirements

The Regulations for Companies in Saudi Arabia require the auditor to include in his report the contraventions to the Regulations for Companies or the Company's Articles of Association that came to his attention. During our current audit, no contraventions to the Regulations for Companies or the Company's Articles of Association came to our knowledge.

For Talal Abu-Ghazaleh & Co.


Waleed A. Bamarouf
Certified Public Accountant
License No. 408



20 Shaban 1443H.
23 March 2022G.



**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Statement of Financial Position
As of 31 December 2021**

Exhibit A

	Note	31 December 2021 SR.	31 December 2020 SR.	01 January 2020 SR.
Assets				
Current Assets				
Cash and cash equivalent	(7)	11,368,600	11,933,391	18,773,205
Trade receivables, net	(8/a)	59,573,469	46,745,674	60,716,804
Inventories	(9)	31,405,453	30,124,355	23,248,900
Other debit balances	(10)	7,085,493	5,491,835	4,280,866
Investments at fair value through statement of income	(11)	--	15,754,363	10,667,954
Due from related parties	(12)	--	--	14,333
Total Current Assets		109,433,015	110,049,618	117,702,062
Non-Current Assets				
Property, plant and equipment	(13)	107,127,382	79,108,226	83,565,948
Advance payments to purchase property, plant and equipment	(14)	--	26,887,558	14,629,034
Right-of-use assets	(15)	3,716,406	4,080,367	3,660,263
Long-term trade receivables	(8/d)	28,724,463	35,289,566	18,810,536
Total Non-Current Assets		139,568,251	145,365,717	120,665,781
Total Assets		249,001,266	255,415,335	238,367,843
Liabilities and Equity				
Current Liabilities				
Current portion of lease obligations	(15)	747,158	760,123	534,873
Current portion of long term loans	(16/c)	20,037,743	43,955,829	21,589,491
Current portion of loan grant obligation	(16/d)	1,176,292	1,345,498	--
Trade payables	(17)	27,001,974	31,752,842	24,436,803
Other credit balances	(18)	3,815,008	2,719,198	797,958
Estimated Zakat provision	(19/c)	3,169,012	1,763,890	2,617,437
Total Current Liabilities		55,947,187	82,297,380	49,976,562
Non-Current Liabilities				
Lease obligations	(15)	2,734,683	3,102,828	2,932,493
Long term loans	(16/c)	45,069,125	44,628,654	28,518,080
Non-current portion of the loan grant obligation	(16/d)	2,442,586	3,618,878	--
Long term employees' benefits obligations	(20)	8,376,794	7,443,324	6,257,051
Total Non-Current Liabilities		58,623,188	58,793,684	37,707,624
Total Liabilities		114,570,375	141,091,064	87,684,186
Partners' Equity				
Capital	(21/a)	50,000,000	50,000,000	50,000,000
Statutory reserve	(21/b)	15,000,000	15,000,000	15,000,000
Retained earnings		69,430,891	49,324,271	85,683,657
Partners' Equity – Exhibit C		134,430,891	114,324,271	150,683,657
Total Liabilities and Partners' Equity		249,001,266	255,415,335	238,367,843

**The Accompanying Notes from (1) to (33) Constitute an Integral Part of
These Financial Statements**

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Statement of Comprehensive Income
For the Year Ended 31 December 2021**

Exhibit B

	Note	31 December 2021 SR.	31 December 2020 SR.
Sales, net	(22)	192,709,956	171,521,102
Cost of sales	(23)	(147,873,139)	(117,517,302)
Gross Profit		44,836,817	54,003,800
Selling and distribution expenses	(24)	(5,395,308)	(5,613,329)
General and administrative expenses	(25)	(12,562,761)	(12,677,024)
Operating profit		26,878,748	35,713,447
(Loss) / gain sale of property, plant and equipment		(37)	26,071
Other income	(26)	13,740,608	4,277,531
Financial charges	(27)	(3,921,154)	(3,286,536)
Profit before estimated Zakat		36,698,165	36,730,513
Estimated Zakat	(19\ a)	(3,168,943)	(1,763,890)
Profit for the year		33,529,222	34,966,623
Other comprehensive income:			
<i>Items that will not be reclassified later to profit and loss:</i>			
(Loss) / gain from re-measurement of employees benefits obligation		(706,901)	189,420
Total other comprehensive (loss) / income for the year		(706,901)	189,420
Total comprehensive income for the year – Exhibit C		32,822,321	35,156,043

**The Accompanying Notes from (1) to (33) Constitute an Integral Part of
These Financial Statements**

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Statement of Changes in Equity
For the Year Ended 31 December 2021**

Exhibit C

	Capital	Statutory reserve	Retained earnings	Total
	SR.	SR.	SR.	SR.
Balance as at 01 January 2020 – Adjusted	50,000,000	15,000,000	85,683,657	150,683,657
Profit for the year 31 December 2020 – Exhibit B	--	--	34,966,623	34,966,623
Other comprehensive income	--	--	189,420	189,420
Total comprehensive income for the year	--	--	35,156,043	35,156,043
Dividends*	--	--	(71,515,429)	(71,515,429)
Equity as at 31 December 2020 – Adjusted	50,000,000	15,000,000	49,324,271	114,324,271
Profit for year 2021 – Exhibit B	--	--	33,529,222	33,529,222
Other comprehensive income	--	--	(706,901)	(706,901)
Total comprehensive income for the year	--	--	32,822,321	32,822,321
Dividends*	--	--	(12,715,701)	(12,715,701)
Equity as at 31 December 2021 – Exhibit A	50,000,000	15,000,000	69,430,891	134,430,891

* The Board of Partners, in their meeting held on 01 December 2021, approved the distribution of dividends in the amount of SR.12,715,701 from the retained profits to be distributed to the partners' account according to the authorization given to Mr. Hassan Ali Al- Sirafi. Also, during the year 2020, a dividend of SR.71,515,429 was distributed to the partners' account.

The Accompanying Notes from (1) to (33) Constitute an Integral Part of These Financial Statements

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Statement of Cash Flows
For the Year Ended 31 December 2021**

Exhibit D

	31 December 2021 SR.	31 December 2020 SR.
Cash Flow from Operating Activities		
Profit for the year	33,529,222	34,966,623
Adjustments for non-cash income and expenses:		
Depreciation of Property, plant and equipment	12,369,782	12,608,130
Amortization of right-of-use assets	646,612	606,660
Losses / (profit) on sale of property, plant and equipment	37	(26,071)
Unrealized investment (gains)	--	(80,128)
Realized investment profits	(2,005,926)	(418,716)
Employees benefits obligation allocated to expenses	791,664	1,683,978
Impairment in value charged to expenses	5,000,000	3,000,000
Provision for estimated Zakat allocated to expenses	3,168,943	1,763,890
Closed in trade receivables and provision no longer required	(655,504)	(3,191,880)
Finance costs	126,724	128,944
	52,971,554	51,041,430
Changes in Operating Assets and Liabilities		
Short and long term trade receivables	(10,607,188)	(2,316,020)
Inventories	(1,281,098)	(6,875,455)
Other debit balances	(1,593,658)	(1,391,575)
Related parties	--	14,333
Trade payables	(4,750,868)	7,316,039
Other credit balances	1,095,811	1,921,239
Cash Flow from Operations	35,834,553	49,709,991
Employees benefits obligation – paid	(565,095)	(308,285)
Zakat - paid	(1,763,821)	(2,617,437)
Net cash from operating activities	33,505,637	46,784,269
Cash Flow from Investing Activities		
Proceeds from sale of investments at fair value through income statement	17,760,289	--
Purchase of property, plant and equipment	(13,501,417)	(4,092,089)
Additions to investments at fair value through income statement	--	(16,316,843)
Proceeds from sale of property, plant and equipment	--	(4,587,564)
Advance payments to purchase property, plant and equipment	--	26,071
Net cash from / (used in) investing activities	4,258,872	(24,970,425)
Cash Flow from Financing Activities		
Loans proceeds	--	74,759,091
Loans settlement	(24,823,114)	(32,259,623)
Financial charges paid	--	941,820
Dividends distribution	(12,715,701)	(71,515,429)
Lease obligations	(790,485)	(579,517)
Net cash (used in) financing activities	(38,329,300)	(28,653,658)
Net (decrease) in cash and cash equivalents	(564,791)	(6,839,814)
Cash and cash equivalents, beginning of the year	11,933,391	18,773,205
Cash and Cash Equivalents, End of The Year – Exhibit A	11,368,600	11,933,391
Non-Cash Activities:		
Transfer from advance payments to purchase of assets to property, machinery and equipment	26,887,558	4,058,319
Right to use assets / lease liabilities	--	5,245,409
Closing prepaid expenses on lease commitments	--	410,630
Benefits of reassessing a loan / grant obligation	1,984,789	1,372,241

**The Accompanying Notes from (1) to (33) Constitute an Integral Part of
These Financial Statements**

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

1- Formation and Nature of Business:

On 24/08/1410H. corresponding to 21/31/1990G. **Rayan Plastic Factory Co. (Establishment)** was established by its owner Mr.Hassan Ali Hassan Al-Siraf after that it was changed to **Rayan Plastic Factory Co. – Limited Liability Company** (referred to hereinafter as “the Company”) and is registered in Riyadh under the commercial registration number 1010213199 dated 07/09/1426H. to practice the activity of manufacturing paper bags, printing, making bags of plastics, General stores that include a variety of goods.

- Also, the company obtained sub-commercial registration no.1010670184 issued in Riyadh dated 09/04/1442H. to practice the activity of manufacturing paper bags, printing, making bags of plastics. General store that include a variety of goods.
- Also the company obtained sub-commercial registration no.1408906 issued in Dubai dated 07/04/2019G. to practice the activity of manufacturing packaging materials, plastic consumable tools for table food, plastic bags and plastic chips.

The accompanying financial statements represent the assets and liabilities and the results of operation of the above commercial registrations only.

The company's registered address is as follows:

Riyadh – Second industrial city
Po.Box.54654 Postal code 11564
Kingdom of Saudi Arabia

2- Basis for Preparation:

Statement of Compliance with IFRS:

These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee and the International Accounting Standards Board (IASB) adopted in the Kingdom of Saudi Arabia in addition to other standards issued by the Saudi Organization of Chartered and Professional Accountants (SOCPA) (hereinafter referred to as "IFRS adopted in KSA").

These are the first financial statements of the company prepared in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia, as it had previously applied the International Financial Reporting Standard for Small and Medium-sized Entities. Accordingly, the Company applied IFRS 1 “First Time Adoption of International Financial Reporting Standards” as approved in the Kingdom of Saudi Arabia, using the same accounting policies in preparing both the opening statement of financial position as on 01 January 2020 and the comparative financial statements for the year 2020. The Company had previously prepared its financial statements for all periods until 31 December 2020 in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. Note (7) shows the impact of the application of the International Financial Reporting Standards for the first time.

Basis of Presentation and Measurement:

These financial statements have been prepared on the historical cost basis and using the accrual basis except for investments, which are stated at fair value and employees' benefit obligations, which are measured at the present value of future obligations using the projected unit credit method.

Functional Currency, Presentation Currency and Foreign Currency Conversion:

The financial statements are presented in Saudi Riyals (SR.), which is the Company's functional currency.

Transactions in foreign currencies are originally recorded at spot rates of functional currencies at the relevant transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the spot exchange rates of functional currencies at the preparation date of financial statements.

Differences arising from the payment or transfer of monetary items are recognized in profit or loss.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Non-monetary items that are measured at historical cost in a foreign currency are converted at the exchange rates prevailing at the dates of initial transactions. Non-monetary items that are measured at fair value in foreign currencies are converted using exchange rates prevailing at fair value measurement date. Gains or losses arising from conversion of non-monetary items that are measured at fair value are processed in consistency with recognition of profit or loss as a result of a change in the fair value of such item.

Fair Value Measurement:

Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured assuming that market participants will benefit when pricing the assets and liabilities and will act in their best economic interests.

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

The Company uses evaluation methods appropriate to circumstances, for which sufficient data are available to measure fair value, along with increasing use of observable inputs and reducing use of non-observable inputs.

All assets and liabilities measured at fair value or disclosed in financial statements are classified under the below fair value hierarchy levels and based on the lowest level inputs that are significant to measuring fair value as a whole:

- Level 1: Quoted prices in an active market for similar assets or liabilities.
- Level 2: Evaluation methods from which the lowest level inputs that are significant to measuring fair value, are observable whether directly or indirectly.
- Level 3: Evaluation methods for which the lowest level inputs that are significant to measuring fair value, non-observable.

For the purpose of fair value disclosures, the Company identified categories of assets and liabilities based on the nature, characteristics and risks of those assets or liabilities and the above fair value hierarchy levels.

3- Use of Accounting Estimates, Judgments and Assumptions:

Preparation of these financial statements in accordance with IFRSs requires using estimates, judgments and assumptions that may affect amounts of assets, liabilities and disclosures of contingent assets and liabilities at the financial position date, as well as amounts of income and expenses recorded during the related period. Although these estimates are based on best information available to the Management on events and activities, but the final results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and the effect of changes in accounting estimates is disclosed in the period in which they occur and the affected future periods. The following are the key assumptions and main sources of estimation uncertainty at financial position date, which have a significant impact that may lead to material future adjustments.

Estimated Useful Lives of, Property, Plant and Equipment:

The cost of property, plant and equipment is depreciated on a systematic basis over the estimated useful lives of these assets. The Management reviews the useful lives and depreciation method annually to ensure that it reflects the expected benefit. The management review the assets useful life and the expected residual value at least once a year. At the end of every year the future depreciation will adjust if the management find that the useful life different from previous estimations.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Estimated Zakat:

Zakat fees on ordinary activities are the sum of total Zakat. The calculation of Zakat on the Company necessarily includes a degree of estimation in respect of certain items that cannot be determined definitively until a decision is reached with the Zakat, Tax and Customs Authority (ZATCA) or according to the relevant legal decisions. The final settlement of some of these items may result in profits, losses or cash flows.

Long Term Employee benefits obligations Assumptions

Employees benefit plans (end of service benefits) represent obligations to be paid in the future and require actuarial assumptions to be made in estimating the obligations. The management has to make more assumptions regarding the variables like discount rates and rate of increase in salaries. Periodically, management consults with external actuarial experts regarding these assumptions. Changes in the underlying assumptions can have a significant impact on expected benefit obligations and periodic defined employees benefit costs.

Defined benefit obligations within the company are discounted by reference to market returns at the end of the financial period, on high-quality corporate or government bonds. Important judgments must be made when setting conditions and criteria for the bonds to be used when extracting the yield curve. The most important conditions and criteria to be taken into consideration when selecting bonds include the size of the bonds, the quality of corporate bonds, and the identification and exclusion of exceptions, if any.

Related parties allocated expenses:

The expenses allocated between related parties are estimated by the company's management, which is estimated according to charging system based on the services shared between related parties.

Provisions:

Provisions are recognized when the Company has a liability (legal or constructive) arising from a past event and there is a possibility that costs to settle the obligation will arise which can be reliably measured. When the Company expects to receive compensation for some or all of the provision- for example, under an insurance contract - compensation is recognized as an independent asset but only in the event that the compensation is virtually certain. Expenses relating to the provision are presented in the statement of profit or loss, net of any compensation.

Impairment of Non-Financial Assets:

The decline in the value of a non-financial asset occurs when the carrying value of the asset or the cash-generating unit exceeds its recoverable value, which represents the fair value less disposal costs or the present value, whichever is higher. The fair value less disposal costs are calculated on the basis of data available for binding sale transactions that are made on fair transaction terms for similar assets or observable market prices less additional costs to retire the asset. Present value is determined on the basis of the discounted cash flow method. The cash flows are determined on the basis of the estimated budget and business plan for the next five years and do not include restructuring activities that the company has not yet committed to or significant future investments that would enhance the performance of the cash-generating unit subject to impairment testing. The recoverable amount is affected by the discount rate used in the DCF method as well as the expected future net cash inflows and the growth rate used for extrapolation purposes.

4- Summary of Significant Accounting Policies:

The significant accounting policies applied by the company in the preparation of these financial statements are consistently applied as follows:

Current and Non-Current Classification of Assets and Liabilities:

The company presents its assets and liabilities in the statement of financial position as "current / non-current". Assets shall be deemed current:

- When it is expected to be realized in, or is intended for sale or consumption in, the normal operating cycle;
- When it is expected to be realized within twelve months after the reporting period, or
- When it is cash and cash equivalents, unless it is restricted from being exchanged or used to settle any liabilities for at least twelve months after the reporting period.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

All other assets shall be classified as non-current.
Liabilities shall be deemed current when they mature within twelve months after the reporting period.
The Company classifies all other liabilities as non-current liabilities.
Deferred tax assets and liabilities are classified as non-current assets and non-current liabilities.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Property, Plant and Equipment:

Items of property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment in value, if any.

Depreciation is calculated on these assets, except land, on a straight line basis so as to allocate the cost of the assets less their residual values over their estimated useful lives using the following annual depreciation rates:

Asset	Rate	Asset	Rate
Building	8-4%	Vehicle	25%
Machinery and equipment	10%	Furniture	20%
Air-conditions	25%	Tools	20%
Computer and software	30%		

Sold or disposed assets are derecognized along with their accumulated depreciation on the date of their sale or disposal. Gains or losses on sale or disposal are recognized in profit or loss.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Inventory:

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is calculated using the first in first out method for raw materials, materials in process and finished goods; and the weighted average method for spare parts and includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Related Parties:

Related parties are identified by the Company in accordance with the definition in International Accounting Standard 24 "Related Party Disclosures". A related party transaction is a transfer of resources, services or obligation between the Company and a related party regardless of whether a price is charged. Terms and conditions of these transactions are approved by the Company's management.

Right of use assets:

The company recognizes right-of-use assets on the lease start date (i.e. the date on which the leased asset becomes available for use). Right-to-use assets are measured at cost less any accumulated depreciation and any losses arising from impairment, and adjusted for any re-measurement of the lease obligations. The right-of-use asset cost includes the amount of the lease liability recognized, initial direct costs incurred and lease payments made on or before the commencement of the lease agreement, less any lease incentives received. Unless the company is reasonably certain about acquiring ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated in accordance with the straight-line method over the estimated useful life or the lease term, whichever is shorter. Right-of-use assets are subject to impairment.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Lease Liabilities:

Upon initiation of the lease, the Company recognizes rental liabilities measured at the present value of lease payments made over the term of the lease. The lease payments include fixed payments (including those actual fixed payments) minus any rent incentives receivable and variable rental payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. Lease payments also include the price of exercising a reasonably assured purchase option that the company exercises and payments of fines to terminate the lease contract if the lease reflects the company's exercise of the termination option. Variable rents payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggers those payments occurs. When calculating the present value of the lease payments, the company uses the incremental borrowing rate at the commencement of the lease if the interest rate implicit in the lease cannot be determined easily. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The lease payments are distributed between the principal amount and the financing cost. The finance cost is charged to the profit or loss over the lease period in order to find a constant periodic rate of interest on the remaining balance of the liability each year.

Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be measured reliably, regardless of the date on which payment is made. Revenue is measured at the fair value of the consideration received or receivable after taking into account contractually determined payment terms and excluding taxes or fees. The amounts disclosed are presented as revenue after deducting returns, trade discounts, rebates and amounts collected on behalf of third parties.

Revenue from the sale of the good is recognized when the related risks and benefits of control have passed to the buyer which ordinarily occurs when control of the goods is transferred to the buyer at time of delivery.

An entity shall recognize revenue to designate the transfer of goods or services agreed upon to customers in an amount that reflects the equivalent consideration that the entity expects to receive for such goods or services. Revenue is recognized as follows:

- Identify contract(s) with customers.
- Identify performance obligations in each contract.
- Determine the price for transaction.
- Allocate the determined price to the contractual obligations.
- Recognize revenue when the entity satisfies performance obligations.

When a Company acts as a marketer for any affiliated Company, joint venture or third party, it reviews this arrangement to ascertain whether it acts as a principal or agent. When it becomes apparent that the Company is operating as a principal, it records all related sales and selling costs of the goods sold.

In the event of barter transaction, representing exchange of similar items over a short and finite period of time without a commercial substance, these transactions are recorded as transfer goods at cost and the corresponding effect is recognized as receivables and payable.

Sale of goods:

Sales are recognized when the goods are delivered to customers and the significant risks and rewards of ownership have passed to the buyer. Other income is recognized when earned.

Expenses:

Selling and distribution expenses represent expenses resulting from sales, marketing and distribution efforts. All other expenses, excluding direct costs and financing expenses, are classified as general and administrative expenses. Selling, distribution and general and administrative expenses are recognized on the accrual basis in the period in which they are incurred. Joint expenses are allocated between the cost of revenue, selling and distribution expenses and general and administrative expenses on a regular basis, if necessary.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Zakat Provision:

Zakat shall be separately calculated and recognized in the statement of income for each financial period in accordance with regulations of the Zakat, Tax and Customs Authority (ZATCA). Zakat shall be settled upon receipt of the final Zakat assessment. Differences between zakat provision and final assessment made by the Zakat, Tax and Customs Authority are charged to the income statement at the time of receipt of the final Zakat assessment.

Value-Added Tax (VAT):

Value Added Tax deposits represent 15% of the total sales value (output tax), and 15% of the total value of purchases and paid expenses (input tax) is deducted. The difference between these amounts is then transferred (paid) to the Zakat, Tax and Customs Authority.

Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity or financial liabilities or equity instrument of another entity.

Financial Assets:

Financial assets include:

- Cash
- A contractual right to receive a financial asset from another entity (receivables)
- A contractual right to exchange financial instruments with another entity under favorable conditions of entity.
- A non-derivative contract where the entity is or may be required to receive a variable number of entity's own equity instruments.

Classification and Initial Recognition:

An entity classifies its financial assets in the following measurement categories:

- Financial assets that are subsequently measured at fair value (either through statement of income (FVSI) or other comprehensive income (FVTOC))
- Financial assets measured at amortized cost.

Classification is based on the business model used in the entity for managing financial assets and contractual terms of cash flows.

For assets measured at fair value, gains or losses are recognized either in the statement of income or other comprehensive income. For investment in debt instruments, it depends on the business model of this investment. For investment in equity instruments, it depends on whether the entity has made an irrevocable choice at the time of initial recognition of equity instruments at FVTOCI. The entity reclassifies debt instruments only when its business model changes to manage those assets.

At initial recognition, an entity measures its financial assets (not classified as fair value through statement of income) at fair value plus transaction costs directly attributable to the acquisition of financial assets. In the case of financial assets classified as at FVSI, transaction costs are recognized in the statement of income.

Subsequent Measurement of Financial Assets:

Equity Instruments:

- All equity investments are to be measured at fair value and if the entity's management decides to present fair value gains or losses on equity investments within other comprehensive income, the gains (losses) on fair values cannot be reclassified subsequently in the statement of income. Dividend from the investment are recognized as income when the entity's right to receive payments is established.
- Impairment losses and reversal of impairment losses on equity investments measured at FVTOCI are not treated separately from other changes in fair value.
- Changes in the fair value of financial assets at (FVTPL) are recognized in other income in the statement of income as appropriate.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Debt Instruments:

Subsequent measurement for debt instruments is based on the entity's business model for asset management and cash flow characteristics of assets. There are three measurement categories and the entity classifies debt instruments by:

- **Amortized cost:**
Financial assets held for contractual cash flows represent the original investment and related interest thereon and are measured at amortized cost. Gains or losses on debt instruments at amortized cost that are not part of a hedging relationship are recognized in profit or loss when it is derecognized or impaired.
Interest income from financial assets is recognized using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):**
Financial assets held for contractual cash flows and for sale, where cash flows represent the investment asset and interest thereon and are measured at FVOCI.

Changes in fair value are recognized through other comprehensive income except for the recognition of gains or losses relating to impairment, interest income and foreign exchange gains / losses in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from equity to income statement, recognized as other gains or losses and interest income from financial assets and treated as financial interest using the effective interest rate method.

- **Fair value through statement of income (FVSI):**
Assets that do not meet amortized cost or FVOCI are measured at fair value through statement of income. Gains or losses arising from subsequent measurement of investment in debt instruments are recognized at fair value through statement of income that is not part of a hedging relationship within the statement of income. They are recognized as net gains or losses in the period in which they arise. Interest income from these financial assets is recognized as financial interest.

Effective Interest Method:

The effective interest method is a method for calculating the amortized cost of a debt instrument and allocating interest revenue over the relevant period. The effective interest rate is the rate that discounts future cash payments received through the life expectancy of the debt instrument or, if appropriate, in the shorter period to carrying amount at initial recognition.

Impairment:

- The entity assesses expected future credit losses for financial assets at amortized cost and FVOCI. The impairment methodology applied depends on whether there is a significant increase in credit risk.
- For trade receivables only, the entity applies the "simplified approach" permitted by IFRS 9, which requires the recognition of lifetime expected losses in initial recognition of receivables.

Financial Liabilities:

Financial liabilities include:

- A contractual obligation to deliver cash or another financial asset to another entity.
- A contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable to the entity.
- A non-derivative contract where the entity is obliged to provide a variable number of entity's own equity instruments.

Initial Recognition:

Financial liabilities are recognized initially at fair value. The financial liabilities of the entity include trade payables, other payables and long-term loans from the government at a lower market rate.

Subsequent Measurement:

The entity classifies all financial liabilities after initial recognition at amortized cost.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Offsetting Financial Instruments:

Financial assets and liabilities shall be offset and the net amount presented in the statement of financial position only when there is a current enforceable right to settle the amounts recognized and when there is an intention to settle on a net basis or to liquidate assets and settle liabilities simultaneously.

Disposal of Financial Assets and Liabilities:

- An entity derecognizes a financial asset only when the contractual rights to cash flows from the asset expire or when it transfers the financial asset and all the risks and rewards of ownership thereof to another party. If an entity neither transfers nor retains all risks and rewards of ownership and continues to control the asset, the entity recognizes its share held in the asset and the liability for the amounts it may pay. If an entity retains substantially all risks and rewards of ownership of the financial asset, the entity continues to recognize the financial asset and recognize the associated liability.
- On derecognition of a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the amount of the consideration received and receivable is recognized in the statement of income. In addition, upon derecognition of an investment in a debt instrument classified as FVOCI, the cumulative gain or loss previously recognized in the revaluation reserve is reclassified to profit or loss. Upon derecognition of an investment in equity instruments that the Company has chosen to recognize initially by measuring at (FVOCI), the cumulative gain or loss recognized in the investment revaluation reserve is not classified as profit or loss, but are converted to retained earnings.
- Financial liabilities are derecognized only when the liabilities are discharged, canceled, expired or invalidated. The difference between the carrying amounts of the financial liabilities and the amounts paid and required, including any non-monetary assets transferred or liabilities recognized in the statement of income, is recognized.

Post-Employment Benefits:

The Company's post-employment benefits include monthly contributions to General Organization for Social Insurance (GOSI) and gratuity scheme as per the requirements of Kingdom of Saudi Arabia regulations.

GOSI:

The monthly contributions to GOSI (separate entity) are categorized as a defined contribution plan. The Company recognizes its portion of fixed contribution to GOSI every month as expense. The Company has no legal or constructive obligation to pay any further contribution, its only obligation is to pay the contribution as it falls due.

Gratuity:

The Company's end of service benefits program is classified as a defined benefit plan. This program is considered unfunded, and the liability recognized in the statement of financial position related to the defined benefit end-of-service benefit program is represented by the present value of the defined benefit obligation at the end of the reporting period.

Provisions:

Provisions are recognized when the Company has a liability (legal or constructive) arising from a past event and there is a possibility that costs to settle the obligation will arise which can be reliably measured. When the Company expects to receive compensation for some or all of the provision- for example, under an insurance contract - compensation is recognized as an independent asset but only in the event that the compensation is virtually certain. Expenses relating to the provision are presented in the statement of profit or loss, net of any compensation.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

5- Implementation of International Financial Reporting Standards for the first time:

5-1 Basis of Transition to International Financial Reporting Standards:

The company's financial statements for the year ending 31 December 2021G. are the first annual financial statements in which the company is committed to applying international financial reporting standards. These financial statements have been prepared in accordance with the policies set out in note no. (4), including International Financial Reporting Standard no. (1). Standard no. (1) requires entities to adopt International Financial Reporting Standards in their first annual financial statements prepared in accordance with international standards by providing an explicit and unconstrained statement of compliance with International Financial Reporting Standards. IFRS 1 also requires comparative financial information. As a result, the first date on which the company applied the international standards is 01/01/2020G. (the transition date).

Standard no. 1 requires the retrospective application of all IFRS in effect on the financial reporting date, which is 31 December 2021G.

5-2- Reconciliations on previously issued financial statements in accordance with IFRS for SMEs to convert them to International Financial Reporting Standards:

IFRS 1 requires adjustments for equity, comprehensive income and cash flows for prior periods. The changes that were made to the statement of financial position and the statement of other comprehensive income have led to changes in the classification of some items in the statement of cash flows, but they did not affect the net cash flows, and accordingly, a statement of cash flow adjustments will not be presented.

- The Company applied the modified retrospective approach for recognizing leases before 1 January 2020. Therefore right of use assets and lease obligations were recognized retrospectively as of 1 January 2020.
- Applying IFRS 9 "Financial Instruments" in accordance with the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia.
- Some items in the statement of financial position have been reclassified to meet the presentation and disclosure requirements in the International Financial Reporting Standards approved in the Kingdom of Saudi Arabia, which did not result in any additional effects on equity or the statement of comprehensive income.
- The reconciliations between the financial results previously presented in accordance with the International Financial Reporting Standard for Small and Medium-Sized entities and the financial results currently shown in accordance with the International Financial Reporting Standards are as follows:
 - 1) Reconciliations to the statement of financial position and equity as on 01 January 2020G.
 - 2) Reconciliations to the statement of financial position and equity as of 31 December 2020G.
 - 3) Reconciliations to the income statement and other comprehensive income for the year ended 31 December 2020G.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

First: Reconciliations to the statement of financial position in accordance with the International Financial Reporting Standards as of 01 January 2020:

	According to the IFRS for SMEs	Re- classification and adjustments	Re- measurement	In accordance with International Financial Reporting Standards
	SR.	SR.	SR.	SR.
Assets				
Current Assets				
Cash and cash equivalent	18,773,205	--	--	18,773,205
Trade receivables	57,351,461	--	3,365,343	60,716,804
Inventory	28,920,499	(5,671,599)	--	23,248,900
Other debit balances	4,510,890	--	(230,024)	4,280,866
Investments at FVSI	10,667,954	--	--	10,667,954
Related parties	14,333	--	--	14,333
Total Current Assets	120,238,342	(5,671,599)	3,135,319	117,702,062
Non-Current Assets				
Property, plant and equipment, net	79,667,397	3,898,551	--	83,565,948
Advance payment to purchase property, plant and equipment	14,629,034	--	--	14,629,034
Right-of-use assets	--	--	3,660,263	3,660,263
Long-term trade receivable	27,810,536	--	(9,000,000)	18,810,536
Total Non-Current Assets	122,106,967	3,898,551	(5,339,737)	120,665,781
Total Assets	242,345,309	(1,773,048)	(2,204,418)	238,367,843
Liabilities and Equity				
Current Liabilities				
Current portion of lease obligation	--	--	534,873	534,873
Current portion of long-term loans	21,589,491	--	--	21,589,491
Trade payables	24,436,803	--	--	24,436,803
Other credit balances	797,958	--	--	797,958
Estimated Zakat provision	2,617,437	--	--	2,617,437
Total Current Liabilities	49,441,689	--	534,873	49,976,562
Non-Current Liabilities				
Long term loan	28,518,080	--	--	28,518,080
Lease obligations	--	--	2,932,493	2,932,493
Long-term employees benefit obligation	6,257,051	--	--	6,257,051
Total Non-Current Liabilities	34,775,131	--	2,932,493	37,707,624
Total Liabilities	84,216,820	--	3,467,366	87,684,186
Equity				
Capital	50,000,000	--	--	50,000,000
Statutory reserve	15,000,000	--	--	15,000,000
Retained earnings	93,128,489	(1,773,048)	(5,671,784)	85,683,657
Total Equity	158,128,489	(1,773,048)	(5,671,784)	150,683,657
Total Liabilities and Equity	242,345,309	(1,773,048)	(2,204,418)	238,367,843

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Second: Reconciliations to the statement of financial position in accordance with International Financial Reporting Standards as of 31 December 2020:

	According to the IFRS for SMEs	Re- classification and adjustments	Re- measurement	In accordance with International Financial Reporting Standards
	SR.	SR.	SR.	SR.
Assets				
Current Assets				
Cash and cash equivalent	11,933,391	--	--	11,933,391
Trade receivables	44,750,726	--	1,994,948	46,745,674
Inventory	36,027,866	(5,903,511)	--	30,124,355
Other debit balances	5,672,441	--	(180,606)	5,491,835
Investments at FVSI	15,754,363	--	--	15,754,363
Total Current Assets	114,138,787	(5,903,511)	1,814,342	110,049,618
Non-Current Assets				
Property, plant and equipment, net	74,700,660	4,407,566	--	79,108,226
Advance payment to purchase property, plant and equipment	26,887,558	--	--	26,887,558
Right-of-use assets	--	--	4,080,367	4,080,367
Long-term trade receivable	47,289,566	--	(12,000,000)	35,289,566
Total Non-Current Assets	148,877,784	4,407,566	(7,919,633)	145,365,717
Total Assets	263,016,571	(1,495,945)	(6,105,291)	255,415,335
Liabilities and Equity				
Current Liabilities				
Current portion of lease obligation	45,301,327	--	(1,345,498)	43,955,829
Current portion of long-term loans	--	--	1,345,498	1,345,498
Trade payables	31,752,842	--	--	31,752,842
Other credit balances	2,719,198	--	--	2,719,198
Estimated Zakat provision	1,763,890	--	--	1,763,890
Total Current Liabilities	81,537,257	--	760,123	82,297,380
Total Liabilities	137,228,113	--	3,862,951	141,091,064
Non-Current Liabilities				
Long term loan	48,247,532	--	(3,618,878)	44,628,654
Lease obligations	--	--	3,618,878	3,618,878
Lease obligations	--	--	3,102,828	3,102,828
Long-term employees benefits obligation	7,443,324	--	--	7,443,324
Total Non-Current Liabilities	55,690,856	--	3,102,828	58,793,684
Equity				
Capital	50,000,000	--	--	50,000,000
Statutory reserve	15,000,000	--	--	15,000,000
Retained earnings	60,788,458	(1,495,945)	(9,968,242)	49,324,271
Total Equity	125,788,458	(1,495,945)	(9,968,242)	114,324,271
Total Liabilities and Equity	263,016,571	(1,495,945)	(6,105,291)	255,415,335

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Third: Reconciliation of the comprehensive income statement in accordance with International Financial Reporting Standards as on 31 December 2020:

	According to the IFRS for SMEs	Re- classification/ adjustment effect	Re- measurement	In accordance with International Financial Reporting Standards
	SR.	SR.	SR.	SR.
Sales, net	171,521,102	--	--	171,521,102
Cost of sales	(117,997,286)	277,103	202,881	(117,517,302)
Gross profit	53,523,816	277,103	202,881	54,003,800
Selling and distribution expenses	(5,613,329)	--	--	(5,613,329)
General and administrative expenses	(9,677,024)	--	(3,000,000)	(12,677,024)
Operation profit	38,233,463	277,103	(2,797,119)	35,713,447
Gain on sale of property, plant and equipment	26,071	--	--	26,071
Other income	5,647,926	--	(1,370,395)	4,277,531
Finance cost	(3,157,592)	--	(128,944)	(3,286,536)
Profit before estimated Zakat	40,749,868	277,103	(4,296,458)	36,730,513
Estimated Zakat	(1,763,890)	--	--	(1,763,890)
Profit for the year	38,985,978	277,103	(4,296,458)	34,966,623
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurment of employees benefit obligations	189,420	--	--	189,420
Total other comprehensive income items for the year	189,420	--	--	189,420
Total comprehensive income for the year	39,175,398	277,103	(4,296,458)	35,156,043

The following is a summary of the nature of the reconciliations that were made, and they were as follows:

5-3 Notes about reconciliations on equity as a result of the transition to international financial reporting standards as on 01 January 2020:

Reconciliations on equity items:

	01 January 2020 SR.
Equity before reconciliation	158,128,489
Remeasurment of provision for impairment in receivables balance at the beginning of the year balance /1	(5,305,925)
Remeasurment of provision for impairment of short-term receivable during the year/1	8,671,268
Spare parts depreciation expenses for previous years/2	(2,480,966)
Spare parts depreciation expenses for the year 2019/2	(1,125,797)
Reduced operational maintenance and repair expenses/2	1,833,715
Provision for impairment of long-term receivable 1	(9,000,000)
Financial interest (lease obligation)/3	(110,903)
Reduction in operating lease expense/3	632,158
Amortization expenses for the right to use the assets/3	(558,382)
Total reconciliations on equity items in accordance with IFRS	(7,444,832)
Equity after reconciliation as of 01 January	150,683,657

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

5-4 Reconciliations on equity as a result of transition to IFRS as of 31 December 2020:

Reconciliations on equity items:	31 December 2020
	SR.
Equity before reconciliations	125,788,458
Provision for impairment of long-term receivables /1	(3,000,000)
Spare parts depreciation expenses for the year 2020/2	(1,414,293)
Reduced operational maintenance and repair expenses / 2	1,691,396
Reduction in a provision that has no longer served its purpose – other income /1	(1,370,395)
Financing interest – (lease obligations)/3	(128,944)
Reduction in operating lease expenses/3	809,541
Amortization expenses for the right to use the assets/3	(606,660)
Revalued loan interest expenses/4	(1,345,498)
Amortization of obligation to grant revalued loans/4	1,345,498
Total reconciliations equity items in accordance with IFRS	(4,019,355)
Reconciliations as of 01 January 2020	(7,444,832)
Equity after reconciliations as of 31 December 2020	114,324,271

5-3-1 According to the previous standards, the company was calculating the provision for the impairment in receivables according to the age of the debts, and when applying the International Financial Reporting Standards in its full version, the company adopted the expected credit losses model according to the requirements of Standard 9 (Financial Instruments) to calculate the decline in the value of receivables, and the effect was increasing the amount of the provision by net amount of SR.5,634,657 and the same amount as a decrease on the retained earnings as on 01 January 2020G.
During the year 2020, the net impact on the impairment provision was a decrease by SR. 4,370,395 and an increase by the same amount on retained earnings.

5-3-2 As of 01 January 2020, as a result of applying, (IFRS) and according to the requirements of IAS 16 (Property, Plant and Equipment), the company reclassified long-term spare parts from inventory to property, plant and equipment, and this affected the balance sheet as of 01 January 2020 by increasing property, plant and equipment by a net amount of SR.3,898,551 (after calculating the combined depreciation of previous years and depreciation for the year) and the inventory reduction by SR.5,671,599. Also, a depreciation expense was recognized in the comprehensive income statement in the amount of SR.1,125,797, and the costs were reduced in the expense of spare parts used by SR.1,833,715, and the retained earnings were adjusted as a result of a net decrease of SR.1,773,048.

During the year 2020, the effect of the adjustment in the statement of financial position in the item of property, plant and equipment, net, was an amount of SR.4,407,566 with an increase (after calculating the year's expense and combined depreciation) and a decrease in inventory by an amount of SR.5,903,511. In the statement of comprehensive income, a depreciation expense of SR.1,414,293 was recognized, and the cost was reduced in the expense of spare parts used by SR.1,691,396, and the net effect of the adjustment on retained earnings was an amount of SR.277,103 with an increase.

5-3-3 As a result of company applying IFRS 16 (Leases), the company recognized the right-of-use assets in the statement of financial position amounting to SR.3,660,263, and lease liabilities amounting to SR. 3,467,366. On the other hand, the amortization expense of the right-of-use assets was recognized in the statement of comprehensive income in the amount of SR.558,382, a reduction in operating leases by an amount of SR.632,158 and the recognition of financing interest expenses amounting to SR.110,903. The net effect of these transactions was a reduction of retained earnings by SR.37,127 as on 01 January 2020G.

During the year 2020, the company recognized right-of-use assets amounting to SR.4,080,367 and lease liabilities amounting to SR.3,862,951, in the statements of comprehensive income, the company recognized amortization expenses for the right-of-use assets amounting to SR.606,660 and reduced operating lease amounted SR809,541, recognizing financing interest amounted SR.128,944 and the net impact on retained earnings was an increase of SR.73,937.

5-3-4 During the year 2020, The company revaluated the loans obtained from the Industrial Development Fund, which resulted in the recognition of a reduction in the value of the loan in the statement of financial position by a total amount of SR.6,264,376, and in return the recognition of obligations to grant loans of the same amount. In the statement of comprehensive income, additional interest expenses amounting to SR.1,345,498 were recognized, as well as grant income of the same amount, and accordingly there is no impact on retained earnings.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

6- International Financial Reporting Standards

a) Standards and Interpretations issued that became effective

The Company has adopted all the applicable new and revised International Financial Reporting Standards and interpretations that are relevant to its operations and effective for the period beginning on or after 1 January 2021. These amendments had no impact on the financial statements of the Company.

Standard number or interpretation	Description	Effective date
Amendments to IFRS 16 Covid-19-related Rent Concessions.	<p>As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.</p> <p>In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.</p> <p>Main Changes:</p> <ul style="list-style-type: none"> – Permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); – Require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. 	June 1, 2020 / April 1, 2021
Interest Rate Benchmark Reform Phase 2 Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39.	<ul style="list-style-type: none"> – In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7 IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. – The Phase 2 amendments provide the following reliefs: – When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. – The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. 	January 1, 2021

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

b) Standards and Interpretations issued but not yet effective

The following are the International Financial Reporting Standards and the interpretations issued related to the company that are not yet effective until the date of issuing the company's financial statements. These standards will be applied by the company when they become effective and they are as follows:

Standard or Interpretation No.	Description	Effective date
IFRS (17) Insurance Contracts.	IFRS (17) was issued in May 2017 as replacement for IFRS (4) Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: <ul style="list-style-type: none"> discounted probability-weighted cash flows an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period. IFRS (17) requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts	January 1, 2023 (deferred from January 1, 2021).
Amendments to IAS (16) Property, Plant and Equipment.	The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1, 2022.
Reference to the Conceptual Framework (Amendments to IFRS 3) business integration.	Minor amendments were made to IFRS 3 to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments also confirm that contingent assets should not be recognized at the acquisition date.	January 1, 2022.
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) provision, contingent liabilities and contingent assets.	The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	January 1, 2022.
IFRS Standards 2018-2020.	Annual Improvements to IFRS 9, IFRS 16, IFRS 1 and IAS 41.	January 1, 2022.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Classification of Liabilities as Current or Non-Current Amendments to IAS (1).	The amendments to Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.	January 1, 2023 (deferred from January 1, 2022).
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, International Accounting Standards Board (IASB) has also developed guidance and examples to explain and demonstrate the application of the “four-step materiality process” described in IFRS Practice Statement 2. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement (2). The amendments are to be applied prospectively	January 1, 2023.
Definition of Accounting Estimates (Amendments to IAS 8).	On February 12, 2021, the International Accounting Standards Board (IASB) published “Definition of Accounting Estimates “. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single transaction (Amendments to IAS 12 Income Taxes)	The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and affected entities would be requiring recognition of additional deferred tax assets and liabilities. That means the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	January 1, 2023

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)	The Amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.	January 1, 2023
IFRS 10 and IAS 28 amendments. Sale of contribution between an investor and its associate or joint venture.	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	Indefinite effective date/early adoption permitted.

7- Cash and Cash Equivalent:

a) The details of this item are as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Cash on hand	89,087	43,631	149,157
Current accounts with local bank in Saudi Riyal	11,279,513	10,836,447	9,015,770
Cash portfolio in the bank - Note (7/b)	--	1,053,313	9,608,278
Total - Exhibit A	11,368,600	11,933,391	18,773,205

b) This item represents a balance of cash held in the bank for the purpose of purchasing shares as of 31 December 2020, 2019.

8- Trade Receivables, Net:

a) The details of this item are as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Customer accounts – Note (8/b)	59,606,730	47,434,439	64,597,449
Provision for impairment – Note (8/c)	(33,261)	(688,765)	(3,880,645)
Accounts receivable, Net – Exhibit A	59,573,469	46,745,674	60,716,804

b) The item of trade receivables amounting to SR.59,606,730 include balance of three customers in the amount of SR.37,674,841, which constitute 63% of the total receivables as of 31 December 2021. (2020: the accounts receivable amounted SR.47,434,439 including the balance of four customers an amounts of SR.30,743,600 or 65% of the total accounts receivable).

c) The movement in the provision for impairment of receivables is as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Provision balance at the beginning of the year	688,765	3,880,645	7,611,538
Remeasurement of provision	--	--	5,305,925
Provision no longer required – Note (26)	(655,504)	(3,162,878)	(9,012,182)
Provision closed against receivables	--	(29,002)	(24,636)
Provision for impairment – Note (8/a)	33,261	688,765	3,880,645

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

- d) Long-term trade receivables:
This item represents long-term operational agreements concluded with a customer and in return for supplying or selling plastic materials, which are as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Long-term trade receivables	45,724,463	47,289,566	27,810,536
Provision for impairment – Note (8/f)	(17,000,000)	(12,000,000)	(9,000,000)
Total – Exhibit A	28,724,463	35,289,566	18,810,536

- e) The movement in the impairment of long-term receivables is as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Provision balance at the beginning of the year	12,000,000	9,000,000	--
Provision during the year – Note (25)	5,000,000	3,000,000	9,000,000
Provision for impairment of long-term receivables	17,000,000	12,000,000	9,000,000

- f) The following is an analysis of the aging of accounts receivable as of 31 December 2021, 2020 and 1 January 2020:

Year	Total	In arrears but not impaired			
		Less than 90 days	91-180 days	181-360	More than 360
	SR.	SR.	SR.	SR.	SR.
31 December 2021	59,606,730	45,814,994	11,436,640	84,198	2,270,898
31 December 2020	47,434,439	33,937,551	9,248,646	1,484,175	2,764,067
01 January 2020	64,597,449	40,755,981	13,295,200	3,480,225	7,066,043

9- Inventory:

- a) The details of this item are as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Raw materials and spare parts	25,956,735	22,633,840	17,185,316
Finished goods	3,338,853	3,178,885	4,892,071
Material in process	2,109,865	4,311,630	1,171,513
Total – Exhibit A	31,405,453	30,124,355	23,248,900

- b) The value of the inventory charged to the cost of sales during the year 2021 amounted to SR.114,888,188, and in 2020 the amount of SR.84,357,162.

10- Other Debit Balances:

The details of this item are as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Prepaid expenses	2,943,006	2,147,540	2,248,901
Advance payments to suppliers	2,019,623	1,753,526	974,694
Employee receivables	1,349,405	850,847	1,030,338
Margins on letters of guarantee	29,189	712,989	--
Value added tax – Note (29)	717,337	--	--
Other	26,933	26,933	26,933
Total – Exhibit A	7,085,493	5,491,835	4,280,866

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

11- Investments at Fair Value through Statement of Income (FVSI):

This item represents the total investment in stock during the year 2021, and the movement on the investment was as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Balance at the beginning of the year	15,754,363	10,667,954	--
Investments during the year	--	4,587,564	10,644,384
Selling value of shares	(17,760,289)	--	(1,108,278)
Realized profit on sale of shares/dividends received	2,005,926	418,716	148,278
Unrealized gain on revaluation of shares at end of year - note (26)	--	80,129	983,570
Investment balance at the end of the year – Exhibit A	--	15,754,363	10,667,954

12- Due from a Related Party:

- a) The company deals during its ordinary activities with companies considered as related parties which include companies related to the partners. These transaction with related parties occurred at prices, terms and payment conditions that are estimated and approved by the company's management. The movements on this account are as follows:

	Type of relationship	31 December 2021	31 December 2020	01 January 2019
		SR.	SR.	SR.
Gulf Restaurants and Parks Company Limited	Affiliate	--	--	14,333
Total – Exhibit A		--	--	14,333

- b) The major transactions with related parties are as follows:

	Type of relationship	Nature of transactions	Transaction amount 2021	Transaction amount 2020
		SR.	SR.	SR.
Partners accounts	Partners	Dividends distribution	(12,715,701)	(71,515,429)
Gulf Restaurants and Parks Company Limited	Affiliate	Settlement	--	(14,333)
Senior management staff	Senior management	Salaries and benefits	2,380,786	3,620,535

Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021

13- Property, Plant and Equipment, Net:

a) The details of cost and accumulated depreciation for the year 31 December 2021 are as follows:

	Buildings /b	Vehicle	Machinery and equipment	Furniture and fixtures	Air- condition	Tools	Computers	Projects in progress	Total
Cost	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.
Balance at 1/01/2021 – Adjusted	43,171,054	1,763,267	189,909,660	1,321,020	2,038,321	1,254,573	776,906	814,037	241,048,838
Transferred from projects in progress	814,037	--	--	--	--	--	--	(814,037)	--
Additions during the year	6,004,565	--	33,815,180	136,666	65,494	260,919	106,151	--	40,388,975
Disposal during the year	--	--	(11,045,587)	--	--	--	--	--	(11,045,587)
Balance at 31/12/2021	49,989,656	1,763,267	212,679,253	1,457,686	2,103,815	1,515,492	883,057	--	270,392,226
Less: Accumulated Depreciation									
Balance at 1/01/2021 – Adjusted	17,911,819	1,594,566	137,441,341	1,204,943	1,897,341	120,320	689,282	--	161,940,612
Depreciation for the year Related to disposal	1,208,004	58,979	10,902,873	54,339	64,334	27,772	53,481	--	12,369,782
Balance at 31/12/2021	19,119,823	1,653,545	137,298,664	1,259,282	1,961,675	1,229,092	742,763	--	163,264,844
Property, plant and equipment, net - 31/12/2021 – Exhibit A	30,869,833	109,722	75,380,589	198,404	142,140	286,400	140,294	--	107,127,382

b) The buildings referred to above are built on land leased from the Industrial Cities Authority in Riyadh with a contract that ends on 08/12/1440H. and is automatically renewed according to the company's decisions.

c) All property, machinery and equipment of the factory are mortgaged to the Saudi Industrial Development Fund and local banks - note (16).

d) The depreciation expense of property, plant and equipment has been allocated are as follows:

	2021	2020
	SR.	SR.
Operating expenses – Note (23/b)	12,276,419	12,553,745
General and administrative expenses – Note (25)	93,363	54,385
Total	12,369,782	12,608,130

Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021

e) The details of cost and accumulated depreciation for the year 31 December 2020 are as follows:

Cost	Buildings /b	Vehicle	Machinery and equipment	Furniture and fixtures	Air- condition	Tools	Computers	Projects in progress	Total
	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.
Balance at 1/01/2020 – Adjusted	43,171,054	1,732,050	182,890,726	1,288,438	1,918,663	1,236,788	722,711	--	232,960,430
Additions during the year	--	93,217	7,018,934	32,582	119,658	17,785	54,195	814,037	8,150,408
Disposal during the year	--	(62,000)	--	--	--	--	--	--	(62,000)
Balance at 31/12/2020	43,171,054	1,763,267	189,909,660	1,321,020	2,038,321	1,254,573	776,906	814,037	241,048,838
Less: Accumulated Depreciation									
Balance at 1/01/2020 – Adjusted	16,813,203	1,613,122	126,115,164	1,161,141	1,849,654	1,181,259	660,939	--	149,394,482
Depreciation for the year Related to disposal	1,098,616	43,444	11,326,177	43,802	47,687	20,061	28,343	--	12,608,130
Balance at 31/12/2020	17,911,819	1,594,566	137,441,341	1,204,943	1,897,341	1,201,320	689,282	--	161,940,612
Property, plant and equipment, net - 31/12/2020 – Exhibit A	25,259,235	168,701	52,468,319	116,077	140,980	53,253	87,624	814,037	79,108,226
AS of 31 December 2019 – Exhibit A	26,357,851	118,928	56,775,562	127,297	69,009	55,529	61,772	--	83,565,948

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

14- Advance Payments to Purchase Property, plant and equipment:

This item represents advance payments made for the purchase of property, plant and equipment through letter of credits opened with local banks. This item was transferred to property, plant and equipment during the year.

15- Right of Use Assets/ Lease Obligations

This item represents applying of International Financial Reporting Standard No. (16), where the company has applied the principle of a single recognition and measurement for all lease contracts in the event that it is the lessee, without excluding short-term lease contracts and lease contracts involving a low-value asset. The Company has recognized obligations for lease payments and right of use assets, which represent the right to use the underlying assets in the leases. The company applied IFRS 16 on the initial date of application, the rights to use assets were measured at an amount equal to the lease obligations and adjusted by the amounts of prepayments and lease payments due related to lease contracts recognized in the statement of financial position as on 01 January 2020, thus The comparative figures for the fiscal year 2019 are not modified, given the modified retrospective effect allowed in accordance with the transitional provisions specified in the standard:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Balance at initial application	--	--	3,074,920
Balance at the beginning of the year	5,245,409	4,218,645	--
Additions during the year	282,651	1,026,764	1,143,725
Total	5,528,060	5,245,409	4,218,645
Accumulated amortization			
Balance at the beginning of the year	1,165,042	558,382	--
Amortization during the year	646,612	606,660	558,382
Total	1,811,654	1,165,042	558,382
Right of use of assets – Exhibit A	3,716,406	4,080,367	3,660,263
Lease obligations			
Balance at initial application	--	--	3,074,920
Balance at the beginning of the year	3,862,951	3,467,366	--
Additions during the year	282,651	1,026,764	1,143,725
Subtract / add			
Closing prepaid expenses	--	(180,606)	(230,024)
Payments during the year	(790,485)	(579,517)	(632,158)
Financing expenses	126,724	128,944	110,903
Total	3,481,841	3,862,951	3,467,366
Current portion of lease obligation – Exhibit A	747,158	760,123	534,873
Non-current portion of lease obligation – Exhibit A	2,734,683	3,102,828	2,932,493

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

16- Loans:

- a) The company obtained loans from the Saudi Industrial Development Fund in the amount of SR.48,388,000 in order to expand the company's factory for the production of plastic products, and was guaranteed by the mortgage of all the property, plant and equipment of the factory, personal guarantees from the partners and other conditions specified in the contract and payment schedule as follows:

Installment	Due date	Amount	Installment	Due date	Amount
1	15/08/1443	2,300,000	7	15/08/1446	2,300,000
2	15/02/1444	2,300,000	8	15/02/1447	2,300,000
3	15/08/1444	2,300,000	9	15/08/1447	2,300,000
4	15/02/1445	2,300,000	10	15/02/1448	2,500,000
5	15/08/1445	2,300,000	11	15/08/1448	2,500,000
6	15/02/1446	2,300,000			

- b) Also, the company obtained bank facilities from local banks limited to SR.100,800,000 at interest rates according to the market and the rate of SIBOR ranges between 1% to 4% according to the following bank guarantees:
- Joint and several guarantee from partners.
 - Promissory notes signed by the partners.
 - Other guarantees specified in the contract.

- c) Loans are classified in the financial position according to payment schedule as follows:

	Current portion of long-term loan			Long term loans		
	2021	2020	01 January 2020	2021	2020	1 January 2020
	SR.	SR.	SR.	SR.	SR.	SR.
Loans from the Saudi Industrial Development Fund (SIDF)	3,423,709	2,254,502	13,000,000	18,657,414	22,081,122	--
Loans from Local Banks	16,684,913	42,116,033	21,231,300	26,411,711	22,618,411	29,003,676
Deferred borrowing costs	(70,879)	(414,706)	(941,809)	--	(70,879)	(485,596)
Total – Exhibit A	20,037,743	43,955,829	21,589,491	45,069,125	44,628,654	28,518,080

- d) An interest-free Industrial Development Fund loan was obtained which was presented as required under IFRS 9. The loans was revalued and grant obligations were recognized. The present value of the loan was calculated using an interest rate of 6%, which represents the borrowing rate of the company, and this resulted in loan grant obligation, and in return, an interest expense arises that is amortized over the life of the loan using the effective interest method, the details of which were as follows:

Description	Loan	Grant obligation	Total
	SR.	SR.	SR.
Balance as at 01/01/2020	1,300,000	--	1,300,000
Additions during the year	22,077,707	5,922,093	28,000,000
Amortization of interest/grant expenses	975,717	(957,717)	--
Balance as at 31 December 2020	24,335,624	4,964,376	29,300,000
Payment during the year	(3,600,000)	--	(3,600,000)
Amortization of interest/grant expenses	1,345,498	(1,345,498)	--
Balance as at 31/12/2021 - C	22,081,122	3,618,878	25,700,000

The classification of the loan grant obligation in the statement of financial position was as follows:

	Short-term	Long-term
	SR.	SR.
31 December 2020	1,345,498	3,618,878
31 December 2021	1,176,292	2,442,586

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

17- Accounts Payable:

The accounts payable amounting to SR.27,001,974 include the balance of one major supplier amounting to SR.12,230,887 which constitutes 45% of total accounts payable (year 2020: The accounts payable amounting to SR.31,752,842 include the balance of one major supplier amounting to SR.17,961,258 which constitutes 56% of total accounts payable).

18- Other Credit Balances:

The details of this item are as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Accrued expenses	1,398,422	1,304,590	298,928
Employees payables	140,540	136,173	155,759
Leave allowance	286,858	476,719	--
Tickets provision	434,712	306,147	--
Advance payment from customers	1,554,476	291,918	170,453
Value added Tax	--	203,651	172,818
Total – Exhibit A	3,815,008	2,719,198	797,958

19- Provision for Estimated Zakat:

a) The components elements of Zakat base are as follows:

	2021	2020
Funds Subject to Zakat	SR.	SR.
Capital	50,000,000	50,000,000
Statutory reserve	15,000,000	15,000,000
Financing expanding the factory	--	3,600,000
Retained earnings at beginning of the year less used	36,608,570	21,613,060
Loans	68,725,745	36,383,753
Payment made by customer	291,918	--
Lease obligations	3,481,841	--
Provisions at beginning of the year less used	18,911,559	8,632,479
Adjusted profit – Note (15/b)	42,489,829	42,433,846
Total Funds Subject to Zakat	235,509,462	177,663,138

Deductions:

Spare parts not for sale	(457,570)	(6,444,004)
Property, plant and equipment	(107,127,382)	(74,700,660)
Advance payments to purchase property, plant and equipment	--	(26,887,558)
Right to use assets	(3,716,406)	--
Zakat base	124,208,104	69,630,916

Accrued Zakat:

Zakat base without adjusted profit @ 2.578%	2,106,697	--
Zakat base without adjusted profit @ 2.585%	--	703,044
Adding: Adjusted net profit @ 2.5%	1,062,246	1,060,846
Provision for Zakat – Note (15/c), Exhibit B	3,168,943	1,763,890

b) Adjusted profit for the year:

	2021	2020
	SR.	SR.
Profit before estimated Zakat – Exhibit B	36,698,165	40,749,868
Provision for employees benefits allocated to expenses	5,791,664	1,683,978
Adjusted profit for the year – Note (19/a)	42,489,829	42,433,846

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

c) The movement in provision for Zakat:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Provision at beginning of the year	1,763,890	2,617,437	1,594,536
Provision for the current year – Note (19/a)	3,168,943	1,763,890	2,617,437
Paid during the year	(1,763,821)	(2,617,437)	(1,594,536)
Balance of provision ending of the year – Exhibit A	3,169,012	1,763,890	2,617,437

d) The company has obtained Zakat certificate for the year ended 31 December 2020, valid till 30 April 2022.

e) ZATCA issued a zakat assessment for the year 2015 which resulted in additional zakat liability of SR 860,024. The company filed an objection against an amount of SR 1,005,919. However, ZATCA accepted an objection against an amount of SR 149,439 and rejected the objection against an amount of SR 856,480. The Company escalated its objection with The General Secretariat of Tax Committees and believes that the objection will be accepted based on The Executive Regulations for The Collection of Zakat.

The Company has not taken additional provisions against the amount of SR 860,024 or against future liabilities that may arise from the years that were not yet assessed by ZATCA.

f) The figures presented for the year 2020 represent the calculation of the estimated zakat before the adoption of IFRS.

20- Provision for End-of-Service Benefits:

The Company has an end-of-service scheme for its employees (the “members”). The scheme entitles the members to a lump sum payment related to length of service and salary at the time of retirement, resignation or death. The scheme is un-funded in that no fund is currently accumulated (whether from contribution by the employer and/or employees) towards the discharge of Company’s obligation under the scheme. This scheme are being ruled by the Labor Law in the Kingdom of Saudi Arabia.

The scheme is governed by the labor regulations of the Kingdom of Saudi Arabia. The obligation recognized in the statement of financial position related to end of service indemnity represents the present value of the defined benefit obligations at the end of the reporting period. Defined benefit obligations are being calculated annually by the company’s management using the projected unit credit method.

a) The amounts recognized in the statement of financial position and the statement of income are summarized in the below schedule:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Present value of employee benefit obligations recognized in the statement of financial position – Exhibit A	8,376,794	7,443,324	6,257,051
Cost of service recognized in the statement of income	791,664	1,683,978	633,612

b) The movement in the defined benefit obligation during the year is as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Balance at beginning of the year	7,443,324	6,257,051	5,944,393
Current cost of service	605,581	1,402,411	366,114
Interest costs	186,083	281,567	267,498
Remeasurement loss / (gains) for employees benefits	706,901	(189,420)	(115,985)
Payments during the year	(565,095)	(308,285)	(204,969)
Balance at year ending	8,376,794	7,443,324	6,257,051

c) The major assumptions used are as follows:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Discount rate	2.5%	4.5%	4.5%
Employees turnover	10%	10%	10%
Future salary increments were ignored			

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

d) **Sensitivity analysis:**

The table below shows the approximate effect on the defined benefit obligation if the Company changes one major assumption, while keeping all other actuarial assumptions constant:

	31 December 2021	31 December 2020	01 January 2020
	SR.	SR.	SR.
Increase in discount rate by 1%	(285,433)	(345,332)	(285,433)
Decrease in discount rate of 1%	63,222	44,137	63,222
Increase in resignations rate by 1%	307,363	372,023	307,363
Decrease in resignations rate of 1%	(67,942)	(48,149)	(67,942)

21- Capital and Reserves:

a) **Capital:**

The share capital of the company amounting to SR.50,000,000 is divided into 5,000,000 cash equal shares of SR.10 per share distributed among partners are as follows:

	Number of shares	Share value	Percentage	Capital
	Share	SR.	%	SR.
Rayan Hassan Ali Al-Sirafi	1,666,667	10	33	16,666,670
Mohammed Hassan Ali Al-Sirafi	1,666,667	10	33	16,666,670
Weddyah Hassan Ali Al-Sirafi	833,333	10	17	8,333,330
Reem Hassan Ali Al-Sirafi	833,333	10	17	8,333,330
Total Shares	5,000,000			
Capital – Exhibit A				50,000,000

- b) The articles of association were amended on 26/12/2021G. based on the minutes of meeting of the General Assembly by the entry of new partners and the reduction of the shares of other partners whereby the Company's capital will be SR 50,000,000 divided into 5,000,000 fully paid shares of SR 10 each distributed among the partners as follows:

	Number of shares	Share value	Percentage	Total
	Share	SR.	%	SR.
Hassan Ali Hassan Al-Sirafi	3,950,000	10	79%	39,500,000
Rayan Hassan Ali Al-Sirafi	250,000	10	5%	2,500,000
Reem Hassan Ali Al-Sirafi	250,000	10	5%	2,500,000
Mohammed Hassan Ali Al-Sirafi	250,000	10	5%	2,500,000
Weddi Hassan Ali Al-Sirafi	250,000	10	5%	2,500,000
Awatf Hassan Ali Batarji	50,000	10	1%	50,000
Total Share	5,000,000			
Capital – Exhibit A				50,000,000

c) **Statutory Reserve:**

According to Companies regulations the Company retains 10% of its annual net income as a statutory reserve. This deduction is discontinued because the statutory reserve reached 30% of the Company's capital.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

22- Sales, Net:

This item consists of the following:

	31 December 2021	01 January 2020
	SR.	SR.
Internal sales - net	139,355,888	127,102,505
External sales – net	53,354,068	44,418,597
Total Sale, Net – Exhibit B	192,709,956	171,521,102

23- Sale Cost:

a) The details of this item are as follows:

	2021	2020
	SR.	SR.
Raw materials at the beginning of the year	22,633,840	17,185,316
Purchases during the year, net	116,169,287	91,232,618
Raw materials at the end of the year	(25,956,735)	(22,633,840)
Cost of raw materials used	112,846,392	85,784,094
Materials in process at the beginning of the year	4,311,630	1,171,513
Operating expenses – Note (23/b)	32,984,951	33,160,140
Materials in process at the end of the year	(2,109,865)	(4,311,630)
Cost of production available for sale	148,033,108	115,804,117
Finished materials at the beginning of the year	3,178,885	4,892,070
Finished materials at the end of the year	(3,338,854)	(3,178,885)
Total – Exhibit B	147,873,139	117,517,302

b) Operating expenses:

The details of this item are as follows:

	2021	2020
	SR.	SR.
Salaries, wages and related	9,615,856	9,351,326
Depreciation of property, equipment and machinery – Note (13/d)	12,276,419	12,553,745
Housing allowance	496,785	372,341
Amortization of the right to use the assets	646,612	606,660
Government fees and subscriptions	293,751	682,882
Maintenance and repair	307,524	725,370
Electricity, water and gas	5,292,398	4,346,537
Bonuses and incentives	228,000	284,198
Employee benefits obligation	412,800	733,778
Vacation and tickets	742,450	702,375
Medical insurance	309,787	334,798
Social insurance	305,830	353,999
Fuel and car maintenance	172,400	143,148
Insurance expenses	922,761	1,046,543
Other	961,578	922,440
Total – Note (23/a)	32,984,951	33,160,140

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

24- Selling and Marketing Expenses:

The details of this item are as follows:

	2021	2020
	SR.	SR.
Salaries, wages and accessories	1,243,267	1,131,233
Shipping and transportation fees	2,894,601	2,712,175
Travel and transportation expenses	93,491	79,353
Sales and collection commissions	269,402	334,039
Rents	270,550	249,797
Government fees and subscriptions	62,767	153,703
Insurance expenses	58,440	31,570
Employee benefits obligations	108,000	231,100
Advertising	162,289	180,464
Bonuses and incentives	194,000	431,070
Others	38,501	78,825
Total – Exhibit B	5,395,308	5,613,329

25- General and Administrative Expenses:

The details of this item are as follows:

	2021	2020
	SR.	SR.
Salaries and wages	2,949,721	2,437,352
Bonus and incentives	1,800,419	4,299,463
Long-term impairment expenses – Note (8/e)	5,000,000	3,000,000
Housing allowance	685,603	568,380
Insurance	117,057	30,002
Vacation and tickets	246,000	241,650
Depreciation and amortization of property, plant and equipment - Note (13/c)	93,363	54,385
Employee benefits obligations	270,864	719,100
Bank expenses	361,323	405,071
Insurance	143,444	31,837
Maintenance and repair	80,789	41,094
Post, telegraph and telephone	33,331	39,226
Government fees and subscriptions	174,165	208,609
Professional fees and consultancy	332,702	225,570
Other	274,000	375,285
Total – Exhibit B	12,562,761	12,677,024

26- Other Revenue:

a) The details of this item are as follows:

	2021	2020
	SR.	SR.
Unrealized gain on revaluation of investments – Note (11)	--	80,129
(Dividends/profit) realized from the sale of investments	2,005,926	418,716
Provision no longer required – Note (8/c)	655,504	3,162,878
Profits from the tender of Shamsan Company	10,766,214	--
Other income	312,964	615,808
Total – Exhibit B	13,740,608	4,277,531

- b) This item represents a share of profits from participating in tenders related to the production and supply of plastic products implemented by Shamsan Company, with a value of approximately 105 million riyals, and the value of the agreed profits approximately SR.13 million, which is recorded according to the collection and completion rates in the tenders.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

27- Financing Cost:

The details of this item are as follows:

	2021	2020
	SR.	SR.
Bank interest	3,794,430	3,157,592
interest on lease contracts	126,724	128,944
Total – Exhibit B	3,921,154	3,286,536

28- Financial Assets and Liabilities:

Classification of financial instruments by category detailed in the table below:

	2021	2020	01 January 2020
	SR.	SR.	SR.
Financial assets measured at fair value:			
Investments at FVIS	--	15,479,895	10,667,954
Total	--	15,479,895	10,667,954
	2021	2020	01 January 2020
	SR.	SR.	SR.
Financial assets measured at amortized cost less impairment in value:			
Cash and cash equivalent	11,368,600	11,933,391	18,773,205
Accounts receivable and other debit balances	89,647,337	82,886,087	80,557,678
Due from a related party	--	--	14,333
Total	101,015,937	94,819,478	99,330,883
Liabilities measured at amortized cost:			
Accounts payable and other credit balances	27,142,514	31,889,015	24,592,562
Long term loans	68,725,745	93,548,859	50,107,571
Total	95,868,259	125,437,874	74,700,133

29- Contingent Liabilities:

The company's contingent liabilities on 31 December 31, 2021 amounted to 5,278,612 which represent existing letters of guarantee taken against operational projects, and the bank retained an amount of SR.29,189 against these obligations (note 10).

30- Financial Risk Management:

Overview

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

- Capital Management Risk.
- Cash with banks
- Interest rate risk
- Credit Risk.
- Liquidity Risk.
- Market Risk (including currency risk and commission rate risk).

This note shows information on the Company's exposure to the above risks, the Company's objectives, policies and procedures regarding measuring and managing risks, and managing the Company's capital. Additional quantitative disclosures have been included in these financial statements.

Risk Management:

The Board of Directors bears the full responsibility for developing and supervising Company's risk management frameworks. Company's risk management policies have been developed to identify and analyze the risks encountered by the Company. Appropriate risk limits and controls have been developed in addition to the compliance thereof. Risk management policies and rules are reviewed regularly to reflect changes in market conditions and the Company's activities.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Capital Management Risk:

The Company aims at, in managing capital, maintaining the company's ability to continue as an operating entity, achieving returns to partners and benefits to other stakeholders and maintaining an optimal capital structure that reduces the cost of capital.

The company, like other companies operating in the same filed, monitors the capital on the basis of the total debt to equity ratio, so that this ratio is calculated by dividing the net debt by the total capital. Net debt is calculated on the basis of total loans as stated in the balance sheet, minus cash and cash equivalents and short-term deposits, while total capital is computed on the basis of shareholders' equity as it is included in the balance sheet plus net debt. As for the company, the cash and cash equivalent balances cover the net short-term loans with an increase, and thus the debt ratio is in the interest of the company.

Cash in Banks:

Credit risk in bank balances is limited as the Company deals with banks with high credit ratings determined by international credit rating agencies. As bank balances are retained in banks with a high credit rating in the Kingdom, the management does not expect failure in fulfilling financial obligations.

The maximum risk to the Company is the book value of these financial instruments as disclosed in the relevant notes.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in interest rates. The Company is exposed to interest rate risk primarily in respect of short-term floating rate loans. The Company does not hedge against changes in interest rates.

The Company is exposed to interest rate risk on short-term loans. Loans with floating interest rates expose the Company to cash flow interest rate risk, which is partially offset by cash held at floating interest rates.

Credit Risk:

Credit risk is the risk that one party to a financial instrument will fail to meet its financial obligations, causing a loss to the company. The company is exposed to credit risk through the book value of its assets, which includes balances with banks and other receivables and due from related parties. note (8) shows the aging of accounts receivable and the provision for expected credit losses.

Liquidity risk:

Liquidity risk represents the challenges encountered by the Company in meeting its financial liabilities paid in cash or in other financial assets. The Company's method of managing liquidity risk aims at ensuring, to the extent possible, sufficient liquidity to meet its obligations when it becomes due under normal and critical circumstances, without incurring unacceptable losses or damaging the Company's reputation.

The Company ensures that it has sufficient cash on hand to meet expected operating expenses, including its financial obligations. This does not include the potential impact of contingencies that cannot be reasonably predicted such as natural disasters. In addition, the Company maintains various credit lines.

Risk concentrations arise when a number of other parties practice similar activities or activities in the same geographic region or have economic characteristics that may affect their ability to meet their contractual obligations affected by economic, political or other conditions. The company does not have excessive concentrations and the relative sensitivity of the company indicates the performance towards developments affecting a particular sector.

To avoid excessive risk concentration, the Company's policies and procedures include some guidelines that focus on maintaining a varied portfolio. The concentrations of specific credit risks are monitored and managed at the level of both the relationship and the sector.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

The following table summarizes the maturity profile of the company's financial obligations based on contractual payments:

Year / description	Carrying amount	Less than one year	From 1 year to 5 years	More than 5 years
31 December 2021	SR.	SR.	SR.	SR.
Provision for employee benefits obligation	8,376,794	--	8,376,794	--
Long term loans	68,725,745	21,664,034	47,061,711	--
Lease liabilities	3,481,841	747,158	2,734,683	--
Trade payables	27,001,974	27,001,974	--	--
Other credit balances	721,570	721,570	--	--
Provision for estimated Zakat	3,169,012	3,169,012	--	--
Total	111,476,936	53,303,748	58,173,188	--

Year / description	Carrying amount	Less than one year	From 1 year to 5 years	More than 5 years
31 December 2020	SR.	SR.	SR.	SR.
Provision for employee benefits obligation	7,443,324	--	7,443,324	--
Long term loans	93,548,859	45,301,327	48,247,532	--
Lease liabilities	3,862,951	760,123	3,102,828	--
Trade payables	31,752,842	31,752,842	--	--
Other credit balances	986,517	986,517	--	--
Provision for estimated Zakat	1,763,890	1,763,890	--	--
Total	139,358,383	80,564,699	58,793,684	--

Year / description	Carrying amount	Less than one year	From 1 year to 5 years	More than 5 years
01 January 2020	SR.	SR.	SR.	SR.
Provision for employee benefits obligation	6,257,051	--	6,257,051	--
Long term loans	50,107,571	21,589,491	28,518,080	--
Lease liabilities	3,467,366	534,873	2,932,493	--
Trade payables	24,436,803	24,436,803	--	--
Other credit balances	172,818	172,818	--	--
Provision for estimated Zakat	2,617,437	2,617,437	--	--
Total	87,059,046	49,351,422	37,707,624	--

Market Risk:

Market risk represents the risk arising from changes in market prices such as foreign exchange rates and commission rates that may affect the Company's income. The objective of market risk management is to manage and monitor market risk exposures in the context of acceptable levels while maintaining returns.

Currency Risk:

The Company is exposed to foreign exchange risk arising from exposure to risks of various currencies, especially the currency exchange rate fluctuations of other currencies against the Saudi Riyal. Foreign exchange risk arises mainly from commercial transactions. Company's policy requires a regular review of currency risk exposures from the part of the management. For monetary assets and liabilities nominated in foreign currencies, the Company ensures that the net exposure to accompanying risks is at acceptable levels by purchase and sale of foreign currencies at spot exchange rate when necessary against short-term imbalances.

The Company's exposure to the currency risks regarding the USD is not significant as US Dollar is pegged against the Saudi Riyal.

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

Commission rate risk:

Commission rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commission rates prevailing in the market. The risk of changes in market commission rates to which the Company is exposed mainly relates to the Company's long-term loan commitments, which are linked to a floating commission. The Company has no long-term loan commitments as of December 31, 2021.

31- Significant and Subsequent Events.

- a) At the beginning of the year 2020, the Corona virus (Covid 2019) appeared as a global pandemic, which caused a state of instability in the global economy as a whole. The company evaluates any potential impacts on the financial statements, whether with regard to the negative effects of the virus on the business or the ability to pay debts, or with regard to the positive effects of servicing the facilities and support provided by the state to businesses affected by the spread of the virus, and changes in circumstances may require some disclosures related to them, including those on which the company's estimates are based on forecasting expected credit losses related to financial instruments.
- b) As at 02 January 2022, the legal entity of Al Rayan Plastic Products Factory Company – changed from a limited liability company to a mixed limited liability company with the entry of a foreign partner represented by Mr. Sami Fahd Khader Judah of Jordanian nationality, where the percentage of ownership in the company became as follows:

	Number of shares	Share value	Capital	Percentage
	Share	SR.	SR.	%
Hassan Ali Hassan Al-Sirafi	3,700,000	10	37,000,000	74%
Awatf Hassan Ali Batarji	50,000	10	500,000	1%
Dr.Weddi Hassan Ali Al-Sirafi	250,000	10	2,500,000	5%
Rayan Hassan Ali Al-Sirafi	250,000	10	2,500,000	5%
Mohammed Hassan Ali Al-Sirafi	250,000	10	2,500,000	5%
Reem Hassan Ali-Sirafi	250,000	10	2,500,000	5%
Sami Fahad Khader Judah	250,000	10	2,500,000	5%
Total Shares	5,000,000			
Capital – Exhibit A			50,000,000	100%

- c) As at 31 January 2022, the partners unanimously decided to amend the Memorandum of Association according to the following:
- Changing the name of the company from Al Rayyan Factory for Plastic Products to Al Rayyan Advanced Company for Industry.
 - Changing the legal entity of the company from a mixed limited liability company to a closed joint stock company.
- d) Increasing the company's capital by SR.50,000,000 to SR.100,000,000. The increase was made by transferring an amount of SR.35,000,000 from the retained earnings and SR.15,000,000 from the statutory reserve to the capital balance according to the agreement concluded between the partners. The company's capital amounted to SR.100,000,000, divided into ten million (10,000,000) ordinary shares of equal value of SR.10 each and they were distributed to the partners as follows:

	Number of shares	Share value	Capital	Percentage
	Share	SR.	SR.	%
Mr.Hassan Ali Hassan Al-Sirafi	7,400,000	10	74,000,000	74%
Mrs.Awatf Hassan Ali Batarji	100,000	10	1,000,000	1%
Mrs.Weddi Hassan Ali Al-Sirafi	500,000	10	5,000,000	5%
Mrs.Reem Hassan Ali-Sirafi	500,000	10	5,000,000	5%
Mr.Rayan Hassan Ali Al-Sirafi	500,000	10	5,000,000	5%
Mr.Mohammed Hassan Ali Al-Sirafi	500,000	10	5,000,000	5%
Mr.Sami Fahad Khader Judah	500,000	10	5,000,000	5%
Total Shares	10,000,000			
Capital – Exhibit A			100,000,000	100%

**Rayan Plastic Factory Co.
Limited Liability Company
Kingdom of Saudi Arabia
Notes to the Financial Statements
For the Year Ended 31 December 2021**

32- Approval of Financial Statements for Issuance:

These financial statements were approved for issuance by the Board of Directors on 20 Shaban 1443H.
Corresponding to 23 March 2022G.

33- General:

- a) The figures in the financial statements are rounded to the nearest Saudi Riyal.
- b) Some of the comparative figures for the previous year have been reclassified to conform to the presentation in the current year.

13-2 The Reviewed financial statements for the six-months period ending on 30/06/2022G.



**Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Interim Financial Statements (Unaudited)
For the Six Months Period ending 30 June 2022
And Independent Auditor's Review Report**



Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia

Index	Page	Exhibit
Independent Auditor's Review Report on the Interim Financial Statements	1	--
Interim Statement of Financial Position as of 30 June 2022 (Unaudited)	2	A
Interim Statement of Comprehensive Income for the Six Months Period Ended 30 June 2022 (Unaudited)	3	B
Interim Statement of Changes in Equity for the Six Months Period Ended 30 June 2022 (Unaudited)	4	C
Interim Statement of Cash Flow for the for the Six Months Period Ended 30 June 2022 (Unaudited)	5	D
Notes to the Interim Financial Statements For the Six Months Period Ended 30 June 2022 (Unaudited)	6-31	--

شركة طلال أبوغزالة وشركاه محاسبون قانونيون

Talal Abu-Ghazaleh & Co. Certified Public Accountants
License No. 323/11/81 ترخيص رقم ٨١/١١/٣٢٣ تاريخ ١٤١٦/٧/٥



Independent Auditor's Review Report on the Interim Financial Statements

The Shareholders
Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia

Introduction:

We have reviewed the accompanying interim financial statements of **Al Rayan Advanced Industrial Company** ("the Company") – A Closed Saudi Joint Stock Company that included the interim statement of financial position as of 30 June 2022 and the related interim statements of comprehensive income, statements of changes in equity and cash flow for the six-months period then ended, and a summary of selected significant accounting policies and other explanatory notes from (1) to (34).

Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.


Scope of Review:

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

Conclusion:

Based on our review, nothing has come to our attention that cause us to believe that the accompanying interim condensed financial statements are not prepared in all material respects, in accordance with IAS 34 endorsed in the Kingdom of Saudi Arabia.

For Talal Abu-Ghazaleh & Co.


Waleed A. Bamarouf
Certified Public Accountant
License No. 408



12 Safar 1443 H.
08 September 2022 G.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Interim Statement of Financial Position (Unaudited)
As of 30 June 2022

Exhibit A

	Note	30 June 2022	31 December 2021
		SR.	SR.
		(Unaudited)	(Audited)
Assets			
Current Assets			
Cash and cash equivalents	(7)	13,699,194	11,368,600
Trade receivables, net	(8/a)	80,577,132	59,573,469
Inventories	(9)	31,965,374	31,405,453
Other debit balances	(10)	10,246,797	7,085,493
Investments at fair value through statement of income	(11)	--	--
Total Current Assets		136,488,497	109,433,015
Non-Current Assets			
Property, plant and equipment	(12)	110,819,159	107,127,382
Advance payments to purchase property, plant and equipment	(13)	13,093,222	--
Right-of-use assets	(14)	3,799,018	3,716,406
Long-term trade receivables	(8/d)	23,394,777	28,724,463
Total Non-Current Assets		151,106,176	139,568,251
Total Assets		287,594,673	249,001,266
Liabilities and Equity			
Current Liabilities			
Current portion of lease obligations	(14)	204,891	747,158
Current portion of long term loans	(15/c)	21,080,160	20,037,743
Current portion of loan grant obligation	(15/d)	1,071,811	1,176,292
Trade payables	(16)	51,637,686	27,001,974
Other credit balances	(17)	3,290,236	3,815,008
Related parties payable – shareholders	(18)	4,751,402	--
Provision for Zakat and Tax	(19/A)	4,800,747	3,169,012
Total Current Liabilities		86,836,933	55,947,187
Non-Current Liabilities			
Lease obligations	(14)	3,135,614	273,683
Long term loans	(15/c)	48,402,858	45,069,125
Non-current portion of the loan grant obligation	(15/d)	1,937,857	2,442,586
Long term employees' benefits obligations	(20)	8,395,983	8,376,794
Total Non-Current Liabilities		61,872,312	58,623,188
Total Liabilities		148,709,245	114,570,375
Shareholders' Equity			
Capital	(21/a)	100,000,000	50,000,000
Statutory reserve	(21/b)	--	15,000,000
Retained earnings		38,885,428	69,430,891
Shareholders' Equity – Exhibit C		138,885,428	134,430,891
Total Liabilities and Shareholders' Equity		287,594,673	249,001,266

**The Accompanying Notes from (1) to (34) Constitute an Integral Part of
These Interim Financial Statements**

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Interim Statement of Comprehensive Income (Unaudited)
For the Six Months Period Ended 30 June 2021

Exhibit B

	Note	30 June 2022	30 June 2021
		SR.	SR.
		(Unaudited)	(Unaudited)
		SR.	SR.
Sales, net	(22)	112,077,450	95,162,038
Cost of sales	(23)	(87,475,729)	(70,531,710)
Gross Profit		24,601,721	24,630,328
Selling and distribution expenses	(24)	(4,036,355)	(2,515,212)
General and administrative expenses	(25)	(3,782,930)	(3,672,078)
Operating profit		16,782,436	18,443,038
Gain on sale of property, plant and equipment		17,999	--
Other income	(26)	559,230	679,550
Financial charges	(27)	(1,212,747)	(1,180,789)
Profit before estimated Zakat and Income Tax		16,146,918	17,941,799
Estimated Zakat	(19/a)	(1,631,735)	(1,584,471)
Income Tax	(19/a)	--	--
Profit for the period		14,515,183	16,357,328
<u>Other comprehensive income:</u>			
<i>Items that will not be reclassified subsequently to profit and loss:</i>			
(Loss) from re-measurement of employees benefits obligation		(60,646)	(713,252)
Total other comprehensive income for the year		(60,646)	(713,252)
Total comprehensive income for the period – Exhibit C		14,454,537	15,644,076
Earnings per share from operating profit for the period	(28)	1.68	--
Earnings per share of net profit for the period	(28)	1.45	--

**The Accompanying Notes from (1) to (34) Constitute an Integral Part of
These Interim Financial Statements**

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Interim Statement of Changes in Equity (Unaudited)
For the Six Months Period Ended 30 June 2021

Exhibit C

	Capital	Statutory reserve	Retained earnings		
			Total	Saudi	Foreigner
	SR.	SR.	SR.	SR.	SR.
Balance as at 01 January 2021 – (Audited)	50,000,000	15,000,000	49,324,271	49,324,271	--
Profit for period before Zakat and Tax	--	--	17,941,799	17,941,799	--
Zakat and Tax for the period 30 June 2021	--	--	(1,584,471)	(1,584,471)	--
Profit for the year after Zakat and Tax	--	--	16,357,328	16,357,328	--
Other comprehensive income	--	--	(713,252)	(713,252)	--
Total comprehensive income for the period	--	--	15,644,076	15,644,076	--
Balance as at 30 June 2021 – (Unaudited)	50,000,000	15,000,000	64,968,347	64,968,347	--
	SR.	SR.	SR.	SR.	SR.
Balance as at 01 January 2022 – (Audited)	50,000,000	15,000,000	69,430,891	65,959,347	3,471,544
Profit for period before Zakat and Tax	--	--	16,146,918	15,339,572	807,346
Zakat and Tax for the period 30 June 2022	--	--	(1,631,735)	(1,631,735)	--
Profit for the year after Zakat and Tax	--	--	14,515,183	13,707,837	807,346
Other comprehensive income	--	--	(60,646)	(57,614)	(3,032)
Total comprehensive income for the period	--	--	14,454,537	1,365,023	804,314
Capital increase from retained earnings - note (21)	35,000,000	--	(35,000,000)	(33,250,000)	(1,750,000)
Capital increase from statutory reserve - note (21)	15,000,000	(15,000,000)	--	--	--
Dividends*	--	--	(10,000,000)	(9,500,000)	(500,000)
Balance as at 30 June 2022 – (Unaudited)	100,000,000	--	38,885,428	36,859,570	2,025,858
	SR.	SR.	SR.	SR.	SR.
Balance as at 01 January 2022 – (Audited)	50,000,000	15,000,000	69,430,891	65,959,347	3,471,544
Profit for period before Zakat and Tax	--	--	16,146,918	15,339,572	807,346
Zakat and Tax for the period 30 June 2022	--	--	(1,631,735)	(1,631,735)	--
Profit for the year after Zakat and Tax	--	--	14,515,183	13,707,837	807,346
Other comprehensive income	--	--	(60,646)	(57,614)	(3,032)
Total comprehensive income for the period	--	--	14,454,537	1,365,023	804,314
Capital increase from retained earnings - note (21)	35,000,000	--	(35,000,000)	(33,250,000)	(1,750,000)
Capital increase from statutory reserve - note (21)	15,000,000	(15,000,000)	--	--	--
Dividends*	--	--	(10,000,000)	(9,500,000)	(500,000)
Balance as at 30 June 2022 – (Unaudited)	100,000,000	--	38,885,428	36,859,570	2,025,858
	SR.	SR.	SR.	SR.	SR.
Balance as at 01 January 2022 – (Audited)	50,000,000	15,000,000	69,430,891	65,959,347	3,471,544
Profit for period before Zakat and Tax	--	--	16,146,918	15,339,572	807,346
Zakat and Tax for the period 30 June 2022	--	--	(1,631,735)	(1,631,735)	--
Profit for the year after Zakat and Tax	--	--	14,515,183	13,707,837	807,346
Other comprehensive income	--	--	(60,646)	(57,614)	(3,032)
Total comprehensive income for the period	--	--	14,454,537	1,365,023	804,314
Capital increase from retained earnings - note (21)	35,000,000	--	(35,000,000)	(33,250,000)	(1,750,000)
Capital increase from statutory reserve - note (21)	15,000,000	(15,000,000)	--	--	--
Dividends*	--	--	(10,000,000)	(9,500,000)	(500,000)
Balance as at 30 June 2022 – (Unaudited)	100,000,000	--	38,885,428	36,859,570	2,025,858

* The Company's board of directors, in their meeting held on 23 March 2022, approved the distribution of dividends in the amount of SR.5,000,000 from the retained profits to be distributed to the shareholders' account according to their shares in the articles of association. Also, the Company's extraordinary general assembly in its meeting on 24 May 2022 approved the distribution of dividends amounting to SR.5,000,000 to the shareholders' accounts.

The Accompanying Notes from (1) to (34) Constitute an Integral Part of
These Interim Financial Statements

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Interim Statement of Cash Flows (Unaudited)
For the Six Months Period Ended 30 June 2021

Exhibit D

	30 June 2022	30 June 2021
	SR.	SR.
	(Unaudited)	(Unaudited)
Cash Flow from Operating Activities		
Profit for the period	14,515,183	16,357,328
Adjustments for non-cash income and expenses:		
Depreciation of Property, plant and equipment	6,256,260	5,919,821
Amortization of right-of-use assets	436,903	317,159
Profit on sale of property, plant and equipment	(17,999)	--
Employees benefits obligation allocated to expenses	494,231	374,939
Provision for estimated Zakat and Income Tax allocated to expenses	1,631,735	1,584,471
Provision no longer required	(4,975)	(624,310)
Finance cost	27,950	64,787
	23,339,288	23,994,195
Changes in Operating Assets and Liabilities		
Short and long term trade receivables	(15,669,002)	(41,229,687)
Inventories	(559,921)	(6,151,219)
Other debit balances	(3,161,304)	(9,612,305)
Related parties	--	(16,675)
Trade payables	24,635,712	8,643,355
Other credit balances	(694,772)	2,829,453
Cash Flow from Operations	27,890,001	(21,542,883)
Employees benefits obligation – paid	(535,688)	(290,196)
Zakat - paid	--	(1,763,821)
Net cash from / (used in) operating activities	27,354,313	(23,596,900)
Cash Flow from Investing Activities		
Purchase of property, plant and equipment and project in progress	(9,948,038)	(1,477,312)
Advance payments to purchase property, plant and equipment	(13,093,222)	(2,777,296)
Additions to investments at fair value through income statement	--	(1,053,313)
Proceeds from sale of property, plant and equipment	18,000	--
Net cash (used in) investing activities	(23,023,260)	(5,307,921)
Cash Flow from Financing Activities		
Loans proceeds	21,951,579	26,271,425
Loans settlement	(18,179,985)	(1,300,000)
Net movement in related parties – shareholders	4,751,402	(241,671)
Dividends distribution	(10,000,000)	--
Lease obligations	(518,801)	(592,056)
Net cash (used in) / from financing activities	(2,000,459)	24,137,698
Net increase / (decrease) in cash and cash equivalents	2,330,594	(4,767,123)
Cash and cash equivalents, beginning of the period	11,368,600	11,933,391
Cash and Cash Equivalents, End of The Period – Exhibit A	13,699,194	7,166,268
Non-Cash Activities:		
Capital increase from retained earnings	35,000,000	--
Capital increase from statutory reserve	15,000,000	--

**The Accompanying Notes from (1) to (34) Constitute an Integral Part of
These Interim Financial Statements**

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

1- Formation and Nature of Business:

On 24/08/1410H. corresponding to 21/3/1990G. **Rayan Plastic Factory Co.** (Establishment) was established by its owner Mr.Hassan Ali Hassan Al-Siraf after that it was changed to – **Limited Liability Company**, finally it was changed to **Al-Rayyan Advanced Company for Industry – Closed Joint Stock Company** - (referred to hereinafter as “the **Company**”) and is registered in Riyadh under the commercial registration number 1010213199 dated 07/09/1426H. to practice the activity of manufacturing household appliances, kitchen appliances and single-use decorations, manufacturing semi-finished products from plastics, representing (Panels, slides, pipes, hoses and their fittings..etc.), plastic bags industry, household appliances, kitchen utensils and single-use decorations, paper bags industry, general stores that design a variety of goods, paper bags industry.

- Also, the company obtained sub-commercial registration no.1010670184 issued in Riyadh dated 09/04/1442H. to practice the activity of manufacturing paper bags, printing, making bags of plastics. General store that include a variety of goods.
- Also the company obtained sub-commercial registration no.1408906 issued in Dubai dated 07/04/2019G. to practice the activity of manufacturing packaging materials, plastic consumable tools for table food, plastic bags and plastic chip.

The accompanying financial statements represent the assets and liabilities and the results of operation of the above commercial registrations only.

The company’s registered address is as follows:

Riyadh – Second industrial city
 Po.Box.54654 Postal code 11564
 Kingdom of Saudi Arabia

2- Basis for Preparation:

Statement of Compliance with IFRS:

These financial statements were prepared in accordance with International Accounting Standard (IAS) No. 34 “Interim Financial Reporting” and International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee and the International Accounting Standards Board (IASB) adopted in the Kingdom of Saudi Arabia in addition to other standards issued by the Saudi Organization of Chartered and Professional Accountants (SOCPA) (hereinafter referred to as “IFRS adopted in KSA”).

Basis of Presentation and Measurement:

These financial statements have been prepared on the historical cost basis and using the accrual basis except for investments, which are stated at fair value, and employees' benefit obligations, which are measured at the present value of future obligations using the projected unit credit method at the financial position date.

Functional Currency, Presentation Currency and Foreign Currency Conversion:

The financial statements are presented in Saudi Riyals (SR.), which is the Company's functional currency.

Transactions in foreign currencies are originally recorded at spot rates of functional currencies at the relevant transaction date. Monetary assets and liabilities denominated in foreign currencies are converted at the spot exchange rates of functional currencies at the preparation date of financial statements.

Differences arising from the payment or transfer of monetary items are recognized in profit or loss.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

Non-monetary items that are measured at historical cost in a foreign currency are converted at the exchange rates prevailing at the dates of initial transactions. Non-monetary items that are measured at fair value in foreign currencies are converted using exchange rates prevailing at fair value measurement date. Gains or losses arising from conversion of non-monetary items that are measured at fair value are processed in consistency with recognition of profit or loss as a result of a change in the fair value of such item.

Fair Value Measurement:

Fair value is the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or liability is measured assuming that market participants will benefit when pricing the assets and liabilities and will act in their best economic interests.

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

The Company uses evaluation methods appropriate to circumstances, for which sufficient data are available to measure fair value, along with increasing use of observable inputs and reducing use of non-observable inputs.

All assets and liabilities measured at fair value or disclosed in financial statements are classified under the below fair value hierarchy levels and based on the lowest level inputs that are significant to measuring fair value as a whole:

- Level 1: Quoted prices in an active market for similar assets or liabilities.
- Level 2: Evaluation methods from which the lowest level inputs that are significant to measuring fair value, are observable whether directly or indirectly.
- Level 3: Evaluation methods for which the lowest level inputs that are significant to measuring fair value, non-observable.

For the purpose of fair value disclosures, the Company identified categories of assets and liabilities based on the nature, characteristics and risks of those assets or liabilities and the above fair value hierarchy levels.

3- Use of Accounting Estimates, Judgments and Assumptions:

Preparation of these financial statements in accordance with IFRSs requires using estimates, judgments and assumptions that may affect amounts of assets, liabilities and disclosures of contingent assets and liabilities at the financial position date, as well as amounts of income and expenses recorded during the related period. Although these estimates are based on best information available to the Management on events and activities, but the final results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and the effect of changes in accounting estimates is disclosed in the period in which they occur and the affected future periods. The following are the key assumptions and main sources of estimation uncertainty at financial position date, which have a significant impact that may lead to material future adjustments.

Estimated Useful Lives of, Property, Plant and Equipment:

The cost of property, plant and equipment is depreciated on a systematic basis over the estimated useful lives of these assets. The Management reviews the useful lives and depreciation method annually to ensure that it reflects the expected benefit. The management review the assets useful life and the expected residual value at least once a year. At the end of every year the future depreciation will adjust if the management find that the useful life different from previous estimations.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

Estimated Zakat and Tax:

The calculation of Zakat and tax on the Company necessarily includes a degree of estimation in respect of certain items that cannot be determined definitively until a decision is reached with the Zakat, Tax and Customs Authority (ZATCA) or according to the relevant legal decisions. The final settlement of some of these items may result in profits, losses or cash flows.

Long Term Employee benefits obligations Assumptions:

Employees benefit plans (end of service benefits) represent obligations to be paid in the future and require actuarial assumptions to be made in estimating the obligations. The management has to make more assumptions regarding the variables like discount rates and rate of increase in salaries. Periodically, management consults with external actuarial experts regarding these assumptions. Changes in the underlying assumptions can have a significant impact on expected benefit obligations and periodic defined employees benefit costs.

Defined benefit obligations within the company are discounted by reference to market returns at the end of the financial period, on high-quality corporate or government bonds. Important judgments must be made when setting conditions and criteria for the bonds to be used when extracting the yield curve. The most important conditions and criteria to be taken into consideration when selecting bonds include the size of the bonds, the quality of corporate bonds, and the identification and exclusion of exceptions, if any.

Related parties allocated expenses:

The expenses allocated between related parties are estimated by the company's management, which is estimated according to charging system based on the services shared between related parties.

Provisions:

Provisions are recognized when the Company has a liability (legal or constructive) arising from a past event and there is a possibility that costs to settle the obligation will arise which can be reliably measured. When the Company expects to receive compensation for some or all of the provision- for example, under an insurance contract - compensation is recognized as an independent asset but only in the event that the compensation is virtually certain. Expenses relating to the provision are presented in the statement of profit or loss, net of any compensation.

Impairment of Non-Financial Assets:

The decline in the value of a non-financial asset occurs when the carrying value of the asset or the cash-generating unit exceeds its recoverable value, which represents the fair value less disposal costs or the present value, whichever is higher. The fair value less disposal costs are calculated on the basis of data available for binding sale transactions that are made on fair transaction terms for similar assets or observable market prices less additional costs to retire the asset. Present value is determined on the basis of the discounted cash flow method. The cash flows are determined on the basis of the estimated budget and business plan for the next five years and do not include restructuring activities that the company has not yet committed to or significant future investments that would enhance the performance of the cash-generating unit subject to impairment testing. The recoverable amount is affected by the discount rate used in the DCF method as well as the expected future net cash inflows and the growth rate used for extrapolation purposes.

4- Summary of Significant Accounting Policies:

The significant accounting policies applied by the company in the preparation of these financial statements are consistently applied as follows:

Current and Non-Current Classification of Assets and Liabilities:

The company presents its assets and liabilities in the statement of financial position as "current / non-current". Assets shall be deemed current:

- When it is expected to be realized in, or is intended for sale or consumption in, the normal operating cycle;
- When it is expected to be realized within twelve months after the reporting period, or
- When it is cash and cash equivalents, unless it is restricted from being exchanged or used to settle any liabilities for at least twelve months after the reporting period.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

All other assets shall be classified as non-current.
 Liabilities shall be deemed current when they mature within twelve months after the reporting period.
 The Company classifies all other liabilities as non-current liabilities.
 Deferred tax assets and liabilities are classified as non-current assets and non-current liabilities.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

Property, Plant and Equipment:

Items of property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment in value, if any.

Depreciation is calculated on these assets, except land, on a straight line basis so as to allocate the cost of the assets less their residual values over their estimated useful lives using the following annual depreciation rates:

Asset	Rate	Asset	Rate
Building	8-4%	Vehicle	25%
Machinery and equipment	10%	Furniture	20%
Air-conditions	25%	Tools	20%
Computer and software	30%		

Sold or disposed assets are derecognized along with their accumulated depreciation on the date of their sale or disposal. Gains or losses on sale or disposal are recognized in profit or loss.

The Company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Inventory:

Inventories are stated at the lower of cost and selling price less costs to complete and sell. Cost is calculated using the first in first out method for raw materials, materials in process and finished goods; and the weighted average method for spare parts and includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Related Parties:

Related parties are identified by the Company in accordance with the definition in International Accounting Standard 24 "Related Party Disclosures". A related party transaction is a transfer of resources, services or obligation between the Company and a related party regardless of whether a price is charged. Terms and conditions of these transactions are approved by the Company management.

Right of use assets:

The company recognizes right-of-use assets on the lease start date (i.e. the date on which the leased asset becomes available for use). Right-to-use assets are measured at cost less any accumulated depreciation and any losses arising from impairment, and adjusted for any re-measurement of the lease obligations. The right-of-use asset cost includes the amount of the lease liability recognized, initial direct costs incurred and lease payments made on or before the commencement of the lease agreement, less any lease incentives received. Unless the company is reasonably certain about acquiring ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated in accordance with the straight-line method over the estimated useful life or the lease term, whichever is shorter. Right-of-use assets are subject to impairment.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

Lease Liabilities:

Upon initiation of the lease, the Company recognizes rental liabilities measured at the present value of lease payments made over the term of the lease. The lease payments include fixed payments (including those actual fixed payments) minus any rent incentives receivable and variable rental payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. Lease payments also include the price of exercising a reasonably assured purchase option that the company exercises and payments of fines to terminate the lease contract if the lease reflects the company's exercise of the termination option. Variable rents payments that do not depend on an index or rate are recognized as an expense in the period in which the event or condition that triggers those payments occurs. When calculating the present value of the lease payments, the company uses the incremental borrowing rate at the commencement of the lease if the interest rate implicit in the lease cannot be determined easily. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. The lease payments are distributed between the principal amount and the financing cost. The finance cost is charged to the profit or loss over the lease period in order to find a constant periodic rate of interest on the remaining balance of the liability each year.

Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and that the revenue can be measured reliably, regardless of the date on which payment is made. Revenue is measured at the fair value of the consideration received or receivable after taking into account contractually determined payment terms and excluding taxes or fees. The amounts disclosed are presented as revenue after deducting returns, trade discounts, rebates and amounts collected on behalf of third parties.

Revenue from the sale of the good is recognized when the related risks and benefits of control have passed to the buyer which ordinarily occurs when control of the goods is transferred to the buyer at time of delivery.

An entity shall recognize revenue to designate the transfer of goods or services agreed upon to customers in an amount that reflects the equivalent consideration that the entity expects to receive for such goods or services. Revenue is recognized as follows:

- Identify contract(s) with customers.
- Identify performance obligations in each contract.
- Determine the price for transaction.
- Allocate the determined price to the contractual obligations.
- Recognize revenue when the entity satisfies performance obligations.

When a Company acts as a marketer for any affiliated Company, joint venture or third party, it reviews this arrangement to ascertain whether it acts as a principal or agent. When it becomes apparent that the Company is operating as a principal, it records all related sales and selling costs of the goods sold.

In the event of barter transaction, representing exchange of similar items over a short and finite period of time without a commercial substance, these transactions are recorded as transfer goods at cost and the corresponding effect is recognized as receivables and payable.

Sale of goods:

Sales are recognized when the goods are delivered to customers and the significant risks and rewards of ownership have passed to the buyer. Other income is recognized when earned.

Expenses:

Selling and distribution expenses represent expenses resulting from sales, marketing and distribution efforts. All other expenses, excluding direct costs and financing expenses, are classified as general and administrative expenses. Selling, distribution and general and administrative expenses are recognized on the accrual basis in the period in which they are incurred. Joint expenses are allocated between the cost of revenue, selling and distribution expenses and general and administrative expenses on a regular basis, if necessary.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

Zakat and Income Tax Provision:

According to the Zakat, Tax and Customs authority (ZATCA), the company is subject for zakat attributable to the Saudi shareholders and income tax attributable to the foreign shareholders. Zakat and income tax are being charged to the income statement for each period, and in case the shareholders agree internally to bear zakat and income tax expenses then zakat and income tax will be allocated to the shareholders' equity for Saudi and foreign shareholders respectively, but if the shareholders did not agree about bearing zakat and income tax expenses, then the expenses will not be allocated to the shareholders' equity. Differences between the provision and final zakat assessment will be recognized and charged to the income statements when the final assessment from ZATCA is issued and the difference will be charged to the income statement in the period which the final assessment is issued and it will be allocated to the shareholders' equity only if the shareholders agree among each other on bearing zakat and income tax expenses.

Deferred Tax:

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are generally recognized for all temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled (taxable temporary differences). Deferred tax assets are generally recognized for all temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled (deductible temporary differences) but only to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

Value-Added Tax (VAT):

Value Added Tax deposits represent 15% of the total sales value (output tax), and 15% of the total value of purchases and paid expenses (input tax) is deducted. The difference between these amounts is then transferred (paid) to the Zakat, Tax and Customs Authority.

Financial Instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity or financial liabilities or equity instrument of another entity.

Financial Assets:

Financial assets include:

- Cash
- A contractual right to receive a financial asset from another entity (receivables)
- A contractual right to exchange financial instruments with another entity under favorable conditions of entity.
- A non-derivative contract where the entity is or may be required to receive a variable number of entity's own equity instruments.

Classification and Initial Recognition:

An entity classifies its financial assets in the following measurement categories:

- Financial assets that are subsequently measured at fair value (either through statement of income (FVSI) or other comprehensive income (FVTOC))
- Financial assets measured at amortized cost.

Classification is based on the business model used in the entity for managing financial assets and contractual terms of cash flows.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

For assets measured at fair value, gains or losses are recognized either in the statement of income or other comprehensive income. For investment in debt instruments, it depends on the business model of this investment. For investment in equity instruments, it depends on whether the entity has made an irrevocable choice at the time of initial recognition of equity instruments at FVTOCI. The entity reclassifies debt instruments only when its business model changes to manage those assets.

At initial recognition, an entity measures its financial assets (not classified as fair value through statement of income) at fair value plus transaction costs directly attributable to the acquisition of financial assets. In the case of financial assets classified as at FVSI, transaction costs are recognized in the statement of income.

Subsequent Measurement of Financial Assets:

Equity Instruments:

- All equity investments are to be measured at fair value and if the entity's management decides to present fair value gains or losses on equity investments within other comprehensive income, then gains (losses) on fair values cannot be reclassified subsequently in the statement of income. Dividend from the investment are recognized as income when the entity's right to receive payments is established.
- Impairment losses and reversal of impairment losses on equity investments measured at FVTOCI are not treated separately from other changes in fair value.
- Changes in the fair value of financial assets at (FVTPL) are recognized in other income in the statement of income as appropriate.

Debt Instruments:

Subsequent measurement for debt instruments is based on the entity's business model for asset management and cash flow characteristics of assets. There are three measurement categories and the entity classifies debt instruments by:

- **Amortized cost:**
Financial assets held for contractual cash flows represent the original investment and related interest thereon and are measured at amortized cost. Gains or losses on debt instruments at amortized cost that are not part of a hedging relationship are recognized in profit or loss when it is derecognized or impaired.
Interest income from financial assets is recognized using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):**
Financial assets held for contractual cash flows and for sale, where cash flows represent the investment asset and interest thereon and are measured at FVOCI.

Changes in fair value are recognized through other comprehensive income except for the recognition of gains or losses relating to impairment, interest income and foreign exchange gains / losses in the statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred from equity to income statement, recognized as other gains or losses and interest income from financial assets and treated as financial interest using the effective interest rate method.

- **Fair value through statement of income (FVSI):**
Assets that do not meet amortized cost or FVOCI are measured at fair value through statement of income. Gains or losses arising from subsequent measurement of investment in debt instruments are recognized at fair value through statement of income that is not part of a hedging relationship within the statement of income. They are recognized as net gains or losses in the period in which they arise. Interest income from these financial assets is recognized as financial interest.

Effective Interest Method:

The effective interest method is a method for calculating the amortized cost of a debt instrument and allocating interest revenue over the relevant period. The effective interest rate is the rate that discounts future cash payments received through the life expectancy of the debt instrument or, if appropriate, in the shorter period to carrying amount at initial recognition.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

Impairment:

- The entity assesses expected future credit losses for financial assets at amortized cost and FVOCI. The impairment methodology applied depends on whether there is a significant increase in credit risk.
- For trade receivables only, the entity applies the “simplified approach” permitted by IFRS 9, which requires the recognition of lifetime expected losses in initial recognition of receivables.

Financial Liabilities:

Financial liabilities include:

- A contractual obligation to deliver cash or another financial asset to another entity.
- A contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavorable to the entity.
- A non-derivative contract where the entity is obliged to provide a variable number of entity's own equity instruments.

Initial Recognition:

Financial liabilities are recognized initially at fair value. The financial liabilities of the entity include trade payables, other payables and long-term loans from the government at a lower market rate.

Subsequent Measurement:

The entity classifies all financial liabilities after initial recognition at amortized cost.

Offsetting Financial Instruments:

Financial assets and liabilities shall be offset and the net amount presented in the statement of financial position only when there is a current enforceable right to settle the amounts recognized and when there is an intention to settle on a net basis or to liquidate assets and settle liabilities simultaneously.

Disposal of Financial Assets and Liabilities:

- An entity derecognizes a financial asset only when the contractual rights to cash flows from the asset expire or when it transfers the financial asset and all the risks and rewards of ownership thereof to another party. If an entity neither transfers nor retains all risks and rewards of ownership and continues to control the asset, the entity recognizes its share held in the asset and the liability for the amounts it may pay. If an entity retains substantially all risks and rewards of ownership of the financial asset, the entity continues to recognize the financial asset and recognize the associated liability.
- On derecognition of a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the amount of the consideration received and receivable is recognized in the statement of income. In addition, upon derecognition of an investment in a debt instrument classified as FVOCI, the cumulative gain or loss previously recognized in the revaluation reserve is reclassified to profit or loss. Upon derecognition of an investment in equity instruments that the Company has chosen to recognize initially by measuring at (FVOCI), the cumulative gain or loss recognized in the investment revaluation reserve is not classified as profit or loss, but are converted to retained earnings.
- Financial liabilities are derecognized only when the liabilities are discharged, canceled, expired or invalidated. The difference between the carrying amounts of the financial liabilities and the amounts paid and required, including any non-monetary assets transferred or liabilities recognized in the statement of income, is recognized.

Post-Employment Benefits:

The Company's post-employment benefits include monthly contributions to General Organization for Social Insurance (GOSI) and gratuity scheme as per the requirements of Kingdom of Saudi Arabia regulations.

GOSI:

The monthly contributions to GOSI (separate entity) are categorized as a defined contribution plan. The Company recognizes its portion of fixed contribution to GOSI every month as expense. The Company has no legal or constructive obligation to pay any further contribution, its only obligation is to pay the contribution as it falls due.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

Gratuity:

The Company's end of service benefits program is classified as a defined benefit plan. This program is considered unfunded, and the liability recognized in the statement of financial position related to the defined benefit end-of-service benefit program is represented by the present value of the defined benefit obligation at the end of the reporting period.

Provisions:

Provisions are recognized when the Company has a liability (legal or constructive) arising from a past event and there is a possibility that costs to settle the obligation will arise which can be reliably measured. When the Company expects to receive compensation for some or all of the provision- for example, under an insurance contract - compensation is recognized as an independent asset but only in the event that the compensation is virtually certain. Expenses relating to the provision are presented in the statement of profit or loss, net of any compensation.

5- Standards and Interpretations issued that became effective

The Company has adopted all the applicable new and revised International Financial Reporting Standards and interpretations that are relevant to its operations and effective for the period beginning on or after 1 January 2022. These amendments had no impact on the financial statements of the Company.

Standard or Interpretation No.	Description	Effective date
Amendments to IAS (16) Property, Plant and Equipment.	The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1, 2022.
Reference to the Conceptual Framework (Amendments to IFRS 3).	Minor amendments were made to IFRS 3 to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments also confirm that contingent assets should not be recognized at the acquisition date.	January 1, 2022.
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) provision, contingent liabilities and contingent assets.	The amendments specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	January 1, 2022.
IFRS Standards 2018-2020.	Annual Improvements to IFRS 9, IFRS 16, IFRS 1 and IAS 41.	January 1, 2022.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

6- International Financial Reporting Standards and new interpretations that are not yet effective:

The following are the International Financial Reporting Standards and the interpretations issued related to the company and are not yet effective until the date of issuing the company's financial statements. These standards will be applied by the company when they become effective and they are as follows:

Standard or Interpretation No.	Description	Effective date
IFRS (17) Insurance Contracts.	IFRS (17) was issued in May 2017 as replacement for IFRS (4) Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: <ul style="list-style-type: none"> discounted probability-weighted cash flows an explicit risk adjustment, and a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period. IFRS (17) requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts	January 1, 2023 (deferred from January 1, 2021).
Classification of Liabilities as Current or Non-Current Amendments to IAS (1).	The amendments to Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date . The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.	January 1, 2023 (deferred from January 1, 2022).
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, International Accounting Standards Board (IASB) has also developed guidance and examples to explain and demonstrate the application of the “four-step materiality process” described in IFRS Practice Statement 2. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement (2). The amendments are to be applied prospectively	January 1, 2023.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

Definition of Accounting Estimates (Amendments to IAS 8).	On February 12, 2021, the International Accounting Standards Board (IASB) published "Definition of Accounting Estimates". The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	January 1, 2023
Deferred Tax related to Assets and Liabilities arising from a Single transaction (Amendments to IAS 12 Income Taxes)	The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and affected entities would be requiring recognition of additional deferred tax assets and liabilities. That means the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	January 1, 2023
Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)	The Amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.	January 1, 2023
IFRS 10 and IAS 28 amendments. Sale of contribution between an investor and its associate or joint venture.	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	Indefinite effective date/early adoption permitted.

Management anticipates that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Company.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

7- Cash and Cash Equivalents:

The details of this item are as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Cash on hand	113,907	89,087
Current accounts with local bank in Saudi Riyal	13,585,287	11,279,513
Total - Exhibit A	13,699,194	11,368,600

8- Trade Receivables, Net:

a) The details of this item are as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Customer accounts – Note (8/b)	80,605,418	59,606,730
Provision for impairment – Note (8/c)	(28,286)	(33,261)
Accounts receivable, Net – Exhibit A	80,577,132	59,573,469

b) The trade receivables amounting to SR.80,605,418 include the balance of three customers in the amounts of SR.46,728,636, which constitute 58% of the total receivables as of 30 June 2022. (2021 year: the accounts receivable amounting to SR.59,606,730 include the balance of three customers in the amount of SR.37,674,841 which constitute 63% of the total accounts receivables).

c) The movement in the provision for impairment of receivables is as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Provision balance at the beginning of the period / year	33,261	688,765
Provision no longer required - Note (26)	(4,975)	(655,504)
Provision for impairment – Note (8/a)	28,286	33,261

d) Long-term trade receivables:

This item represents long-term operational agreements concluded with a customer in return for supplying or selling plastic materials, which are as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Long-term trade receivables	40,394,777	45,724,463
Provision for impairment – Note (8/e)	(17,000,000)	(17,000,000)
Total – Exhibit A	23,394,777	28,724,463

e) The movement in the impairment of long-term receivables is as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Provision balance at the beginning of the period / year	17,000,000	12,000,000
Provision during the period / year	--	5,000,000
Provision for impairment of long-term receivables	17,000,000	17,000,000

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

- f) The following is an analysis of the aging of accounts receivable as of 30 June 2022, 31 December 2021:

Year	Total	In arrears but and not impaired			
		Less than 90 days	91-180 days	181-360	More than 360
	SR.	SR.	SR.	SR.	SR.
30 June 2022	80,605,418	57,020,972	19,044,417	2,277,836	2,262,193
31 December 2021	59,606,730	45,814,994	11,436,640	84,198	2,270,898

9- Inventory:

The details of this item are as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Raw materials and spare parts	26,289,939	25,956,735
Finished goods	2,300,552	3,338,853
Material in process	3,374,883	2,109,865
Total – Exhibit A	31,965,374	31,405,453

10- Other Debit Balances:

The details of this item are as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Prepaid expenses	4,868,995	2,943,006
Advance payments to suppliers	1,895,408	2,019,623
Employee receivables	1,038,192	1,349,405
Margins on letters of guarantee – Note (30)	29,189	29,189
Value added tax	1,767,900	717,337
Other	647,113	26,933
Total – Exhibit A	10,246,797	7,085,493

11- Investment in Trading Securities:

This item represents the total investment in stock during period ended on 30 June 2022, and the movement on the investment was as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Balance at the beginning of the period / year	--	15,754,363
Adding value of buying investment share	--	--
Selling value of shares	--	(17,760,289)
Realized gain on sale of shares/dividends received	--	2,005,926
Investment balance at the end of the year – Exhibit A	--	--

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

12- Property, Plant and Equipment, Net:

a) The details of cost and accumulated depreciation for the period 30 June 2022 are as follows:

Cost	Buildings /b	Vehicle	Machinery and equipment	Furniture and fixtures	Air- condition	Tools	Computers	Projects in progress	Total
	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.
Balance at 1/01/2022	49,989,656	1,763,267	212,679,253	1,457,686	2,103,815	1,515,492	883,057	--	270,392,226
Additions during the year	5,902,655	105,000	3,163,799	47,770	116,060	33,864	62,164	516,726	9,948,038
Disposal during the year	--	(66,000)	--	--	--	--	--	--	(66,000)
Balance at 30/06/2022	55,892,311	1,802,267	215,843,052	1,505,456	2,219,875	1,549,356	945,221	516,726	280,274,264
Less: Accumulated									
Depreciation									
Balance at 1/01/2022	19,119,823	1,653,545	137,298,664	1,259,282	1,961,675	1,229,092	742,763	--	163,264,844
Depreciation for the period	656,958	31,678	5,422,479	34,912	37,558	35,918	36,757	--	6,256,260
Related to disposal	--	(65,999)	--	--	--	--	--	--	(65,999)
Balance at 30/06/2022	19,776,781	1,619,224	142,721,143	1,294,194	1,999,233	1,265,010	779,520	--	169,455,105
Property, plant and equipment, net - 30/06/2022 - Exhibit A	36,115,530	183,043	73,121,909	211,262	220,642	284,346	165,701	516,726	110,819,159

b) The buildings referred to above are built on land leased from the Industrial Cities Authority in Riyadh with a contract that ends on 12/08/1440H. and is automatically renewed according to the company's decisions.

c) All property, machinery and equipment of the factory are mortgaged to the Saudi Industrial Development Fund and local banks - note (15).

d) The depreciation expense of property, plant and equipment has been allocated are as follows:

	30 June 2022	30 June 2021
	SR.	SR.
Operating expenses - Note (23/b)	6,191,926	5,873,140
General and administrative expenses - Note (25)	64,334	46,681
Total	6,256,260	5,919,821

Al Rayan Advanced Industrial Company
 Closed Joint Stock Company
 Kingdom of Saudi Arabia
 Notes to the Interim Financial Statements (Unaudited)
 For the Six Months Period Ended 30 June 2022

e) The details of cost and accumulated depreciation for the year 31 December 2021 are as follows:

Cost	Buildings /b	Vehicle	Machinery and equipment	Furniture and fixtures	Air- condition	Tools	Computers	Projects in progress	Total
	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.	SR.
Balance at 1/01/2021 – Adjusted	43,171,054	1,763,267	189,909,660	1,321,020	2,038,321	1,254,573	776,906	814,037	241,048,838
Transferred from projects in progress	814,037	--	--	--	--	--	--	(814,037)	--
Additions during the year	6,004,565	--	33,815,180	136,666	65,494	260,919	106,151	--	40,388,975
Disposal during the year	--	--	(11,045,587)	--	--	--	--	--	(11,045,587)
Balance at 31/12/2021	49,989,656	1,763,267	212,679,253	1,457,686	2,103,815	1,515,492	883,057	--	270,392,226
Less: Accumulated Depreciation									
Balance at 1/01/2021 – Adjusted	17,911,819	1,594,566	137,441,341	1,204,943	1,897,341	1,201,320	689,282	--	161,940,612
Depreciation for the period Related to disposal	1,208,004	58,979	10,902,873	54,339	64,334	27,772	53,481	--	12,369,782
	--	--	(11,045,550)	--	--	--	--	--	(11,045,550)
Balance at 31/12/2020	19,119,823	1,653,545	137,298,664	1,259,282	1,961,675	1,229,092	742,763	--	163,264,844
Property, plant and equipment, net - 31/12/2021 – Exhibit A	30,869,833	109,722	75,380,589	198,404	142,140	286,400	140,294	--	107,127,382

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

13- Advance Payments to Purchase Property, Plant and Equipment:

This item represents advance payments made for the purchase of property, plant and equipment through letter of credits opened with local banks and during the period / year transferred to property, plant and equipment.

14- Right of Use Assets/ Lease Obligations:

This item represents applying of International Financial Reporting Standard No. (16), where the company has applied the principle of a single recognition and measurement for all lease contracts in the event that it is the lessee, without excluding short-term lease contracts and lease contracts involving a low-value asset. The Company has recognized obligations for lease payments and right of use assets, which represent the right to use underlying assets in the leases. The company applied IFRS 16 on the initial date of application, the rights to use assets were measured at an amount equal to the lease liabilities and adjusted by the amounts of prepayments and lease payments due related to the lease contracts recognized in the interim condensed statement of financial position and its details are as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Balance at the beginning of the period / year	5,528,060	5,245,409
Additions during the period / year	934,375	282,651
Adjustment	(414,860)	--
Total	6,047,575	5,528,060
Accumulated Amortization		
Balance at the beginning of the period / year	1,811,654	1,165,042
Amortization during the period / year	436,903	646,612
Total	2,248,557	1,811,654
Right of use of the assets – Exhibit A	3,799,018	3,716,406
<u>Lease obligations</u>		
Balance at the beginning of the period / year	3,481,841	3,862,951
Amortization during the period / year	934,375	282,651
Adjustment	(414,860)	--
Less / add		
Closing accrued expenses	(170,000)	--
Closing prepaid expenses	--	--
Payment during the period / year	(518,801)	(790,485)
Financial expenses	27,950	126,724
Total	3,340,505	3,481,841
Current portion of lease obligation – Exhibit A	204,891	747,158
Non-current portion of lease obligation – Exhibit A	3,135,614	2,734,683

15- Loans:

- a) The company obtained loans from the Saudi Industrial Development Fund in the amount of SR.48,388,000 in order to expand the company's factory for the production of plastic products, and was guaranteed by the mortgage of all the property, plant and equipment of the factory, personal guarantees from the partners and other conditions specified in the contract and payment schedule as follows:

Installment	Due date	Amount	Installment	Due date	Amount
1	15/02/1444	2,300,000	6	15/08/1446	2,300,000
2	15/08/1444	2,300,000	7	15/02/1447	2,300,000
3	15/02/1445	2,300,000	8	15/08/1447	2,300,000
4	15/08/1445	2,300,000	9	15/02/1448	2,500,000
5	15/02/1446	2,300,000	10	15/08/1448	2,500,000

- b) Also, the company obtained bank facilities from local banks limited to SR.100,800,000 at interest rates according to the market and the rate of SIBOR ranges between 1% to 4% according to the following bank guarantees:
- Joint and several guarantee from the shareholders, in addition to promissory notes signed by the shareholders.
 - Other guarantees specified in the contract.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

- c) Loans are classified in the financial position according to payment schedule as follows:

	Current portion of long-term loan		Long term loans	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	SR.	SR.	SR.	SR.
Loans from the Saudi Industrial Development Fund (SIDF) -d	3,528,189	3,423,709	16,862,143	18,657,414
Loans from Local Banks	17,588,921	16,684,913	31,540,715	26,411,711
Deferred borrowing costs	(36,950)	(70,879)	--	--
Total – Exhibit A	21,080,160	20,037,743	48,402,858	45,069,125

- d) An interest-free Industrial Development Fund loan was obtained which was presented as required under IFRS 9. The loans was revalued and grant obligations were recognized. The present value of the loan was calculated using an interest rate of 6%, which represents the borrowing rate of the company, and this resulted in loan grant obligation, and in return, an interest expense arises that is amortized over the life of the loan using the effective interest method, the details of which were as follows:

Description	Loan	Grant obligation	Total
	SR.	SR.	SR.
Balance as at 01/01/2021	24,335,624	4,964,376	29,300,000
Additions during the year	(3,600,000)	--	(3,600,000)
Amortization of interest/grant expenses	1,345,498	(1,345,498)	--
Balance as at 31 December 2021	22,081,122	3,618,878	25,700,000
Payment during the period	(2,300,000)	--	(2,300,000)
Amortization of interest expenses/grant	609,210	(609,210)	--
Balance as at 30/06/2022 - C	20,390,332	3,009,668	23,400,000

The classification of the loan grant obligation in the statement of financial position was as follows:

	Short-term	Long-term
	SR.	SR.
31 December 2021	1,176,292	2,442,586
30 June 2022	1,071,811	1,937,857

16- Accounts Payable:

The accounts payable amounting to SR.51,637,686 include the balance of one major supplier amounting to SR.31,495,043 which constitutes 61% of total accounts payable as of 30 June 2022 (year 2021: The accounts payable amounting to SR.27,001,974 include the balance of one major supplier amounting to SR.12,230,887 which constitutes 45% of total accounts payable).

17- Other Credit Balances:

The details of this item are as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Accrued expenses	844,085	1,398,422
Employees payables	96,416	140,540
Leave allowance	145,221	286,858
Tickets provision	428,899	434,712
Advance payment from customers	1,775,615	1,554,476
Value added Tax	--	--
Total – Exhibit A	3,290,236	3,815,008

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

18- Due to related Parties – Shareholders:

- a) The company deals during its ordinary activities with companies considered as related parties which include companies related to the shareholders. The movements on this account are as follows:

	Nature of relationship	30 June 2022	31 December 2021
		SR.	SR.
Mr.Hassan Ali Hassan Al-Sirafi	Shareholder	3,699,955	--
Mrs.Awatf Hassan Ali Batarji	Shareholder	50,000	--
Mrs.Weddi Hassan Ali Al-Sirafi	Shareholder	250,000	--
Mrs.Reem Hassan Ali-Sirafi	Shareholder	250,000	--
Mr.Rayan Hassan Ali Al-Sirafi	Shareholder	250,000	--
Mr.Mohammed Hassan Ali Al-Sirafi	Shareholder	241,087	--
Mr.Sami Fahad Khader Judah	Shareholder	10,360	--
Total – Exhibit A		4,751,402	--

- b) The major transaction with related party are as follows:

	Nature of relationship	Nature of transactions	Transaction amount 2022	Transaction amount 2021
			SR.	SR.
Mr.Hassan Ali Hassan Al-Sirafi	Shareholder	Dividends	7,400,000	--
		Personal withdrawal	(3,700,045)	--
Mr.Sami Fahad Khader Judah	Shareholder	Dividends	500,000	--
		Personal withdrawal	(489,640)	--
Mr.Rayan Hassan Ali Al-Sirafi	Shareholder	Dividends	500,000	--
		Personal withdrawal	(250,000)	--
Mr.Mohammed Hassan Ali Al-Sirafi	Shareholder	Dividends	500,000	--
		Personal withdrawal	(258,913)	--
Mrs.Weddi Hassan Ali Al-Sirafi	Shareholder	Dividends	500,000	--
		Personal withdrawal	(250,000)	--
Mrs.Reem Hassan Ali-Sirafi	Shareholder	Dividends	500,000	--
		Personal withdrawal	(250,000)	--
Mrs.Awatf Hassan Ali Batarji	Shareholder	Dividends	100,000	--
		Personal withdrawal	(50,000)	--
Senior executive	Senior Management	Salary and benefits	383,546	2,380,786

19- Provision for Zakat and Estimated Income Tax:

- a) The movement of the provision for zakat and estimated income tax was as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Provision for Zakat and income tax at the beginning of the period / year	3,169,012	1,763,890
Zakat provision made during the period / year	1,631,735	3,168,943
Provision for income tax during the period / year	--	--
Paid during the period / year	--	(1,763,821)
Provision balance at end of the period / year	4,800,747	3,169,012

- b) The company obtained a Zakat certificate for the year ending on 31 December 2020, valid until 30 April 2022.
- c) The company submitted its zakat return for the year ending 31 December 2021 to the Zakat, Tax and Customs Authority.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

- d) ZATCA issued a zakat assessment for the year 2015 which resulted in additional zakat liability of SR 860,024. The company filed an objection against an amount of SR 1,005,919. However, ZATCA accepted an objection against an amount of SR 149,439 and rejected the objection against an amount of SR 856,480. The Company escalated its objection with The General Secretariat of Tax Committees and believes that the objection will be accepted based on The Executive Regulations for The Collection of Zakat.
- The Company has not taken additional provisions against the amount of SR 860,024 or against future liabilities that may arise from the years that were not yet assessed by ZATCA.

20- Provision for End-of-Service Benefits:

The Company has an end-of-service scheme for its employees (the "members"). The scheme entitles the members to a lump sum payment related to length of service and salary at the time of retirement, resignation or death. The scheme is un-funded in that no fund is currently accumulated (whether from contribution by the employer and/or employees) towards the discharge of Company's obligation under the scheme. This scheme are being ruled by the Labor Law in the Kingdom of Saudi Arabia.

The scheme is governed by the labor regulations of the Kingdom of Saudi Arabia. The obligation recognized in the statement of financial position related to end of service indemnity represents the present value of the defined benefit obligations at the end of the reporting period. Defined benefit obligations are being calculated annually by the company's management using the projected unit credit method.

- a) The amounts recognized in the statement of financial position and the statement of income are summarized in the below schedule:

	30 June 2022	31 December 2021
	SR.	SR.
Present value of employee benefit obligations recognized in the statement of financial position – Exhibit A	8,395,983	8,376,794
Cost of service recognized in the statement of income	494,231	791,664

- b) The movement in the defined benefit obligation during the year is as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Balance at beginning of the period / year	8,376,794	7,443,324
Current cost of service	284,331	605,581
Interest costs	209,900	186,083
Remeasurement loss for employees benefits	60,646	706,901
Payments during the period / year	(535,688)	(565,095)
Balance at year period / ending	8,395,983	8,376,794

- c) The major assumptions used are as follows:

	30 June 2022	31 December 2021
	SR.	SR.
Discount rate	2.5%	2.5%
Employees turnover	10%	10%
Future salary increments were ignored		

- d) Sensitivity analysis:

The table below shows the approximate effect on the defined benefit obligation if the Company changes one major assumption, while keeping all other actuarial assumptions constant:

	30 June 2022	31 December 2021
	SR.	SR.
Increase in discount rate by 1%	(326,809)	(345,332)
Decrease in discount rate of 1%	43,455	44,137
Increase in resignations rate by 1%	353,576	372,023
Decrease in resignations rate of 1%	(47,558)	(48,149)

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

21- Capital and Reserves:

a) Capital:

The share capital of the company amounting to SR.50,000,000 is divided into 5,000,000 cash equal shares of SR.10 per share distributed among partners are as follows:

	Number of shares	Share value	Percentage	Total
	Share	SR.	%	SR.
Mr.Hassan Ali Hassan Al-Sirafi	3,950,000	10	79%	39,500,000
Mr.Rayan Hassan Ali Al-Sirafi	250,000	10	5%	2,500,000
Mrs.Reem Hassan Ali Al-Sirafi	250,000	10	5%	2,500,000
Mr.Mohammed Hassan Ali Al-Sirafi	250,000	10	5%	2,500,000
Mrs.Weddi Hassan Ali Al-Sirafi	250,000	10	5%	2,500,000
Mrs.Awatf Hassan Ali Batarji	50,000	10	1%	500,000
Total Share	5,000,000			
Capital – Exhibit A				50,000,000

- b) The company's articles of association were amended on 31 January 2022 based on the shareholders' minutes of meeting to increase the company's capital from SR.50,000,000 to SR.100,000,000 and changed the legal entity from a limited liability company to a closed joint stock company. The increase was made by transferring an amount of SR.35,000,000 from the retained earnings and an amount of SR.15,000,000 from closing the statutory reserve in the capital balance according to the agreement concluded between the shareholders. The Company's capital became SR.100,000,000 divided into ten million (10,000,000) shares of SR.10 each, distributed to the shareholders as follows:

	Number of shares	Share value	Percentage	Total
	Share	SR.	%	SR.
Mr.Hassan Ali Hassan Al-Sirafi	7,400,000	10	74%	74,000,000
Mrs.Awatf Hassan Ali Batarji	100,000	10	1%	1,000,000
Mrs.Weddi Hassan Ali Al-Sirafi	500,000	10	5%	5,000,000
Mrs.Reem Hassan Ali Al-Sirafi	500,000	10	5%	5,000,000
Mr.Rayan Hassan Ali Al-Sirafi	500,000	10	5%	5,000,000
Mr.Mohammed Hassan Ali Al-Sirafi	500,000	10	5%	5,000,000
Mr.Sami Fahad Khader Judah	500,000	10	5%	5,000,000
Total Share	10,000,000			
Capital – Exhibit A				100,000,000

c) Statutory Reserve:

According to Companies regulations the Company retains 10% of its annual net income as a statutory reserve. This deduction is discontinued because the statutory reserve reached 30% of the Company's capital.

22- Sales, Net:

This item consists of the following:

	30 June 2022	30 June 2021
	SR.	SR.
Internal sales - net	69,401,909	68,815,816
External sales – net	42,675,541	26,346,222
Total Sale, Net – Exhibit B	112,077,450	95,162,038

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

23- Sale Cost:

a) The details of this item are as follows:

	30 June 2022	30 June 2021
	SR.	SR.
Raw materials at the beginning of the period	24,091,562	22,893,538
Purchases during the period, net	69,991,064	59,821,524
Raw materials at the end of the period	(26,289,939)	(27,610,929)
Cost of raw materials used	67,792,687	55,104,133
Materials in process at the beginning of the period	3,975,038	4,051,932
Operating expenses – Note (23/b)	18,044,586	16,861,405
Materials in process at the end of the period	(3,374,883)	(4,693,719)
Cost of production available for sale	86,437,428	71,323,751
Finished materials at the beginning of the period	3,338,853	3,178,885
Finished materials at the end of the period	(2,300,552)	(3,970,926)
Total – Exhibit B	87,475,729	70,531,710

b) Operating expenses:

The details of this item are as follows:

	30 June 2022	30 June 2021
	SR.	SR.
Salaries, wages and related	5,253,587	4,964,538
Depreciation of property, equipment and machinery – Note (12/d)	6,191,926	5,873,140
Electricity, water and gas	2,885,092	2,488,088
Housing allowance	341,829	219,035
Amortization of the right to use the assets	436,903	317,159
Government fees and subscriptions	137,409	127,841
Maintenance and repair	635,880	796,616
Bonuses and incentives	47,100	115,400
Employee benefits obligation	291,431	197,339
Vacation and tickets	373,568	370,315
Medical insurance	182,164	179,290
Social insurance	154,006	207,375
Fuel and car maintenance	91,022	80,289
Insurance expenses	480,050	462,025
Other	542,619	462,955
Total – Note (23/a)	18,044,586	16,861,405

24- Selling and Marketing Expenses:

The details of this item are as follows:

	30 June 2022	30 June 2021
	SR.	SR.
Salaries, wages and related	659,676	640,509
Shipping and transportation fees	2,602,817	1,310,856
Travel and transportation expenses	65,726	41,614
Sales and collection commissions	249,903	104,196
Rents	138,150	133,650
Government fees and subscriptions	40,911	26,120
Insurance expenses	35,522	28,646
Employee benefits obligations	54,600	54,000
Advertising	45,000	56,092
Bonuses and incentives	102,000	102,000
Others	42,050	17,529
Total – Exhibit B	4,036,355	2,515,212

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

25- General and Administrative Expenses:

The details of this item are as follows:

	30 June 2022	30 June 2021
	SR.	SR.
Salaries, wages and related	1,712,243	1,394,309
Bonus and incentives	40,550	1,008,000
Housing allowance	357,219	342,424
Insurance	57,516	59,441
Vacation and tickets	151,635	123,000
Depreciation and amortization of property, plant and equipment - Note (12/c)	64,334	46,681
Employee benefits obligations	148,200	123,600
Bank expenses	126,003	197,697
Insurance	104,189	--
Maintenance and repair	24,304	42,131
Post, telegraph and telephone	18,853	16,604
Government fees and subscriptions	83,912	106,718
Professional fees and consultancy	123,200	84,007
Other	770,772	127,466
Total – Exhibit B	3,782,930	3,672,078

26- Other Revenue:

a) The details of this item are as follows:

	30 June 2022	30 June 2021
	SR.	SR.
Profits from the tender of Shamsan Company – Note (26/b)	481,591	--
Provision no longer required – Note (8/c)	4,975	624,310
Other income	72,664	55,240
Total – Exhibit B	559,230	679,550

b) This item represents a share of profits from participating in tenders related to the production and supply of plastic products implemented by Shamsan Company, with a value of approximately SR.105 million, and the value of the agreed profits approximately SR.13million which is recorded according to the collection and completion rates in the tenders.

27- Financing Cost:

The details of this item are as follows:

	30 June 2022	30 June 2021
	SR.	SR.
Bank interest	1,184,797	1,116,002
Interest on lease contracts	27,950	64,787
Total – Exhibit B	1,212,747	1,180,789

28- Earnings Per Share:

Earnings per share from operating profit and from profit for the period are calculated by dividing the operating profit for the period and the profit for the period by the weighted average number of the shares outstanding during the period ended 30 June 2022, which is equal to 10,000,000 shares.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

29- Financial Assets and Liabilities:

Classification of financial instruments by category detailed in the table below:

	30 June 2022	31 December 2021
	SR.	SR.
Financial assets measured at amortized cost less impairment in value:		
Cash and cash equivalent	13,699,194	11,368,600
Trade and other receivables	81,615,324	89,647,337
Total	95,314,518	101,015,937
	30 June 2022	31 December 2021
	SR.	SR.
Liabilities measured at amortized cost:		
Trade and other payables	51,734,102	27,142,514
Long term loans and liabilities grant	72,495,013	68,725,745
Payable to related parties – shareholders	4,751,402	--
Total	128,980,517	95,868,259

30- Contingent Liabilities:

The company's contingent liabilities on 30 June 2022 amounted to SR.5,278,612 which represent existing letters of guarantee taken against operational projects, and the bank retained an amount of SR.29,189 against these obligations (note 10).

31- Financial Risk Management:

Overview

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

- Capital Management Risk.
- Cash with banks
- Interest rate risk
- Credit Risk.
- Liquidity Risk.
- Market Risk (including currency risk and commission rate risk).

This note shows information on the Company's exposure to the above risks, the Company's objectives, policies and procedures regarding measuring and managing risks, and managing the Company's capital. Additional quantitative disclosures have been included in these financial statements.

Risk Management:

The Board of Directors bears the full responsibility for developing and supervising Company's risk management frameworks. Company's risk management policies have been developed to identify and analyze the risks encountered by the Company. Appropriate risk limits and controls have been developed in addition to the compliance thereof. Risk management policies and rules are reviewed regularly to reflect changes in market conditions and the Company's activities.

Capital Management Risk:

The Company aims at, in managing capital, maintaining the company's ability to continue as an operating entity, achieving returns to partners and benefits to other stakeholders and maintaining an optimal capital structure that reduces the cost of capital.

The company, like other companies operating in the same field, monitors the capital on the basis of the total debt to equity ratio, so that this ratio is calculated by dividing the net debt by the total capital. Net debt is calculated on the basis of total loans as stated in the balance sheet, minus cash and cash equivalents and short-term deposits, while total capital is computed on the basis of shareholders' equity as it is included in the balance sheet plus net debt.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

Cash in Banks:

Credit risk in bank balances is limited as the Company deals with banks with high credit ratings determined by international credit rating agencies. As bank balances are retained in banks with a high credit rating in the Kingdom, the management does not expect failure in fulfilling financial obligations.

The maximum risk to the Company is the book value of these financial instruments as disclosed in the relevant notes.

Interest rate risk:

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in interest rates. The Company is exposed to interest rate risk primarily in respect of short-term floating rate loans. The Company does not hedge against changes in interest rates.

The Company is exposed to interest rate risk on short-term loans. Loans with floating interest rates expose the Company to cash flow interest rate risk, which is partially offset by cash held at floating interest rates.

Credit Risk:

Credit risk is the risk that one party to a financial instrument will fail to meet its financial obligations, causing a loss to the company. The company is exposed to credit risk through the book value of its assets, which includes balances with banks and other receivables and due from related parties. note (8) shows the aging of accounts receivable and the provision for expected credit losses.

Liquidity risk:

Liquidity risk represents the challenges encountered by the Company in meeting its financial liabilities paid in cash or in other financial assets. The Company's method of managing liquidity risk aims at ensuring, to the extent possible, sufficient liquidity to meet its obligations when it becomes due under normal and critical circumstances, without incurring unacceptable losses or damaging the Company's reputation.

The Company ensures that it has sufficient cash on hand to meet expected operating expenses, including its financial obligations. This does not include the potential impact of contingencies that cannot be reasonably predicted such as natural disasters. In addition, the Company maintains various credit lines.

Risk concentrations arise when a number of other parties practice similar activities or activities in the same geographic region or have economic characteristics that may affect their ability to meet their contractual obligations affected by economic, political or other conditions. The company does not have excessive concentrations and the relative sensitivity of the company indicates the performance towards developments affecting a particular sector.

To avoid excessive risk concentration, the Company's policies and procedures include some guidelines that focus on maintaining a varied portfolio. The concentrations of specific credit risks are monitored and managed at the level of both the relationship and the sector.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

The following table summarizes the maturity profile of the company's financial obligations based on contractual payments:

Year / description	Carrying amount	Less than one year	From 1 year to 5 years	More than 5 years
30 June 2022	SR.	SR.	SR.	SR.
Provision for employee benefits obligation	8,395,983	--	8,395,983	--
Long term loans	72,492,686	22,151,971	50,340,715	--
Lease liabilities	3,340,505	204,891	3,135,614	--
Trade payables	51,637,686	51,637,686	--	--
Other credit balances	574,120	574,120	--	--
Provision for estimated Zakat	1,631,735	1,631,735	--	--
Total	138,072,715	76,200,403	61,872,312	--

Year / description	Carrying amount	Less than one year	From 1 year to 5 years	More than 5 years
31 December 2021	SR.	SR.	SR.	SR.
Provision for employee benefits obligation	8,376,794	--	8,376,794	--
Long term loans	68,725,745	21,664,034	47,061,711	--
Lease liabilities	3,481,841	747,158	2,734,683	--
Trade payables	27,001,974	27,001,974	--	--
Other credit balances	721,570	721,570	--	--
Provision for estimated Zakat	3,169,012	3,169,012	--	--
Total	111,476,936	53,303,748	58,173,188	--

Market Risk:

Market risk represents the risk arising from changes in market prices such as foreign exchange rates and commission rates that may affect the Company's income. The objective of market risk management is to manage and monitor market risk exposures in the context of acceptable levels while maintaining returns.

Currency Risk:

The Company is exposed to foreign exchange risk arising from exposure to risks of various currencies, especially the currency exchange rate fluctuations of other currencies against the Saudi Riyal. Foreign exchange risk arises mainly from commercial transactions. Company's policy requires a regular review of currency risk exposures from the part of the management. For monetary assets and liabilities nominated in foreign currencies, the Company ensures that the net exposure to accompanying risks is at acceptable levels by purchase and sale of foreign currencies at spot exchange rate when necessary against short-term imbalances.

The Company's exposure to the currency risks regarding the USD is not significant as US Dollar is pegged against the Saudi Riyal.

Commission rate risk:

Commission rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commission rates prevailing in the market. The risk of changes in market commission rates to which the Company is exposed mainly relates to the Company's long-term loan commitments, which are linked to a floating commission.

Al Rayan Advanced Industrial Company
Closed Joint Stock Company
Kingdom of Saudi Arabia
Notes to the Interim Financial Statements (Unaudited)
For the Six Months Period Ended 30 June 2022

32- Significant and Subsequent Events:

At the beginning of the year 2020, the Corona virus (Covid 2019) appeared as a global pandemic, which caused a state of instability in the global economy as a whole. The company evaluates any potential impacts on the financial statements, whether with regard to the negative effects of the virus on the business or the ability to pay debts, or with regard to the positive effects of servicing the facilities and support provided by the state to businesses affected by the spread of the virus, and changes in circumstances may require some disclosures related to them, including those on which the company's estimates are based on forecasting expected credit losses related to financial instruments.

33- Approval of Financial Statements for Issuance:

These financial statements were approved for issuance by the Board of Directors on 12 Safar 1443H. Corresponding to 08 September 2022G.

34- General:

- a) The figures in the financial statements are rounded to the nearest Saudi Riyal.
- b) Some of the comparative figures for the previous period have been reclassified to conform to the presentation in the current period.

