

**SAUDI PRINTING AND PACKAGING COMPANY**  
(A Saudi Joint Stock Company)  
**Consolidated Financial Statements**  
together with the  
**Independent Auditor's Report**  
**31 December 2020**

**SAUDI PRINTING AND PACKAGING COMPANY**  
(A Saudi Joint Stock Company)  
**Consolidated Financial Statements**  
**and independent auditor's report**  
**For the year ended 31 December 2020**

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## KPMG Professional Services

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Headquarter

Commercial Registration No 1010425494

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

# Independent Auditor's Report

## To the Shareholders of Saudi Printing and Packaging Company

### Opinion

We have audited the consolidated financial statements of Saudi Printing and Packaging Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

To the Shareholders of Saudi Printing and Packaging Company (continued)

Key Audit Matter (continued)	
Assessing potential impairment of Goodwill – See note (7-T) to the consolidated financial statements for the accounting policy relating to goodwill and note 10 to the consolidated financial statements for the related disclosures	
The key audit matter	How the matter was addressed in our audit
<p>The Group's acquisitions in prior years resulted in SR 369.9 million (2019: SR 369.9 million) of goodwill being recognised, of which SR 359.7 million was allocated to Emirates National Factory for Plastic Industries and SR 10.2 million was allocated to Hala Printing Company.</p> <p>The management performed an impairment assessment by comparing the carrying value of Emirates National Factory for Plastic Industries and Hala Printing Company as cash generating units (CGUs) with their value in use based on discounted cash flow forecasts.</p> <p>The preparation of discounted cash flow forecast of the CGUs involves estimating future cash flows, growth rates and discount rates which inherently involves uncertainty due to evolving economic conditions and trends.</p> <p>We have identified the assessment of potential impairment of goodwill allocated to Emirates National Factory for Plastic Industries and Hala Printing Company as a key audit matter because the year-end assessment performed by management contains certain judgemental assumptions which could be subject to management bias. Furthermore, the assessment involves an element of uncertainty.</p>	<p>Our audit procedures to assess the potential impairment of goodwill allocated to Emirates National Factory for Plastic Industries and Hala Printing Company included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of management's key internal controls which govern the process around assessing potential impairment of goodwill;</li> <li>• Assessing management's identification of the CGUs and the allocation of assets to the CGUs for the purposes of the impairment assessment;</li> <li>• Engaging our own valuation specialists to assess the methodology adopted by management in its impairment assessment of goodwill allocated to the CGUs with reference to the requirements of the prevailing accounting standards;</li> <li>• Evaluating the assumptions adopted in the preparation of the discounted cash flow forecast, including projected future growth rates for income and expenses and discount rate with reference to our understanding of the business, historical trends and available industry information and market data; and</li> <li>• Performing sensitivity analyses on the key assumptions, included projected profitability and the discount rate, adopted in the discounted cash flow forecast and assessing whether there were any indicators of management bias in the selection of these assumptions.</li> </ul>



# Independent Auditor's Report

To the Shareholders of Saudi Printing and Packaging Company (continued)

Key Audit Matter (continued)	
Revenue recognition – See note (7-D) to the consolidated financial statements for the accounting policy relating to revenue recognition and note 24 to the consolidated financial statements for the related disclosures	
The key audit matter	How the matter was addressed in our audit
<p>During the year ended 31 December 2020, the Group recognised total revenue of SR 767.7 million (2019: SR 924.3 million).</p> <p>The Group's sales arrangement are at a point in time. In line with the contracts, goods are delivered which the customer must accept hence, performance obligation is at a point in time.</p> <p>We have identified revenue recognition as a key audit matter because revenue is one of the Group's performance indicators giving rise to an inherent risk that revenue could be subject to overstatement to meet targets or expectations.</p>	<p>Our audit procedures to assess revenue recognition included the following:</p> <ul style="list-style-type: none"><li>• Assessing the design, implementation and operating effectiveness of management's key internal controls which govern the revenue recognition process;</li><li>• Evaluating the Group's revenue recognition policy;</li><li>• Evaluating key contractual arrangements with customers;</li><li>• Testing sample of sales transactions during the year and inspect underlying customer acceptances to assess compliance with the Group's revenue recognition policy; and</li><li>• Testing a sample of sales transactions closer to the yearend to assess that the revenue is recorded in the correct period.</li></ul>

# Independent Auditor's Report

To the Shareholders of Saudi Printing and Packaging Company (continued)

Key Audit Matter (continued)	
<p>Assessing potential impairment of Property, plant and equipment – See note (7-L) to the consolidated financial statements for the accounting policy relating to property, plant and equipment and note 9 to the consolidated financial statements for the related disclosures</p>	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2020, the Group's property, plant and equipment amounted to SR 785.9 million (2019: SR 824 million).</p> <p>The management performed an impairment assessment by comparing the carrying value of their cash generating units (CGUs) with their value in use based on discounted cash flow forecasts.</p> <p>The preparation of discounted cash flow forecast of the CGUs involves estimating future cash flows, growth rates and discount rates which inherently involves uncertainty due to evolving economic conditions and trends.</p> <p>We have identified assessing potential impairment of property, plant and equipment as a key audit matter because the year-end assessment performed by management contains certain judgemental assumptions which could be subject to management bias. Furthermore, the assessment involves an element of uncertainty.</p>	<p>Our audit procedures, to assess the potential impairment of property, plant and equipment included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of management's key internal controls which govern the process around assessing potential impairment of property, plant and equipment;</li> <li>• Assessing management's identification of the CGUs and the allocation of assets to the CGUs for the purposes of the impairment assessment;</li> <li>• Engaging our own valuation specialists to assess the methodology adopted by management in its impairment assessment of property, plant and equipment with reference to the requirements of the prevailing accounting standards;</li> <li>• Evaluating the assumptions adopted in the preparation of the discounted cash flow forecast, including projected future growth rates for income and expenses and discount rate with reference to our understanding of the business, historical trends and available industry information and market data; and</li> <li>• Performing sensitivity analyses on the key assumptions, included projected profitability and the discount rate, adopted in the discounted cash flow forecast and assessing whether there were any indicators of management bias in the selection of these assumptions.</li> </ul>



# Independent Auditor's Report

To the Shareholders of Saudi Printing and Packaging Company (continued)

Key Audit Matter (continued)	
Compliance with debt covenants – See note 20 to the consolidated financial statements for the disclosure pertaining to compliance with debt covenants	
The key audit matter	How the matter was addressed in our audit
<p>The Group has various current and non-current Loans and Murabaha, amounting to SR 789.5 million (2019: SR 843.4 million).</p> <p>These Loans and Murabaha are subject to covenants from the lenders. In case a debt covenant is breached, the lenders have the right to recall these Loans and Murabaha.</p> <p>We have identified compliance with debt covenants as a key audit matter because a breach of covenants may impact the classification of the Loans and Murabaha. Furthermore, this may have a pervasive impact on the consolidated financial statements.</p>	<p>Our audit procedures to assess compliance with debt covenants included the following:</p> <ul style="list-style-type: none"><li>• Assessing the design and implementation of management's key internal controls around process covering compliance with debt covenants;</li><li>• Evaluating Loans and Murabaha arrangement with the lenders;</li><li>• Recalculating the covenants as applicable to assess compliance with debt covenants;</li><li>• Communicating with the lenders to assess management's conclusion on compliance with debt covenants; and</li><li>• Obtaining a waiver in case of an event of breach.</li></ul>

# Independent Auditor's Report

To the Shareholders of Saudi Printing and Packaging Company (continued)

Key Audit Matter (continued)	
Assessing allowance for impairment on trade receivables – See note (7-T) to the consolidated financial statements for the accounting policy relating to trade receivables and note 14 to the consolidated financial statements for the related disclosures	
The key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2020, the Group recognised an allowance of impairment on trade receivables of SR 78.8 million (2019: SR 76.2 million).</p> <p>The Group's allowance of impairment on trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions. All of which involve a significant degree of management judgement.</p> <p>We have identified allowance of impairment on trade receivables as a key audit matter because recognition of loss allowance is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.</p>	<p>Our audit procedures to assess allowance of impairment on trade receivables included the following:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of management's key controls relating to credit control, debt collection and estimation of expected credit losses;</li> <li>• Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery notes;</li> <li>• Obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including historical default data and management's estimated loss rates;</li> <li>• Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and</li> <li>• Inspecting, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade receivables balances as at 31 December 2020 with bank statements and relevant remittance documentation.</li> </ul>



# Independent Auditor's Report

To the Shareholders of Saudi Printing and Packaging Company (continued)

## Other matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 27 Rajab 1441H (corresponding to 22 March 2020).

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

# Independent Auditor's Report

To the Shareholders of Saudi Printing and Packaging Company (continued)

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 of Saudi Printing and Packaging Company ("the Company") and its subsidiaries (collectively referred to as) ("the Group").

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

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

### KPMG Professional Services

  
**Fahad Mubark Al Dossari**  
License Number: 469

Riyadh, 25 March 2021  
Corresponding to 12 Sha'ban 1442H



**SAUDI PRINTING AND PACKAGING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**  
**(IN SAUDI RIYALS)**

	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	785,919,887	824,231,253
Intangible assets and goodwill	10	370,135,890	370,218,642
Investment properties	11	26,110,491	26,250,384
Right-of-use assets	12	7,336,345	8,305,117
<b>Total non-current assets</b>		<b>1,189,502,613</b>	<b>1,229,005,396</b>
<b>Current assets</b>			
Inventories	13	168,532,367	182,116,909
Trade receivables	14	247,164,316	279,907,580
Prepayments and other current assets	15	29,521,549	42,725,477
Cash and cash equivalents	17	37,269,042	53,248,034
<b>Total current assets</b>		<b>482,487,274</b>	<b>557,998,000</b>
<b>Total assets</b>		<b>1,671,989,887</b>	<b>1,787,003,396</b>
<b>Equity</b>			
Share capital	18	600,000,000	600,000,000
Statutory reserve	19A	78,639,385	78,639,385
Contractual reserve	19B	30,105,326	30,105,326
(Accumulated Losses)/Retained earnings		(6,146,582)	15,059,429
Other reserves		142,632	99,998
<b>Total equity</b>		<b>702,740,761</b>	<b>723,904,138</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans and Murabaha	20	387,023,410	471,794,576
Defined benefit obligation - employees' benefits	21	37,314,872	35,218,955
Lease liabilities	12	6,818,915	7,075,482
<b>Total non-current liabilities</b>		<b>431,157,197</b>	<b>514,089,013</b>
<b>Current liabilities</b>			
Trade payables		103,160,339	141,289,326
Accrued expenses and other current liabilities	22	20,848,617	26,076,704
Loans and Murabaha	20	402,510,963	371,624,435
Current portion of lease liabilities	12	287,466	1,470,707
Dividend payable		697,151	697,151
Provision for Zakat	23	10,587,393	7,851,922
<b>Total current liabilities</b>		<b>538,091,929</b>	<b>549,010,245</b>
<b>Total liabilities</b>		<b>969,249,126</b>	<b>1,063,099,258</b>
<b>Total equity and liabilities</b>		<b>1,671,989,887</b>	<b>1,787,003,396</b>

The accompanying notes (1) through (35) form an integral part of these consolidated financial statements.

**SAUDI PRINTING AND PACKAGING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE**  
**INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(IN SAUDI RIYALS)**

	Note	2020	2019
Revenue	24	767,687,606	924,344,259
Cost of revenue	25	(640,272,225)	(793,280,262)
<b>Gross profit</b>		<b>127,415,381</b>	<b>131,063,997</b>
Selling, marketing and distribution expenses	26	(45,867,829)	(55,753,595)
General and administrative expenses	27	(64,175,938)	(64,902,705)
Impairment loss on trade receivables	14	(3,415,665)	(3,456,638)
<b>Operating profit</b>		<b>13,955,949</b>	<b>6,951,059</b>
Other income	28	9,792,657	15,436,632
Finance charges	29	(40,981,755)	(58,100,772)
<b>Loss before Zakat</b>		<b>(17,233,149)</b>	<b>(35,713,081)</b>
Zakat charge	23	(3,311,570)	(3,047,007)
<b>Loss for the year</b>		<b>(20,544,719)</b>	<b>(38,760,088)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Re-measurements of employees' defined benefit liability	21	(661,292)	7,579,951
		(661,292)	7,579,951
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Foreign operations - foreign currency translation differences		42,634	(29,931)
		42,634	(29,931)
<b>Total other comprehensive (loss)/ income for the year</b>		<b>(618,658)</b>	<b>7,550,020</b>
<b>Total comprehensive loss for the year</b>		<b>(21,163,377)</b>	<b>(31,210,068)</b>
<b>Loss per share:</b>			
Basic and diluted loss per share	30	(0.34)	(0.65)

The accompanying notes (1) through (35) form an integral part of these consolidated financial statements.

**SAUDI PRINTING AND PACKAGING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(IN SAUDI RIYALS)**

	<b>Share capital</b>	<b>Statutory reserve</b>	<b>Contractual reserve</b>	<b>(Accumulated Losses) / Retained earnings</b>	<b>Other reserves</b>	<b>Total</b>
Balance at 1 January 2019	600,000,000	78,639,385	30,105,326	46,239,566	129,929	755,114,206
Loss for the year	-	-	-	(38,760,088)	-	(38,760,088)
Other comprehensive income for the year	-	-	-	7,579,951	(29,931)	7,550,020
Total comprehensive loss for the year	-	-	-	(31,180,137)	(29,931)	(31,210,068)
<b>Balance at 31 December 2019</b>	<b>600,000,000</b>	<b>78,639,385</b>	<b>30,105,326</b>	<b>15,059,429</b>	<b>99,998</b>	<b>723,904,138</b>
Loss for the year	-	-	-	(20,544,719)	-	(20,544,719)
Other comprehensive loss for the year	-	-	-	(661,292)	42,634	(618,658)
Total comprehensive loss for the year	-	-	-	(21,206,011)	42,634	(21,163,377)
<b>Balance at 31 December 2020</b>	<b>600,000,000</b>	<b>78,639,385</b>	<b>30,105,326</b>	<b>(6,146,582)</b>	<b>142,632</b>	<b>702,740,761</b>

The accompanying notes (1) through (35) form an integral part of these consolidated financial statements.

**SAUDI PRINTING AND PACKAGING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**  
**(IN SAUDI RIYALS)**

	2020	2019
<b>Cash flow from operating activities</b>		
Loss for the year	(20,544,719)	(38,760,088)
<b>Adjustments for</b>		
- Depreciation and amortization	57,217,063	74,913,928
- Finance charges	36,841,601	56,391,139
- Gains on disposal of property, plant and equipment	(131,173)	(197,537)
- Impairment allowance on trade receivables	3,415,665	3,456,638
- Reversal of provision for slow-moving inventory	(414,457)	(4,032,045)
- Provision for slow moving inventory	-	293,344
- Lease Liability Interest	417,058	498,513
- Defined benefit obligation - employees' benefits	5,244,649	5,802,579
- Zakat expense	3,311,570	3,047,007
	<b>85,357,257</b>	<b>101,413,478</b>
<b>Change in:</b>		
- Inventories	13,997,864	38,220,538
- Trade receivables	29,324,074	113,723,047
- Prepayments and other current assets	13,203,928	(5,798,869)
- Trade payables	(38,128,987)	(30,532,193)
- Accrued expenses and other current liabilities	(5,228,087)	(8,735,790)
<b>Cash generated from operating activities</b>	<b>98,526,049</b>	<b>208,290,211</b>
Defined benefit liabilities - employees' benefits paid	(3,810,024)	(5,011,091)
Zakat paid	(575,515)	(4,422,569)
<b>Net cash generated from operating activities</b>	<b>94,140,510</b>	<b>198,856,551</b>
<b>Cash flows from Investing activities</b>		
Purchases of property, plant and equipment	(17,124,048)	(15,236,883)
Purchases of Intangible	(62,656)	-
Proceed from disposal of property, plant and equipment	290,759	2,907,017
<b>Net cash used in investing activities</b>	<b>(16,895,945)</b>	<b>(12,329,866)</b>
<b>Cash flows from Financing activities</b>		
Repayment of loans and murabaha	(436,592,319)	(730,138,010)
Proceeds from loans and murabaha	384,515,044	596,049,391
Payment of finance costs	(38,648,964)	(56,342,940)
Payment of lease liabilities	(2,542,986)	(496,535)
<b>Net cash used in financing activities</b>	<b>(93,269,225)</b>	<b>(190,928,094)</b>
Net decrease in cash and cash equivalents	(16,024,660)	(4,401,409)
Cash and cash equivalents at beginning of period	34,916,064	37,654,231
Foreign currency translation	45,668	(29,593)
Change in cash restricted for use by banks	14,313,023	1,692,835
<b>Cash and cash equivalents at the end of the year</b>	<b>33,250,095</b>	<b>34,916,064</b>
<b>Significant non-cash transactions:</b>		
Re-measurements of employees' defined benefit liability	661,292	(7,579,951)
Reclassification of EOSP (Note 33-2)	-	386,582
Lease liabilities	686,120	8,544,211
Right-of-use assets	(686,120)	(9,935,918)
Prepaid rents	-	(1,391,707)

The accompanying notes (1) through (35) form an integral part of these consolidated financial statements.

**SAUDI PRINTING AND PACKAGING COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. CORPORATE INFORMATION**

Saudi Printing and Packaging Company (“the Company” or “the Parent Company”) is a Saudi joint stock company registered in the Kingdom of Saudi Arabia and operating under the Commercial Registration No. 1010219709 issued on 1 Jumada’ I 1427H (corresponding to 28 May 2006).

These consolidated financial statements include the financial position and results of its operations for the Company and its subsidiaries (collectively referred to as ‘the Group’).

The principal activities of the Group are printing works in accordance with the license issued by the Ministry of Culture and Media No. 21050 on 24 Dhul-Hijjah 1412H (corresponding to 25 September 1992).

In addition, the Group trades in printing machinery and machinery and equipment, inks, and paper of all kinds, the raw materials required for that, all tools and equipment, books, publications, supplies, stationery and advertising materials. The Group also provides packaging services.

According to the Company’s by-laws, the financial year of the Company begins on 1<sup>st</sup> January and ends on 31<sup>st</sup> December of each Gregorian year. The financial year of the subsidiaries begins on 1<sup>st</sup> January and ends on 31<sup>st</sup> December of each Gregorian year.

The head office of the Group is located in Riyadh, and its address is as follows:

Al-Nakheel Tower - King Fahad Road  
P. O. Box 50202  
Riyadh 11523

The subsidiaries of the Group are detailed in the table below:

Subsidiaries	Country of registration and place of activity	Effective ownership	
		31 December 2020	31 December 2019
Emirates National Factory for Plastic Industries ('A')	UAE	100%	100%
Al-Madinah Al-Munawarah Printing and Publishing Company ('B')	KSA	100%	100%
Hala Printing Company ('C')	KSA	100%	100%
Future Industrial Investment Company ('D')	KSA	100%	100%

- A. Emirates National Factory for Plastic Industries is a limited liability company registered with the Department of Economic Development - Government of Sharjah in the United Arab Emirates and operating under Commercial Registration No. 3742 issued on 5 December 1995. The Company is licensed to manufacture plastic bags, plastic tubes, plastic sheets and aluminum sheets.

Emirates National Factory for Plastic Industries also owns the following subsidiaries:

Subsidiaries	Country of registration and place of activity	Effective ownership	
		31 December 2020	31 December 2019
Al-Madinah Packaging Company	UAE	100%	100%
Future Packaging Factory	UAE	100%	100%
Commercial United Packaging Company	UAE	100%	100%
United International Clear Packaging Company	UAE	100%	100%
United Security Group Company	UAE	100%	100%
Future Plastic Company	UAE	100%	100%
Taiba Printing and Publishing Company	KSA	100%	100%
Flexible Packaging Company	KSA	100%	100%
Trans Future Plus Company	KSA	100%	100%

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**1. CORPORATE INFORMATION (CONTINUED)**

- B. AlMadina Printing and Packaging Company is a Saudi limited liability company registered in the Kingdom of Saudi Arabia. The Company operates under the Commercial Registration No. 4030004369 issued in the city of Jeddah on 23 Rajab 1338H (corresponding to 9 December 1963). The Company operates in the field of producing photocopy paper, textbooks and publications under the license issued by the Ministry of Media No. 510 on 24 Dhul-Hijjah 1413H (corresponding to 14 June 1993).
- C. Hala Printing Company is a Saudi limited liability company registered in the Kingdom of Saudi Arabia and operating under the Commercial Registration No. 1010220149 issued in the city of Riyadh on 11 June Jumada' I 1427H (corresponding to 7 June 2006). The Company operates in the field of wholesale and retail trade in publications, paper and its products and publications of written materials under the media license issued by the Ministry of Culture and Media No. 3435, dated 9 Thul-Qi'dah 1414H (corresponding to 20 April 1994), which was renewed on 13 Shawwal 1437H.
- D. Future Industrial Investment Company is a Saudi limited liability company registered in the Kingdom of Saudi Arabia, and operating under Commercial Registration No. 1010353704 issued in the city of Riyadh on 19 Dhul-Hijjah 1433H (corresponding to 4 November 2012). The principal activity of the company includes the wholesale and retail trade of printing and packaging materials and machines, their tools, inks, paper, plastics and their raw materials.

**2. SIGNIFICANT EVENTS**

The novel Coronavirus (COVID19) which was declared a pandemic by the World Health Organisation (WHO) in March 2020, continues to evolve. It is currently difficult to predict the full extent and duration of the impact of this pandemic on the business and the economies in which the Group operates.

The extent and duration of the impact of the pandemic remains uncertain and depends on future developments (such as the transmission rate of the virus), which cannot be accurately predicted at this point in time. The Group has taken containment steps that, as at 31<sup>st</sup> December 2020, have limited the adverse impact of the pandemic on the financial results of the Group.

The Group do not expect future, significant and adverse impact on the going concern, goodwill, Property, Plant and Equipment and loan covenant. The Group will continue to reassess its position and the related impact on regular basis.

**3. BASIS OF PREPARATION**

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

**4. BASIS OF MEASUREMENT**

These consolidated financial statements have been prepared on a historical cost basis except for employees' defined benefits plans that are measured at present value of future obligations using the projected unit credit method. Furthermore, these consolidated financial statements are prepared using the accrual basis of accounting and going concern concept.

**5. FUNCTIONAL AND PRESENTATION CURRENCY**

The consolidated financial statements are presented in Saudi Arabian Riyals ("SAR"), which is the functional currency of the Group. All amounts have been rounded to the nearest SAR, unless otherwise stated.



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**6. USE OF ESTIMATES AND JUDGMENTS**

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of the Group's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

These estimates and its related assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are included in the year in which the estimate is revised and in the subsequent years affected.

Information about assumptions and estimation uncertainties as at 31 December 2020 that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next financial year are as follows:

Impairment of non-financial assets

On each reporting date, the Group reviews book values of non-financial assets for any indication of impairment. In case of the existence of such indications, recoverable amount of the asset is estimated. Goodwill is tested annually for impairment.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are cash inflows resulting from continuous use that are largely independent from other assets and cash-generating units. Goodwill arising from business combination is charged to CGUs or groups of CGUs that are expected to benefit from the business combination.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and value in use. Value of use is based on future cash flows deducted from its current value using discount rate before tax which reflect the current market assessments of current value of money and risks related to an asset or cash-generating unit. Impairment loss is recognized when the book value of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in the consolidated statement of profit or loss and other comprehensive income. Such losses are first distributed to reduce the book value of any goodwill charged to the cash-generating unit then these losses are distributed to reduce the book value of other assets in cash-generating units proportionally.

Impairment loss of goodwill is not reversed. As for other assets, an impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed its carrying amount, net of depreciation or amortization, which would have been determined unless the impairment losses are not recognized.

Provision for impairment of inventories

Inventories are stated at the lower of cost and net realizable value. The amount of write-off and any reduction in inventory to the net realizable value and all inventory losses are recognized as an expense in the same period in which the write-off or expense occurred. Provision is made, where necessary, for obsolete, slow moving and defective stocks based on the Group's policy.

The Group makes a re-estimation of net realizable value in each subsequent period based on the Group's policy. When the circumstances that caused the inventory to be less than the cost are no longer exist, or when there is clear evidence of an increase in the net realizable value due to changing economic conditions, then the amount of the reduction is reversed.

On 28 April 2019, the Board of Directors decided to re-estimate the provision for impairment of spare parts, which resulted in a provision no longer required of SAR 4 million during the financial year ended 31 December 2019.

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**6. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)**

The useful life of property and equipment and the change in the method of estimating depreciation of machinery

The management of the Group determines the estimated useful life of property and equipment for calculating depreciation. This estimate is made after considering the expected usage of the asset or physical wear and tear. Management performs periodic review for the estimated useful lives and depreciation method at least annually to ensure that depreciation duration and method are consistent with the expected pattern for the economic benefits of the assets.

During the year, the Group changed the method of calculating depreciation of machinery to the unit of production method from the straight-line method in order to reflect as far as possible the expected pattern of depreciation of the future economic benefits from the assets, in addition to determining depreciation based on the expected use or production. As a result, the depreciation charge of the aforementioned item reduced by SAR 11.8 million, for the year ended 31 December 2020, resulting in the decrease of the costs of revenue and net loss for the year by the same amount.

Expected losses of impairment of trade receivables

The Group applies the simplified approach to assess Expected Credit Losses (ECLs), as defined in IFRS 9, by using a matrix to measure the expected credit losses provision of trade receivables from customers.

To measure ECLs, trade receivables are combined based on the common credit risk characteristics and the days in which they are due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic activity indicators affecting the ability of the customers to settle the receivables. The Group has identified GDP and rate of inflation as primary inputs for adjusting the historical loss ratios according to expected changes to these factors.

**6-1 Fair value measurement**

A number of the Group's accounting policies and disclosures require the measurement of fair values for financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The team regularly reviews significant unobservable input and adjustments to the evaluation. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified. The Group's audit team is informed of material valuation matters.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for assets or liabilities.
- Level 2: Inputs other than quoted prices included in Level 1, which are observable inputs for an asset or liability, either directly (such as prices) or indirectly (derived from prices).
- Level 3: Inputs for assets or liabilities not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of the assets and liabilities fall within different levels in the fair value hierarchy, then the fair value is categorized as a whole using the lowest level of the fair value hierarchy inputs that are significant to the measurement as a whole.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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**6 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)**

**6-2 Going concern**

As at 31 December 2020, the Group's current liabilities exceeds its current assets by SAR 55.6 million (31 December 2019: current assets exceed current liabilities). Moreover, the Group has accumulated losses amounting to SAR 6.1 million as at 31 December 2020 (31 December 2019: retained earnings), which approximate 1.02% (31 December 2019: N/A) of the Company's share capital. The management has a strategic business plan to recover the accumulated losses, become profitable and generative positive working capital.

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has appropriate resources to continue its business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, these consolidated financial statements continue to be prepared on the going concern basis.

**7 SIGNIFICANT ACCOUNTING POLICIES**

The Group has applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise mentioned. The significant accounting policies adopted are as follows:

**A. Basis of consolidation**

**- Business combinations**

The Group accounts for business combinations using the acquisition method when acquiring a group of activities and assets that meet the business definition and when transferring control to the Group.

When determining whether a specific group of activities and assets is a business, the Group makes an assessment of whether the group of assets and activities acquired include at least input and an objective mechanism and whether the acquired group has the ability to produce an output.

The Group applies the "Concentration test" that allows for a simplified assessment of whether the acquired group of activities and assets is not a business. The test is satisfied if the fair values of total assets acquired are materially concentrated in a single identifiable asset or a group of identical identifiable assets.

The consideration transferred in the acquisition is generally measured at the fair value of the identifiable net assets acquired. Any goodwill is tested for impairment loss annually.

Any gain from purchasing at a preferential rate is recognized in profit or loss immediately.

Transaction costs are expensed when incurred, unless they relate to the issuance of debt securities or financial securities.

The consideration transferred does not include amounts related to settlement of transactions arising from prior relationships. These amounts are usually recognized in profit and loss.

Any contingent consideration is measured at fair value at the date of acquisition. If there is an obligation to pay a contingent consideration that the definition of the financial instrument applies to and is classified as equity, then it is not re-measured and the settlement is recognized in equity.

Otherwise, any other contingent consideration is measured at fair value at the reporting date and subsequent changes in fair value are recognized in profit or loss.

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## **7 SIGNIFICANT ACCOUNTING POLICIES**

### **A. Basis of consolidation**

#### **- Subsidiaries**

Subsidiaries are companies over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns arising from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the effective date that control commences until the date that control ceases.

#### **- Non-controlling interest 'NCI'**

NCI are measured based on their share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's equity in a subsidiary that do not entail in loss of control are recognized as equity transactions.

#### **- Loss of control**

Upon loss of control, the Group derecognizes the assets and liabilities of the subsidiary, the non-controlling interests and the other components of equity relating to the subsidiary.

Any profit or loss arising from loss of control is recognized in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost.

#### **- Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealized profits arising from transactions with equity-accounted investees are eliminated to the extent of the Group's interest in the investee.

Unrealized losses are eliminated in the same way as unrealized profits, but only to the extent that there is no evidence of impairment.

### **B. Current versus non-current classification**

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

An asset is classified under current assets when:

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

The Group classifies All other assets as non-current assets.

The liability is classified under current liabilities when:

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

The Group classifies all other liabilities as non-current.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Foreign currency**

**- Foreign currency transactions**

Transactions denominated in foreign currencies are translated to the functional currency of the Group companies at the exchange rates ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date.

For non-financial assets and liabilities that are measured at fair value in a foreign currency, they are retranslated into the functional currency according to the exchange rates prevailing on the date of determining the fair value.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling on the date of the transaction. Foreign currency differences arising on retranslation are recognized in the consolidated statement of profit or loss and other comprehensive income.

Foreign currency differences resulting from the translation of the following items in the consolidated statement of other comprehensive income:

- an investment in equity securities designated as at FVOCI (except for impairment the case in which the currency translation differences that have been recognized in OCI as they are reclassified to the consolidated statement of profit or loss and other comprehensive income).
- A financial liability that is designated as a hedge, net of investment in foreign operations, to the extent that the hedge is effective.
- qualifying cash flow hedges to the extent that the hedges are effective.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

**- Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments resulting from the acquisition, are translated into Saudi Riyals at the exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated into Saudi Riyals according to the exchange rates prevailing at the dates of the transaction.

Foreign currency translation differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to the non-controlling interests.

When a total or partial disposal of a foreign operations is made so that control or significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operations is reclassified into the consolidated statement of profit or loss and other comprehensive income as part of the profits or losses resulting from the disposal.

When the Group disposes of a part of its interest in a subsidiary but retains control in the foreign operations, then the relevant proportion of the cumulative amount is reattributed to the non-controlling interests.

When the Group disposes part of its interest in an associate or a joint venture in which this disposal includes an external transaction while retaining the significant influence, then the relevant part of the accumulated amount is reclassified in the consolidated statement of profit or loss and other comprehensive income.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Revenue**

The Group recognizes revenue according to IFRS 15, using the following five-steps model:

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price.	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price.	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The Group recognizes revenue when, (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

**Identify the contract with the customer**

The Group carefully evaluates the terms and conditions of the contracts with its customers because revenue is recognized only when performance obligations in contracts with customers are satisfied. A change in the scope or price of a contract (or both) is considered as a contract modification and the Group determines whether this creates a new contract or whether it will be accounted for as part of the existing contract.

**Identifying performance obligations**

Once the Group has identified the contract with a customer, it evaluates the contractual terms and its customary business practices to identify all the promised services within the contract and determine which of those promised services (or bundles of promised services) will be treated as separate performance obligations.

**Determine the transaction price**

The Group determines transaction price as the amount which it expects to be entitled. It includes an estimate of any variable consideration, the effect of a significant financing component (i.e., the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or payable to a customer (if any). Variable considerations are limited to the amount for which it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

**Allocation of transaction price**

Once the performance obligations have been identified and the transaction price has been determined, transaction price is allocated to the performance obligations, generally in proportion to their stand-alone selling prices (i.e., on a relative stand-alone selling price basis). When determining stand-alone selling prices, the group is required to use observable information, if any. If stand-alone selling prices are not directly observable, the Group makes estimates based on information that is reasonably available.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Revenue (continued)**

Type of product	Nature and timing of satisfaction of performance obligation, including significant payment terms	Revenue recognition policy
<i>Printing and packaging</i>	<p>Revenue is recognized when customers obtain control of goods when the goods are delivered to customers and have been accepted at their premises. Invoices are generated and revenue is recognized at that point in time.</p> <p>Some contracts allow customers to return goods and replace them with other new goods, and no refunds are permitted.</p>	<p>Revenue is recognized when the goods are delivered and have been accepted by customers.</p> <p>With respect to contracts that allow customers to return goods, revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur in the amount of the accumulated revenue.</p>

**E. Cost of revenue**

Cost of revenue represents expenditures that are directly attributable to the manufacture and production of the products that generate revenue to the Group and that include but are not limited to raw materials, direct labor, depreciation and other related indirect overhead costs.

**F. Employees' benefits**

Short-term employees' benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined benefit plans

The Group operates a defined benefit plan for its employees in accordance with Saudi Labor and Workman Law as defined by the conditions set out in the laws of the Kingdom of Saudi Arabia.

Valuation method and main assumptions of the actuarial study

In compliance with the requirements of IAS 19 "Employee Benefits", defined benefit liabilities are computed annually by a qualified actuary using the projected unit credit method at the end of each financial year.

Profits or losses from re-measurement recognized in other comprehensive income items are immediately recorded in retained earnings and are not recognized in profit or loss.

Past service cost is calculated in the consolidated statement of profit or loss during the plan amendment period. Interest is calculated using the discount rate at the beginning of the period on the defined benefit liability.

The current service cost of the defined benefit plan is recognized in the consolidated statement of profit or loss under employee's benefits expense, to reflect the increase in the liability resulting from employee services for the current year and cases of change, curtail or settlement of benefits.

The cost of services for previous years is included immediately in the consolidated statement of profit or loss.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Employees' benefits (continued)**

Defined benefit plans

Actuarial gains and losses resulting from adjustments and changes in actuarial assumptions are charged and included in the equity in the consolidated statement of other comprehensive income in the period in which they arise.

Defined benefit costs are classified as follows:

- Service cost (including current service costs and past service costs, in addition to gains and losses resulting from employees' promotions and reimbursements);
- Interest cost, and
- Re-measurement.

**G. Operating profit**

Operating profit is the result of the Group's main continuous production activities.

Operating profit does not include the net financing costs, the share of profit of equity-accounted investees and Zakat.

**H. Selling and marketing expenses**

Selling and marketing expenses consist of the costs incurred in marketing and selling the Group's products and include other indirect costs related to revenue. All the other expenses are classified as general and administrative expenses.

**I. General and administrative expenses**

General and administrative expenses comprise direct and indirect costs not attributable to cost of revenue. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis. Expenses mainly include employee costs, other benefits, compensation and allowances for members of the Board of Directors and its committees, maintenance fees, rental and travel expenses, insurance, professional fees, and others.

**J. Zakat, tax and VAT**

Zakat

Provision for Zakat is calculated at the date of the consolidated statement of financial position in accordance with regulations of the General Authority for Zakat and Tax in the Kingdom of Saudi Arabia ("GAZT").

The resulting provision is recorded within the consolidated statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are recognized in the period in which the final assessments are finalized.

Withholding tax

The Group withholds tax on some transactions with non-resident parties in the Kingdom of Saudi Arabia in accordance with the income tax law in force in the Kingdom of Saudi Arabia.

Value Added Tax (VAT)

The Group is subject to a VAT on a monthly basis. It is paid and settled through the monthly statements submitted by the Group to the GAZT.



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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Inventories**

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the weighted average costs.

In the case of manufactured and in-progress inventory, the cost includes direct materials, direct labor and an appropriate share of production overheads in accordance with normal operating capacity.

Net realizable value is the estimated selling price in the Group's ordinary course of business less estimated costs to complete the sale.

The value of the decrease in obsolete and slow-moving inventory is determined based on the policy approved by the Group.

**L. Property, plant and equipment**

Recognition and measurement

Items of property, plant and equipment are measured at cost which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

Major or essential components of an item of property, plant and equipment that have different useful lives are accounted for as separate items (major components) within property, plant and equipment.

Profits or losses arising from the disposal of an item of property, plant and equipment are determined on the basis of the difference between the net proceeds of sale and the book value of the disposed items of property, plant and equipment, and are included in the consolidated statement of profit or loss in the period in which the disposal is made.

Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Group.

Depreciation

The depreciation method used should reflect the pattern in which the economic benefits of the asset are expected to be depreciated by the Group. The management uses the following two methods to calculate the depreciation:

Straight-line method

Depreciation is calculated to write-off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives. Depreciation charge is recognized in consolidated statement of profit or loss. Lands are not depreciated.

The estimated useful lives of main items of property and equipment as follows:

<u>Item</u>	<u>Useful life</u>
Buildings	The shorter of 10-33 years or the lease contract period
Equipment	5 - 20 years
Furniture and fixtures	10 years
Vehicles	4 years
Computer hardware	4 - 7 years
Tools	5 Years

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Property, plant and equipment (continued)**

Depreciation (continued)

Units of production

The depreciation of printing and packaging machineries is calculated based on the ratio of the number of actual units produced to the total production capacity of the machinery, resulting in a charge based on the expected use or production, reflecting - to the maximum extent - the expected pattern of depreciation of the future economic benefits from the machinery.

The management of the Group applies this method - consistently - from one period to another unless there is a change in the expected pattern of depreciation of these future economic benefits.

Depreciation methods, useful lives, production capacity and residual values are reviewed at each reporting date and adjusted if appropriate.

Projects in progress

The cost of projects in progress is calculated on the basis of the actual cost and is presented separately from the item of property, plant and equipment until they are ready for use, and then transferred to property, plant and equipment and the calculation of their depreciation begins according to the remaining depreciation method, taking into account the estimated useful lives or production capacity.

**M. Intangible assets and goodwill**

Recognition and measurement

<b>Goodwill</b>	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.
<b>Other intangible assets</b>	These are the assets acquired by the Group that have a finite useful life and are measured at cost less accumulated amortization and any accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditures are capitalized only when these expenditures increase the future economic benefits embodied in the specific asset.

All other expenditures, including those arising from goodwill and internally generated brands, are recognized in the consolidated statement of profit or loss when incurred.

Amortization

The amortization of intangible assets less their residual value is calculated using the straight-line method over their estimated useful lives and is generally charged to the consolidated statement of profit or loss. Goodwill is not amortized.

The estimated useful life for the current and comparative periods is as follows:

<u>Item</u>	<u>Useful life</u>
Computer software	4 - 6.5 years

The amortization methods, useful lives and residual values are reviewed at each reporting date, and adjusted if appropriate.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Investment properties**

Investment properties are land, buildings, part of a building, or both.

They are acquired either to gain rental income or to increase their value, or both, but not for the purpose of selling them through the normal activity of the Group, and they are not used in production or the supply of goods or services or for administrative purposes.

Investment properties are initially carried at cost, and transaction costs are recognized in the initial measurement, and are subsequently measured according to the cost model (at historical cost less accumulated depreciation - except for lands, which are carried at its cost - and the accumulated impairment losses, if any).

Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of investment properties as follows:

Buildings	10 - 33 years
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The gains or losses on disposal of investment properties are determined (based on the difference between the net sale proceeds and the book value), and are recorded in the consolidated statement of profit or loss for the year of de-recognition.

**O. Financial instruments**

**Initial recognition and measurement**

The Group initially recognizes trade receivables on the date that they are originated. All other financial assets and liabilities are initially recognized when the Group become a part of the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component which is initially measured at transaction price) is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue.

**Subsequent classification and measurement**

**Financial assets**

Under IFRS 9, on initial recognition, a financial asset is measured as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL).

This classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard. Instead, the hybrid financial instrument as a whole is assessed for classification.

***Financial asset at amortized cost***

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Financial instruments (continued)**

**Subsequent classification and measurement (continued)**

**Financial assets**

***Financial assets at FVOCI***

A financial asset (debt investments) is measured at FVOCI if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to collect contractual cash flows and sell financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at fair value through consolidated statement of profit or loss.

This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as financial assets at FVTPL if this results in the reduction or absence of any material impairment in accounting probabilities that may arise in another way.

**Financial assets – Subsequent measurement and gains and losses**

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net profit and loss including interest revenue and dividends are recognized in the consolidated statement of profit or loss. The Group has no such assets.
Financial assets at amortized cost	These assets are measured at amortized cost using the effective interest method. The amortized value is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Any gain or loss on derecognition of an investment is recognized in the consolidated statement of profit or loss.
Financial assets through other comprehensive income (debt investments)	Subsequently measured at fair value. Interest revenue calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of profit or loss. Other net gains and losses are recognized in the consolidated statement of other comprehensive income. On derecognition, profits and losses accumulated under comprehensive income are reclassified to profit or loss. The Group has no such assets.
Financial assets through other comprehensive income (investments in equity instruments)	These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of profit or loss. Any profit or loss on derecognition or recognition of investment in the consolidated statement of change in equity is recognized, and may not be reclassified to the consolidated statement of profit or loss. The Group has no such assets.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Financial instruments (continued)**

**Subsequent classification and measurement (continued)**

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or at FVTPL.

The financial liabilities are classified as at FVTPL if they are classified as held-for-trading, they are derivative, or they are classified as such on initial recognition. Financial liabilities at FVTPL are measured at fair value.

Net gains and losses, including any interest expenses, are recognized in consolidated statement of profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Interest expenses and foreign exchange gains and losses are recognized in the consolidated statement of profit or loss. Any gains or losses on derecognition is recognized in consolidated statement of profit or loss.

**Derecognition**

Financial assets

The Group derecognizes the financial asset when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the transaction through any of the following:
  - (a) The Group has transferred substantially all risks and rewards of the asset; or
  - (b) The Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, canceled or expired. The Group derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in consolidated statement of profit or loss.

**Offsetting of financial instruments**

Financial assets and liabilities are offset, and the net amount is reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, demand deposits with banks, and other short-term, highly liquid investments whose maturity dates are within three months or less of the original investment date and available to the company without restrictions.

For the purpose of preparing the consolidated statement of cash flows, restricted account balances are eliminated.

**Q. Trade payable and accruals**

Trade payables and other accruals are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. The Group derecognizes the financial liabilities (or part thereof) from the consolidated statement of financial position when, and only when its contractual obligations are discharged or cancelled, or expired.

**R. Loans and Murabaha**

Long-term loans and Murabaha are initially recognized at their fair value (being proceeds received, net of eligible transaction costs incurred, if any).

Subsequent to initial recognition, they are measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the period of the long-term borrowings using the effective interest rate method.

Loans and Murabaha are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs directly related to the purchase, construction or production of qualifying assets that are necessarily assets that require a long period of time until they are ready for use or sale, are added to the cost of those assets, as the assets become substantially ready for use or sale to the extent that the Group generally borrows funds and uses them to obtain a qualifying asset.

The Group determines the amount of borrowing costs that are eligible for capitalization by applying a capitalization expense rate to that asset.

The capitalization rate is the weighted average of borrowing costs applied to Group loans that are outstanding during the year, other than loans that were specifically acquired for the purpose of obtaining a qualifying asset.

The amount of borrowing costs that the Group capitalizes during the year does not exceed the amount of borrowing costs that the Group incurred during that year.

All other borrowing costs are recognized in the consolidated statement of profit or loss in the year in which they are incurred.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Share capital and reserves**

Share capital

Instruments issued by the Company are classified as shareholders' equity only to the extent that they do not meet the definition of an asset or liability. The Company's ordinary shares are classified as equity instruments (shareholders' equity).

Statutory reserve

In accordance with the corporate law in force in the Kingdom of Saudi Arabia, the Group is required to transfer 10% of the annual net profit to the statutory reserve (after absorbing the accumulated losses balance). This transfer ceases when the balance of this reserve reaches 30% of the share capital.

Contractual reserve

According to the Company's by-laws, the Group shall transfer part of the net profit for the year (after absorbing the accumulated losses balance) to form a contractual reserve to be used for specific purposes, until the balance of this reserve reaches 20% of the capital. The Board of Directors decides how to use this balance.

**T. Impairment**

**Impairment of financial assets**

The Group recognizes provisions for ECLs on the financial asset measured at amortized cost. The Group measures impairment losses at an amount equal to the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the historical experience of the Group and the credit evaluation, which includes forward-looking information. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs represent probability-weighted estimates of credit losses. ECLs are measured as the present value of all cash shortfalls (i.e. the difference between cash flows due to the Group in accordance with the contract and cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is a credit-impaired includes:

- Significant financial difficulties faced by the Group's customers;
- A breach of contract such as a default or past due event;
- Rescheduling of financing by the Group on terms that are not favorable to the Group;
- Imminent bankruptcy or other financial reorganization of the customer;
- The absence of an active market for that financial instrument due to financial difficulties.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. Impairment (continued)**

**Impairment of financial assets (continued)**

Presentation of allowance for ECL in the consolidated statement of financial position

Impairment losses in financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

Financial assets are written off (either partially or in full) when the Group has no reasonable expectations of recovery. The Group also performs an individual assessment of each customer in order to determine the value and timing of write-offs, based on whether there are reasonable expectations of recovery.

However, financial assets that are written off are still subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

In the event that the amount to be written off exceeds the accumulated loss allowance, the difference is initially considered as an addition to the provision that is applied to the gross carrying amount. Any subsequent recoveries are credited to other income.

**Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment exists when the carrying value of the asset or cash-generating unit exceeds the recoverable value, which is the higher of the fair value of the asset less costs to sell or the value in use.

The recoverable value of an asset is determined unless the asset is generating cash flows that are largely independent of the cash flows from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered to be impaired and reduced to the recoverable amount.

In determining fair value less costs to sell, the most recent market transactions are taken into consideration. If no such transactions can be identified, an appropriate valuation model is used.

Value in use is based on a discounted cash flow model, whereby the expected future cash flows are discounted using a pre-Zakat discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The losses arising from impairment are recognized in the consolidated statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

At each reporting date, an assessment is made to determine whether there is evidence that previously recognized impairment losses have no or decreased.

If such evidence exists, the Group estimates the recoverable amount of the asset or cash-generating unit. An impairment loss recognized previously is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the date of recognition of last impairment loss.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

Any impaired non-financial assets - other than goodwill, if any - are assessed for possible reversal of this impairment at the end of each financial reporting period.



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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**V. Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of liabilities may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is a pre-zakat rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognized as interest expense.

**W. Leases**

At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At inception or on reassessment of an arrangement that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

However, with regard to real estate leases, the Group elected not to separate the non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs of dismantling and removing the underlying asset and cost of restoring the underlying asset or the site on which it is located (if any), less any lease incentives received.

Right-of-use assets are subsequently depreciated using the straight-line method from the date of commencement of the lease to the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. Further, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that were not paid at the commencement date and is discounted using the implicit interest rate in the lease, or if that rate is difficult to determine reliably, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**W. Leases (continued)**

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments);
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option, the lease payments in the optional renewal period if the Group is reasonably certain to exercise the extension option, and payments for penalties for early terminating the lease unless the Group is reasonably certain not to exercise an option to early terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or a rate, or if there was a change in the Group's estimate of the amount expected to be payable by the lessee under residual value guarantees, or if the Group changed its assessment whether if it will choose the purchase, extension or termination.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of profit or loss if the carrying amount of the right of use asset has been reduced to zero.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less and leases of low value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term in the consolidated statement of profit or loss.

As a lessor

When the Group is a lessor, it determines, at the commencement of the lease, whether the lease is a finance lease or operating lease.

To classify each lease, the Group perform overall assessment whether lease transfers all substantially all the risks and rewards incidental to ownership of an underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers specific indicators such as whether the lease term is for the major part of the economic life of the underlying asset.

When the Group is an intermediate lessor, it calculates its interest in the head lease and sublease separately. Classification of the sublease is assessed by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease, the Group applies exemption, the sublease shall be classified as an operating lease.

For a lease that contains a lease component and one or more additional lease or non-lease components, a lessor shall allocate the consideration in the lease by applying IFRS 15.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**W. Leases (continued)**

As a lessor

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group also regularly reviews the estimated unsecured residual values used in the calculation of the total lease investment.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term in the consolidated statement of profit or loss.

**X. Dividends**

Interim dividends are recorded in the period in which they are approved by the Board of Directors. Furthermore, final dividends are recorded in the period in which they were approved by the shareholders' General Assembly.

**Y. Segment reporting**

The Group discloses information that enables users of its consolidated financial statements to assess the nature of its business activities, its financial implications, and the economic environments in which it operates.

Operating segment

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

All operational results of the operating segments are reviewed by the Group's operating decision makers to make decisions about the resources to be allocated to the segment and to assess its performance, which have separate financial information.

Not every part of the entity is necessarily an operating segment or part of an operating segment. Operating segments often show similar long-term financial performance if these segments have similar economic characteristics. Furthermore, the Group reports separately on information on any operating segment.

If the Group's management believes that one of the operating segments, identified directly in previous period as a reportable segment, is still significant, it continues to report on that segment information separately in the current period.

Also, if an operating segment is identified during the current period as a reportable segment according to the quantitative limits, it re-presents the segment information for the previous period presented for comparison purposes to reflect the newly reportable segment as a separate segment.

Geographical segment

A geographical segment is a sector associated with providing products or services within a specific economic environment that are exposed to risks and returns that are different from those related to sectors operating in other economic environments. Segment reporting disclosure agree with the information reviewed by the chief operating decision maker.

The Group discloses information on the applicable measurement bases, such as the nature and effect of any differences between measurements used in the information on the sectors to report and those measurements used.

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**7. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Z. Earnings per share**

Basic earnings per share

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held, if any.

Diluted earnings per share

Diluted EPS, if any is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

**AA. Contingent liabilities**

They are liabilities that are likely to arise from past events and will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events and do not fall within the full control of the Group, or a present obligation arising from past events that are not recorded because it is unlikely that there will be a need for flow of resources embodying economic benefits to settle the obligation.

If the amount of the obligation cannot be measured with sufficient reliability, then the Group does not recognize contingent liabilities but discloses them in the consolidated financial statements.

**8. NEW STANDARDS OR AMENDMENTS EFFECTIVE IN 2020 AND SUBSEQUENT YEARS**

The following are a number of standards, amendments and interpretations of standards that were issued by the IASB on 31 August 2020.

**New currently effective requirements:**

Effective from	New standards and amendments
1 January 2020	Amendments to References to Conceptual Framework in IFRS Standards.
	Definition of Material (Amendments to IAS 1 and IAS 8).
	Definition of a Business (Amendments to IFRS 3).
	Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate reform.
1 June 2020	COVID-19 – Related Rent Concessions (Amendments to IFRS 16).

Management assessed the financial impact and there is no impact on the consolidated financial statements as at 31 December 2020.

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**8. NEW STANDARDS OR AMENDMENTS EFFECTIVE IN 2020 AND SUBSEQUENT YEARS (CONTINUED)**

**New requirements that will be applied subsequently:**

<b>Effective for annual periods beginning on or after</b>	<b>New standards and amendments</b>
1 January 2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate reform - second phase.
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (amendments to IAS 37). Annual Amendments to IFRSs (2018 - 2020 Cycle). Property, Plant and Equipment: Proceeds Before Intended Use (amendments to IAS 16). Reference to conceptual framework (amendments to IFRS 3).
1 January 2023	Amendments to IAS 1 ‘Presentation of Financial Statements’ related to classification of liabilities as current/non-current. IFRS 17 - Insurance Contracts and amendments to IFRS 17 - Insurance Contracts.
Available for optional adoption/ effective date deferred indefinitely	Sale or contribution of assets between the investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

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**(SAUDI RIYALS)**

**9. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Computer hardware	Tools	Projects in progress	Total
<b>Cost</b>									
<b>Balance at 1 January 2019</b>	<b>143,003,702</b>	<b>307,099,561</b>	<b>1,012,488,132</b>	<b>46,852,038</b>	<b>17,674,200</b>	<b>17,574,399</b>	<b>753,081</b>	<b>5,700,862</b>	<b>1,551,145,975</b>
Additions	-	232,280	469,335	-	61,745	12,892	-	14,460,631	15,236,883
Disposal	-	(106,152)	(6,277,659)	(24,460)	(463,880)	(6,850)	-	-	(6,879,001)
Transferred from projects in progress	-	4,325,686	7,346,261	1,383,500	401,711	-	-	(13,457,158)	-
<b>Balance at 31 December 2019</b>	<b>143,003,702</b>	<b>311,551,375</b>	<b>1,014,026,069</b>	<b>48,211,078</b>	<b>17,673,776</b>	<b>17,580,441</b>	<b>753,081</b>	<b>6,704,335</b>	<b>1,559,503,857</b>
Balance at 1 January 2020	143,003,702	311,551,375	1,014,026,069	48,211,078	17,673,776	17,580,441	753,081	6,704,335	1,559,503,857
Additions	-	-	127,800	-	7,200	13,340	-	16,975,708	17,124,048
Disposal	-	(108,364)	(12,293,457)	(195,760)	(1,445,195)	(112,932)	-	-	(14,155,708)
Transferred from projects in progress	-	180,102	7,049,504	310,598	203,138	665,042	-	(8,408,384)	-
<b>Balance at 31 December 2020</b>	<b>143,003,702</b>	<b>311,623,113</b>	<b>1,008,909,916</b>	<b>48,325,916</b>	<b>16,438,919</b>	<b>18,145,891</b>	<b>753,081</b>	<b>15,271,659</b>	<b>1,562,472,197</b>
<b>Accumulated depreciation</b>									
<b>Balance at 1 January 2019</b>	-	81,830,030	519,117,993	36,187,331	15,374,861	13,853,971	736,972	-	667,101,158
Depreciation	-	11,127,662	58,118,112	1,777,252	1,131,622	179,873	6,446	-	72,340,967
Disposal	-	(106,107)	(3,684,230)	(13,064)	(366,120)	-	-	-	(4,169,521)
<b>Balance at 31 December 2019</b>	-	<b>92,851,585</b>	<b>573,551,875</b>	<b>37,951,519</b>	<b>16,140,363</b>	<b>14,033,844</b>	<b>743,418</b>	-	<b>735,272,604</b>
Balance at 1 January 2020	-	92,851,585	573,551,875	37,951,519	16,140,363	14,033,844	743,418	-	735,272,604
Depreciation	-	11,871,893	40,909,596	853,994	814,047	820,203	6,095	-	55,275,828
Disposal	-	(108,364)	(12,136,087)	(195,623)	(1,444,477)	(111,571)	-	-	(13,996,122)
<b>Balance at 31 December 2020</b>	-	<b>104,615,114</b>	<b>602,325,384</b>	<b>38,609,890</b>	<b>15,509,933</b>	<b>14,742,476</b>	<b>749,513</b>	-	<b>776,552,310</b>
<b>Net book value:</b>									
At 1 January 2019	143,003,702	225,269,531	493,370,139	10,664,707	2,299,339	3,720,428	16,109	5,700,862	884,044,817
At 31 December 2019	143,003,702	218,699,790	440,474,194	10,259,559	1,533,413	3,546,597	9,663	6,704,335	824,231,253
At 31 December 2020	143,003,702	207,007,999	406,584,532	9,716,026	928,986	3,403,415	3,568	15,271,659	785,919,887

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**9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

- Certain property, plant and equipment with a book value of SAR 132 million as at 31 December 2020 (2019: SAR 223 million) have been placed as collateral against long-term loans (Note 20).
- The balance of projects in progress represents the cost of establishing warehouse in one of the group's subsidiary, the water tank to support its fire systems as well as Machines which the Group is assembling it to be used in the production.
- During the prior year and based on the Board of Directors decision issued on 28 April 2019, the Group's management re-assessed the useful lives of some items of property, plant and equipment. This resulted in a decrease in the depreciation charged to the consolidated statement of profit or loss, as follows:

	<u>Before re-assessment</u>	<u>After re-assessment</u>	<u>Effect on profit and loss</u>
Change in depreciation value	78,838,835	72,340,967	6,497,868

- During the year, the Group changed the method of calculating depreciation of machinery to unit of production method instead of the straight-line method in order to reflect as far as possible the expected pattern of depreciation of the future economic benefits from the assets, in addition to determining depreciation based on the expected use or production. As a result, the depreciation charge of the aforementioned item reduced by SAR 11.8 million, for the year ended 31 December 2020, resulting in the decrease of the costs of revenue and net loss for the year by the same amount, as follows:

	<u>According to straight line method</u>	<u>According to Unites of production method</u>	<u>Effect on profit and loss</u>
Change in depreciation value	67,053,118	55,275,826	11,777,292

- Depreciation charge for the year has been allocated as follows:

	<u>2020</u>	<u>2019</u>
Cost of Revenue (Note 25)	51,030,098	67,500,721
Selling, marketing and distribution expenses (Note 26)	446,519	604,796
General and administrative expenses (Note 27)	3,799,211	4,235,450
	<u>55,275,828</u>	<u>72,340,967</u>

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**10. INTANGIBLE ASSETS AND GOODWILL**

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<b>Cost:</b>			
Balance at 1 January 2019	390,230,436	13,192,948	403,423,384
Balance at 31 December 2019	390,230,436	13,192,948	403,423,384
Additions	-	62,656	62,656
<b>Balance at 31 December 2020</b>	<b>390,230,436</b>	<b>13,255,604</b>	<b>403,486,040</b>
<b>Accumulated amortization and impairment:</b>			
Balance at 1 January 2019	20,306,000	12,097,383	32,403,383
Amortization (Note 25 & 27)	-	801,021	801,021
Foreign currency translation adjustments	-	338	338
Balance at 31 December 2019	20,306,000	12,898,742	33,204,742
Amortization (Note 25)	-	145,439	145,439
Foreign currency translation adjustments	-	(31)	(31)
<b>Balance at 31 December 2020</b>	<b>20,306,000</b>	<b>13,044,150</b>	<b>33,350,150</b>
<b>Net book value:</b>			
At 1 January 2019	369,924,436	1,095,565	371,020,001
At 31 December 2019	369,924,436	294,206	370,218,642
<b>At 31 December 2020</b>	<b>369,924,436</b>	<b>211,454</b>	<b>370,135,890</b>

The details of aforementioned goodwill are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Emirates National Factory for Plastic Industries (*)	359,707,551	359,707,551
Hala Printing Company	10,216,885	10,216,885
	<b>369,924,436</b>	<b>369,924,436</b>

(\*) During 2012, the Group acquired 100% of the shares of Emirates National Factory for Plastic Industries LLC ("Emirates Factory"), a limited liability company, established in the Emirate of Sharjah, in the United Arab Emirates, for a net consideration of approximately SAR 642 million.

All the parties have agreed under the Shares Purchase and Sale Agreement (the "Agreement") to transfer all rights and liabilities related to the former shareholders to the Group on 1 July 2012 as the date on which effective control is transferred to the Group (the "Acquisition Date"). This acquisition resulted in goodwill amounting to approximately SAR 353.8 million, which represents the increase in the consideration paid over the fair value of the net assets acquired on the date of acquisition, amounting to approximately SAR 288.2 million.

Emirates Factory operates in the manufacture and distribution of packaging and plastic products, and has several subsidiaries in both the United Arab Emirates and the Kingdom of Saudi Arabia. The consolidated financial statements of Emirates Factory were consolidated with effect from 1 July 2012.

On 1 July 2014, the Group restructured the packaging sector by merging Future Plus Company and Flexible Packaging Company with Emirates National Factory for Plastic Industries, so that on that date the total goodwill of the Emirates Factory becomes SAR 380 million after adding the goodwill of these two companies. During 2017, goodwill impairment losses of SAR 20.3 million were set aside.



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**10. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**

Goodwill impairment test

Management performs goodwill test to ensure that there is no impairment at the end of each financial year. The management found, through the goodwill test, that the book value of goodwill was less than its recoverable value as at 31 December 2020.

The recoverable amount was determined on the basis of the information used to calculate the present value of the five-year expected cash flows, based on the financial budget approved by the Board of Directors. The estimated growth rate of the Emirates National Factory for Plastic Industries and Hala Press Company of 5.5% and 17.5%, respectively, for the current year, has been applied to the cash flows that exceed the period of the financial budget.

Management believes that the estimated growth rates do not exceed the long-term average growth rates related to the activities carried out by the group companies.

Sensitivity to changes in assumptions

In relation to the recoverable amount review, any adverse change in underlying assumptions will result in an impairment loss. The terminal growth rates and discount rates used are the key assumptions in cases where potential changes could lead to impairment.

The key assumptions used in the estimation of the recoverable amount are set out below: The values assigned to key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	31 December 2020		31 December 2019	
	<b>Emirates National Factory for Plastic Industries</b>	<b>Hala Printing Company</b>	<b>Emirates National Factory for Plastic Industries</b>	<b>Hala Printing Company</b>
	%	%	%	%
Discount rate	7.94	7.94	10,2	10,2
Estimated total margin	24.2	30,7	23,2	27,9
Average annual growth rate of revenue	5.5	17.5	4,6	7,8
Terminal growth rate	2.5	2.5	2,5	2,5

The discount rate was determined on the basis of the rate of 10-year government bonds issued by the government in a favorable market and in the same currency as cash flows, adjusted by the risk factor to reflect both the increased risk of investing in equity shares in general and the inherent risk of a specific cash generating unit.

The terminal growth rate was determined based on management's estimate of the long-term compound annual growth rate of EBITDA in line with the assumptions that a market participant would make.

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**11. INVESTMENT PROPERTIES**

The following is the movement in investment properties:

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost:</b>			
At 1 January 2019	18,922,102	9,403,543	28,325,645
At 31 December 2019	18,922,102	9,403,543	28,325,645
<b>At 31 December 2020</b>	<b>18,922,102</b>	<b>9,403,543</b>	<b>28,325,645</b>
<b>Accumulated depreciation:</b>			
At 1 January 2019	-	1,934,122	1,934,122
Depreciation (Note 27)	-	<b>141,139</b>	<b>141,139</b>
At 31 December 2019	-	<b>2,075,261</b>	<b>2,075,261</b>
Depreciation (Note 27)	-	<b>140,904</b>	<b>140,904</b>
Foreign currency translation adjustments	-	<b>(1,011)</b>	<b>(1,011)</b>
<b>At 31 December 2020</b>	<b>-</b>	<b>2,215,154</b>	<b>2,215,154</b>
<b>Net book value:</b>			
At 1 January 2019	<b>18,922,102</b>	<b>7,469,421</b>	<b>26,391,523</b>
<b>At 31 December 2020</b>	<b>18,922,102</b>	<b>7,188,389</b>	<b>26,110,491</b>
<b>At 31 December 2019</b>	<b>18,922,102</b>	<b>7,328,282</b>	<b>26,250,384</b>

The Group's investment properties consist of two commercial properties in the Kingdom of Saudi Arabia and the United Arab Emirates, both of which have been retained by the Group for the purpose of earning and achieving rental income. Rental income for the year ended 31 December 2020 amounted to SAR955,984 (2019: SAR834,898) (Note 28).

**Fair value disclosures**

The following is a comparison of the carrying value and fair value of the Group's investment properties:

	<b>31 December 2020</b>		<b>31 December 2019</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
Investment properties	<b>26,110,491</b>	<b>35,512,164</b>	26,250,384	29,581,000
<b>Total</b>	<b>26,110,491</b>	<b>35,512,164</b>	26,250,384	29,581,000

The fair value of investment properties has been determined by external, accredited, independent property valuers who have appropriate and recognized professional qualifications and recent experience in the location and category of the property whose value is estimated according to the geographical location.

The fair value of property located in the Kingdom of Saudi Arabia was determined based on the valuation made by Qiam Company and its partner for real estate valuation, a valuer approved by the Saudi Authority for Accredited Valuers under membership number 1210000052.

The fair value of the property located in the United Arab Emirates was determined by the Technical and Loss Adjusting Company LLC, a valuer approved by Department of Land and Property.

The property valuers provide fair value to the Group's investment property portfolio at the end of each financial year.

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**11. INVESTMENT PROPERTIES (CONTINUED)**

The fair value measurement of all investment properties has been classified as a level 3 fair value based on the inputs of the valuation method used. The following table shows the valuation method used in measuring fair value:

Geographical location	Valuation technique	Observable inputs	The relationship between Observable inputs and the fair value measurement
KSA	<p><b>Sales comparison approach.</b></p> <p>The market value is the basis of the evaluation used, and the value was extracted by studying the area and analyzing commercial and residential real estate prices and similar offers for land.</p>	<p><b>Assumptions</b>  The land was evaluated on the assumption that the submitted documents are correct and that it is absolute ownership and taking into account its condition according to the current situation and taking into account the services in the area and its proximity to the land area - and its declaration by the municipality, The average price per square meter in the region was 650 Saudi Riyals per square meter.</p> <p><b>Nature and source of the information</b>  The deed and building permit were obtained from the customer, and information was obtained from approved real estate offices in the area, and all investigations were conducted.  The information was carefully studied, and some information was obtained from the Notary Public Index</p>	<p><b>The estimated fair value may increase (decrease) if:</b></p> <ul style="list-style-type: none"> <li>- The change in selling prices of land in the neighborhood</li> <li>- The difference in the level of services (infrastructure services and superstructure services such as schools, hospitals, parks, etc.)</li> <li>- Completion of urbanization in the surrounding area</li> <li>- Building system in the region</li> </ul>
UAE	<p><b>Approaches used in evaluation:</b></p> <ul style="list-style-type: none"> <li>• <b>Income Approach</b>  By using revenue multiples / capitalization rates based on available market trends and evidence.</li> <li>• <b>Sales comparison approach</b>  The market value is the basis of the evaluation used, and the value was extracted by studying the area and analyzing the prices of commercial and residential real estate and similar offers for land.</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• <b>Building</b>  Annual rent of the subject of appraisal and similar buildings amounting AED 882,000. Operating expenses average 9% of the annual rent for similar buildings  - Vacancy periods for the building (a period of one month in relation to the shops and five months on average for the apartments, equivalent to 5% of similar rents).</li> <li>• <b>Land</b>  - The value was extracted by studying the area and analyzing commercial and residential real estate prices and similar offers for land. The average price per square meter in the region was AED 110 per square foot.</li> </ul>	<p><b>The estimated fair value may increase / (decrease) if:</b></p> <ul style="list-style-type: none"> <li>- Projected market rental growth</li> <li>- Vacancy periods of the building</li> <li>- Occupancy rate of the building</li> </ul> <p><b>The estimated fair value may increase / (decrease) if:</b></p> <ul style="list-style-type: none"> <li>- The change in selling prices of land in the neighborhood</li> <li>- The difference in the level of services (infrastructure services and superstructure services such as schools, hospitals, parks, etc.)</li> <li>- Completion of urbanization in the surrounding area</li> <li>- Building system in the region.</li> </ul>

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**12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The following are the carrying values of the Group's right-of-use assets and lease liabilities and the movement during the year:

**A. Right-of-use assets**

	<b>Right-of-use assets</b>
<b>Cost:</b>	
Balance at 1 January 2019	9,935,918
Balance at 31 December 2019	9,935,918
Additions	686,120
Balance at 31 December 2020	10,622,038
<b>Accumulated depreciation:</b>	
Balance at 1 January 2019	-
Depreciation (Note 25)	1,630,801
Balance at 31 December 2019	1,630,801
Depreciation (Note 25)	1,654,892
Balance at 31 December 2020	3,285,693
<b>Net book value:</b>	
At 31 December 2019	8,305,117
At 31 December 2020	7,336,345

**B. Leases liabilities**

	<b>31 December 2020</b>	31 December 2019
Balance at the beginning of the year	8,546,189	8,544,211
Additions	686,120	-
Interest expense (Note 29)	417,058	498,513
Lease payment	(2,542,986)	(496,535)
	7,106,381	8,546,189

The minimum future lease payments along with the present value of the minimum lease payments as at 31 December 2020 are as follows:

	Future lease payments	Interest	Present value of the minimum lease payments
Within one year	611,876	(324,410)	287,466
Two to five years	2,580,640	(1,310,611)	1,270,029
Later than five years	7,626,001	(2,077,115)	5,548,886
Total	10,818,517	(3,712,136)	7,106,381

Lease liabilities are presented in the consolidated statement of financial position as follows:

	<b>31 December 2020</b>	31 December 2019
Non-current portion of lease liabilities	6,818,915	7,075,482
Current portion of lease liabilities	287,466	1,470,707
	7,106,381	8,546,189

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**12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)**

Short-term or low-value leases

The following is a breakdown of rental expenses related to short-term or low-value leases:

	2020	2019
Cost of Revenue (Note 25)	1,721,579	2,947,031
Selling, marketing and distribution expenses (Note 26)	3,979,386	4,460,462
General and administrative expenses (Note 27)	1,089,768	1,167,764
	<b>6,790,733</b>	<b>8,575,257</b>

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of 5%.

**13. INVENTORIES**

	31 December 2020	31 December 2019
Raw materials	117,584,544	128,224,817
Finished goods	34,447,398	37,035,554
Spare parts and consumables	24,034,582	23,218,689
Work in progress	7,258,937	7,194,947
Goods-in-transit	4,133,141	5,782,459
	187,458,602	201,456,466
Provision for obsolete and slow-moving inventories	(18,926,235)	(19,339,557)
	<b>168,532,367</b>	<b>182,116,909</b>

The movement in provision for obsolete and slow-moving inventories is as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	19,339,557	23,078,258
Provided during the year (Note 25)	-	293,344
Foreign currency translation adjustments	1,135	-
Provision reversed during the year	(414,457)	(4,032,045)
<b>At December 31</b>	<b>18,926,235</b>	<b>19,339,557</b>

On 28 April 2019, the Board of Directors decided to re-estimate the provision for impairment of spare parts, which resulted in a provision no longer required of SAR 4 million during the financial year ended 31 December 2019, as follows:

	Provision for the year Before re- assessment	Provision for the year After re- assessment	Difference (Effect on profit and loss)
Spare parts	23,371,602	19,339,557	4,032,045

**14. TRADE RECEIVABLES**

	31 December 2020	31 December 2019
Trade receivables	318,870,423	344,414,933
Due from related parties (Note 16)	7,123,507	11,645,439
	325,993,930	356,060,372
Less: Allowance for expected credit losses	(78,829,614)	(76,152,792)
	<b>247,164,316</b>	<b>279,907,580</b>

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**14. TRADE RECEIVABLES (CONTINUED)**

Movement in allowance for expected credit losses is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance at the beginning of the year	76,152,792	72,696,154
Allowance for expected credit losses	3,415,665	3,456,638
Foreign currency translation adjustments	3,525	-
Write off during the year	(742,368)	-
	<u>78,829,614</u>	<u>76,152,792</u>

Additional information regarding the Group's exposure to credit and market risks and expected credit losses is disclosed in Note (32).

**15. PREPAYMENTS AND OTHER CURRENT ASSETS**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Prepaid expense	14,377,970	17,455,866
Refundable security deposit	5,112,518	5,191,919
Advances to suppliers	4,938,217	6,221,069
Employees' receivables	2,223,936	2,354,403
Insurance claim	-	7,420,400
Others	2,868,908	4,081,820
	<u>29,521,549</u>	<u>42,725,477</u>

**16. BALANCES AND TRANSACTIONS WITH RELATED PARTIES**

Related parties of the Group comprise entities where shareholders and key management personnel have control, joint control or significant influence.

The transactions with related parties are made on terms approved by the Board of the Directors of the Group. The Group and its related parties transact with each other in the normal course of business.

**16.1 Key management personnel compensation**

The significant transactions between the Group, Board of Directors and key management personnel are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Board of Directors' expenses and allowances (Note 27)	1,507,193	1,729,443
Key management personnel compensation (*)	7,746,470	7,800,168
Key management personnel compensation (*)		
	<u>31 December 2020</u>	<u>31 December 2019</u>
Short-term employees' benefits	7,665,309	7,643,990
Long-term benefits	81,161	156,178
	<u>7,746,470</u>	<u>7,800,168</u>

Key management personnel compensation includes salaries and equivalents and defined benefit liabilities - employees' benefits.

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**16. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

16.2 The significant transactions and balances between the Group and its related parties are as follows:

	Nature of relationship	Transactions for the year ended 31 December		Balance as at 31 December	
		2020	2019	2020	2019
<b><u>PRINTING AND PACKAGING SALES</u></b>					
Saudi Specialized Publishing Company	Fellow subsidiary	710,185	9,432,285	170,635	2,931,897
Saudi Research & Publishing Company	Fellow subsidiary	16,992,298	27,493,122	6,913,371	7,643,440
Saudi Distribution Company	Fellow subsidiary	-	48,125	--	765,386
Saudi Research & Publishing Group	Holding Company	37,000	-	31,542	-
Gulf Company	Fellow subsidiary	86,285	-	7,959	-
Saudi Commercial Company	Fellow subsidiary	-	-	-	118,000
Tawq Public Relations Company	Fellow subsidiary	728,160	-	-	-
Emirates Printing, Publishing, and Distribution Company Ltd.	Fellow subsidiary	-	-	-	186,716
				<b>7,123,507</b>	<b>11,645,439</b>

\* The fellow subsidiaries are the holding company's subsidiaries.

All balances with these related parties are priced according to normal market rates. None of these balances are subject to any guarantees. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

**17. CASH AND CASH EQUIVALENTS**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Cash in hand	75,000	39,655
Cash at bank	37,194,042	53,208,379
<b>Cash and cash equivalents in the consolidated statement of financial position</b>	<b>37,269,042</b>	<b>53,248,034</b>
Less: Balances with banks - restricted accounts (*)	(4,018,947)	(18,331,970)
<b>Cash and cash equivalents in the consolidated statement of statement of cash flows</b>	<b>33,250,095</b>	<b>34,916,064</b>

(\*) The restricted bank accounts represent a deposit against a loan obtained (Note 20).

**18. SHARE CAPITAL**

As at 31 December 2020, the fully paid-up share capital of the Group is SAR 600 million (2019: SAR 600 million) divided into 60 million shares (2019: 60 million shares) with a nominal value of SAR 10 each. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Group.

**19. RESERVES**

**A. Statutory reserve**

In accordance with the by-laws of the Company, the Group sets aside 10% of its profit for the year as statutory reserve. Such transfers may be discontinued by the Ordinary General Assembly when said reserve reaches 30% of the capital. The statutory reserve is not available for distribution.

**B. Contractual reserve**

In accordance with the by-law of the Company, the Ordinary General Assembly may, based on the proposal of the Board of Directors, set aside a percentage not exceeding 20% of the Group's net profits to form a contractual reserve and allocate it for a specific purpose or purposes.

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**20. LOANS AND MURABAHA**

The Group has signed several financing agreements and banking facilities with a number of local and foreign banks, which include loans and Murabaha, credit facilities, letters of credit and letters of guarantee, on different periods starting from December 2018 and ending in March 2025, subject to renewal. The credit limit for total facilities was SAR 890 million. These agreements are subject to the terms and conditions of banking facilities that apply to all types of facilities provided by banks to their clients. The purpose of these facilities is to finance the activity, working capital, investments and capital expenditures as well as to finance the import of raw materials and equipment related to the Group's activities and projects. These facilities are subject to interest charges according to the relevant agreements, ranging from 2% to 3.5% + SIBOR and LIBOR. Under these agreements, the Group provided a number of guarantees to cover the full value of the financing which consist of the following:

- Promissory notes of SAR 565 million.
- A plot of land in Abhor district in Jeddah placed as collateral
- An insurance policy which grants the bank the right to be first beneficiary for the amount equal to the value of the facility.
- A corporate guarantee provided by a subsidiary of SAR 38 million.
- A waiver of the proceeds of some contracts of the Ministry of Education which are in the possession of the bank with an acknowledgment of acceptance by the Ministry.
- Restricted bank accounts amounting to SAR 4 million (2019: SAR 18 million) (note 17).

Based on the decision of the Board of Directors held on 7 May 2018, the bank has the right, in the event of default by the Group, to recourse through some of the subsidiaries, and the bank has the right to request additional guarantees other than what is mentioned in the loan agreement. The Group has complied with all banking terms and commitments contained in the agreements. The balance used amounted to SAR 789.5 million as at 31 December 2020 (2019: SAR 843.4 million). The following is an analysis of the loans and Murabaha transactions:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Syndicated loan	249,966,281	312,290,941
Short-term loans	265,372,473	310,902,653
Long-term loans	265,561,720	204,708,936
Bank overdrafts	5,080,128	10,155,347
Finance cost accrued	3,553,771	5,361,134
<b>Total loans and Murabaha</b>	<b>789,534,373</b>	<b>843,419,011</b>

The following is the movement on the balance of loans and Murabaha:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance as at 1 January	843,419,011	977,459,431
Proceeds from loans	384,515,044	596,049,391
Repayment of loans	(436,592,319)	(730,138,010)
Finance costs	36,841,601	56,391,139
Paid finance costs	(38,648,964)	(56,342,940)
Balance as at 31 December	<b>789,534,373</b>	<b>843,419,011</b>

The balance of loans and Murabaha were presented in the consolidated statement of financial position as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Current portion shown under current liabilities	402,510,963	371,624,435
Non-current portion shown under non-current liabilities	387,023,410	471,794,576

During January 2021, one of the group's subsidiaries signed a banking facility agreement. Portion of these facilities were used for early repayment of the Syndicated loan (the loan), and accordingly, the current portion related to the loan will decrease from AED 80 million as on December 31 to AED 17.6 million as on March 31, 2021 (note 34).



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**21. DEFINED BENEFIT LIABILITIES - EMPLOYEES BENEFITS**

The Group provides end-of-service benefits to its employees taking into account the labor market in addition to local labor laws in the countries in which the Group companies are located. These liabilities are not funded.

The defined benefit liabilities are calculated periodically by a qualified actuary using the projected unit credit method. Re-measurement amounts of actuarial gains and losses on the defined benefit liabilities, if any, are recognized in the consolidated statement of changes in equity.

The movement in the employees' benefit liabilities is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance at the beginning of the year	35,218,955	42,394,000
<b>Included in consolidated statement of profit or loss</b>		
Current service cost	4,077,666	4,591,459
Interest cost (Note 29)	1,166,983	1,211,120
	<b>5,244,649</b>	<b>5,802,579</b>
<b>Recorded in the statement of other comprehensive income</b>		
Re-measurements of employees' defined benefit liability	661,292	(7,579,951)
	<b>661,292</b>	<b>(7,579,951)</b>
<b>Others</b>		
Payment made during the year	(3,810,024)	(5,011,091)
Reclassification to Current liability	-	(386,582)
<b>Balance at the end of the year</b>	<b>37,314,872</b>	<b>35,218,955</b>

Significant actuarial assumptions

The table below outlines the assumptions used in the evaluation process. The proposed assumptions regarding the discount rate have been determined on the basis of bond yields for the Gulf countries for a period of 10.5 and 11.2 years (31 December 2020) and 10.5 and 11.2 years (31 December 2019) for each of the Kingdom of Saudi Arabia and the United Arab Emirates, respectively.

	<u>Kingdom of Saudi Arabia</u>		<u>United Arab Emirates</u>	
	<u>31 December 2020</u>	31 December 2019	<u>31 December 2020</u>	31 December 2019
Discount rate	2.9%	3.75%	2.45%	3.30%
Salary increase rate	0%	1.50%	0%	1.50%
Exchange rate (AED to SAR)	Not applicable	Not applicable	1.02	1.02
Assumed retirement age	60 years	60 years	60 years	60 years

Sensitivity analysis

An analysis of the sensitivity of the defined benefit liabilities to changes in the Group's weighted key assumptions is as follows:

	<u>Discount rate</u>		<u>Salary increase rate</u>	
	<u>1% decrease</u>	<u>1% increase</u>	<u>1% decrease</u>	<u>1% increase</u>
<b>31 December 2020</b>	<b>41,001,187</b>	<b>34,181,312</b>	<b>34,100,351</b>	<b>41,031,300</b>
31 December 2019	38,740,272	32,204,407	32,120,234	38,778,770

The sensitivity analysis above was determined based on the change in one assumption with all other assumptions held constant. In practical terms, this is not likely to happen, and changes in some assumptions may be linked to each other. When calculating the sensitivity of the defined benefit obligation to significant actuarial changes, the same method (present value of the defined benefit obligation calculated using the projected unit credit method at the end of preparing the consolidated financial statements) has been applied as when calculating the defined benefit liability recognized in the consolidated statement of financial position.

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**22. ACCRUED EXPENSES AND OTHER PAYABLES**

	<b>31 December 2020</b>	31 December 2019
Accrued expenses	11,456,995	13,841,011
Employee accruals	3,300,273	4,639,374
Advances from customers	2,272,718	3,599,640
Others	3,818,631	3,996,679
	<b>20,848,617</b>	<b>26,076,704</b>

**23. ZAKAT**

**A. Elements and components of Zakat base are as follows:**

	<b>31 December 2020</b>	31 December 2019
Non-Current Assets	(1,189,502,613)	(1,229,005,396)
Non-Current liability	431,157,197	514,089,013
Equity Opening Balance	723,904,138	755,114,206
Loss Before Zakat	(17,233,149)	(35,713,081)

**B. Movement in Zakat provision:**

	<b>31 December 2020</b>	31 December 2019
Balance as at 1 January	7,851,922	9,227,484
Charged during the year	3,311,570	3,047,007
Paid	(575,515)	(4,422,569)
Foreign currency translation adjustments	(584)	-
<b>Balance as at 31 December</b>	<b>10,587,393</b>	<b>7,851,922</b>

**C. Zakat assessments**

Zakat provision is estimated and charged to the consolidated statement of profit or loss. The differences arising on calculating the Zakat related to the final assessment are settled in the year in which they are completed.

The Group filed consolidated Zakat returns with the General Authority of Zakat and Income Tax (GAZT) for the years ended in 31 December 2005 until 2019 and received Zakat certificates for these years. The final assessments have not been issued by GAZT for the years 2009 until 2019 (excluding 2014 & 2017 referred to below).

GAZT issued assessment notices for the years 31 December 2005 to 2008 and requested the Group to pay additional Zakat amounting to SAR 6,582,634. The Group has filed an objection against the said assessment. The Group's objection was rejected by GAZT as certain formalities were not followed by the Group and GAZT issued an updated assessment of SAR 2,004,578. Furthermore, GAZT also demanded payment of Zakat differences due from the unauthorized profit difference for the years 2005 and 2006 amounting to SAR 143,203 (mentioned within the original objection amount), which were paid by the Group within the 2018 year. The assessment discussions for years ended 31 December 2005 to 2008 between GAZT and the Company are ongoing as at 31 December 2020.

GAZT issued an assessment on the Group's Zakat return accounts for the year ended 31 December 2017 with a total difference of SAR 2,253,606 which was paid during 2019. However, the assessment for the year ended 2014 amounting to SAR 1,361,774 was objected by the Group and the objection has been accepted.

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**24. OPERATING SEGMENTS**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including income and expenses that relate to transactions with any of the Group's other components. All operational results of the operating segments are reviewed by the Group's operating decision makers to make decisions about the resources to be allocated to the segment and to assess its performance, which have separate financial information.

**A. Basis for segmentation**

The Group has the following three strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. Transactions between business segments take place according to the terms of fair dealing in a manner similar to transactions with other parties.

The following is a summary of the transactions of each reportable segment:

<b>Reportable segment</b>	<b>Transactions</b>
Printing segment	Printing works, tools and raw materials needed
Packaging segment	Printing on plastic and commercial labels in addition to manufacturing plastic products.
Other segments	Include head office, management activities, investment activities and others.

The Group management monitors the operating results of each sector separately for the purpose of making decisions about resource allocation and performance assessment.

**B. Information on reportable segments**

Information on each reportable segment is listed below. Segment profit/(loss) before tax is used to measure performance because management believes that this information is the most relevant in assessing the results of the respective segments relative to other entities that operate in the same industries.

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**24. OPERATING SEGMENTS (CONTINUED)**

**B. Information on reportable segments (continued)**

A summary of some financial information for each operating segment is as follows:

31 December 2020	Reportable segments			Total	Adjustments and eliminations	Total
	Printing segment	Packaging segment	Other segments			
<b>Revenue</b>						
External revenues	137,141,453	630,546,153	-	767,687,606	-	767,687,606
Revenues – inter segments	11,278,515	-	-	11,278,515	(11,278,515)	-
<b>Total revenue</b>	<b>148,419,968</b>	<b>630,546,153</b>	<b>-</b>	<b>778,966,121</b>	<b>(11,278,515)</b>	<b>767,687,606</b>
Segment (loss)	(6,533,597)	(6,343,178)	(7,667,944)	(20,544,719)	-	(20,544,719)
Finance charges	1,721,433	38,605,371	654,951	40,981,755	-	40,981,755
Depreciation and amortization	19,941,856	37,169,238	105,969	57,217,063	-	57,217,063
Other material non-cash items:						
Impairment loss of trade receivables	133,891	3,281,774	-	3,415,665	-	3,415,665
Segment assets	<b>391,221,891</b>	<b>1,260,760,794</b>	<b>20,007,202</b>	<b>1,671,989,887</b>	-	<b>1,671,989,887</b>
Segment liabilities	<b>(27,237,421)</b>	<b>(546,469,572)</b>	<b>(395,542,133)</b>	<b>(969,249,126)</b>	-	<b>(969,249,126)</b>
31 December 2019	Reportable segments			Total	Adjustments and eliminations	Total
	Printing segment	Packaging segment	Other segments			
<b>Revenue</b>						
External revenues	180,746,841	743,597,418	-	924,344,259	-	924,344,259
Revenues – inter segments	18,733,320	-	-	18,733,320	(18,733,320)	-
<b>Total revenue</b>	<b>199,480,161</b>	<b>743,597,418</b>	<b>-</b>	<b>943,077,579</b>	<b>(18,733,320)</b>	<b>924,344,259</b>
Segment (loss)	(11,767,691)	(18,867,789)	(8,124,608)	(38,760,088)	-	(38,760,088)
Finance charges	6,686,612	50,773,404	640,756	58,100,772	-	58,100,772
Depreciation and amortization	(26,996,630)	(47,779,218)	(138,080)	(74,913,928)	-	(74,913,928)
Other material non-cash items:						
Impairment loss of trade receivables	3,456,638	-	-	3,456,638	-	3,456,638
Segment assets	<b>440,229,807</b>	<b>1,342,323,917</b>	<b>4,449,672</b>	<b>1,787,003,396</b>	-	<b>1,787,003,396</b>
Segment liabilities	<b>(33,278,602)</b>	<b>(613,489,390)</b>	<b>(416,331,266)</b>	<b>(1,063,099,258)</b>	-	<b>(1,063,099,258)</b>

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**24. OPERATING SEGMENTS (CONTINUED)**

**C. Geographic information**

The printing and packaging segments are mainly managed in the Kingdom of Saudi Arabia and the United Arab Emirates, respectively.

The geographic information below analyzes the Group's revenues, assets, liabilities and non-current operating assets, by country in which the Group operates and other countries. When presenting the following geographical information, segment revenues were based on the geographical location and segment assets were based on the geographical location of the assets.

<u>REVENUE</u>	31 December 2020	31 December 2019
KSA	<u>291,956,055</u>	380,143,054
UAE	<u>253,452,686</u>	259,577,660
Other foreign countries	<u>222,278,865</u>	284,623,545
	<u>767,687,606</u>	<u>924,344,259</u>
<b>Total assets</b>		
KSA	<u>713,517,880</u>	783,436,079
UAE	<u>958,472,007</u>	1,003,567,317
	<u>1,671,989,887</u>	<u>1,787,003,396</u>
<b>Total liabilities</b>		
KSA	<u>783,845,245</u>	830,753,926
UAE	<u>185,403,881</u>	232,345,332
	<u>969,249,126</u>	<u>1,063,099,258</u>
<b>Non-current operating assets *</b>		
KSA	<u>422,679,813</u>	465,568,455
UAE	<u>766,822,800</u>	763,436,941
	<u>1,189,502,613</u>	<u>1,229,005,396</u>

\* Non-current operating assets consist of property, plant and equipment, investment properties, intangible assets and right-of-use assets.

**25. COST OF REVENUE**

	For the financial year ended 31 December	
	<u>2020</u>	<u>2019</u>
Cost of materials	<u>456,465,336</u>	572,843,887
Employees' expenses and benefits	<u>73,044,757</u>	81,030,510
Depreciation and amortization (Notes 9,10,12)	<u>52,830,429</u>	69,802,004
Service	<u>30,101,569</u>	37,767,862
Maintenance	<u>12,294,760</u>	11,463,914
Consumables	<u>5,577,250</u>	7,872,939
Insurance	<u>3,559,891</u>	2,895,320
Rent (Note 12)	<u>1,721,579</u>	2,947,031
Provision for obsolete and slow-moving inventories (Note 13)	-	293,344
Others	<u>4,676,654</u>	6,363,451
	<u>640,272,225</u>	<u>793,280,262</u>

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**26. SELLING, MARKETING AND DISTRIBUTION EXPENSES**

	For the financial year ended 31 December	
	2020	2019
Employees' expenses and benefits	21,777,253	24,287,907
Transportation and shipment	15,298,977	17,304,894
Rental (Note 12)	3,979,386	4,460,462
Commissions and incentive	1,052,912	2,797,672
Depreciation (Note 9)	446,519	604,796
Maintenance	354,204	449,288
Advertising and promotion	161,278	1,288,549
Others	2,797,300	4,560,027
	<b>45,867,829</b>	<b>55,753,595</b>

**27. GENERAL AND ADMINISTRATIVE EXPENSES**

	For the financial year ended 31 December	
	2020	2019
Employees' expenses and benefits	43,566,996	40,972,412
Depreciation and amortization (Note 9,11)	3,940,115	4,507,128
Professional fees	3,424,519	3,819,020
Telephone and fax	2,435,703	1,082,440
Insurance	1,639,717	1,370,851
Board of Directors and committees' remuneration and allowances (Note 16)	1,507,193	1,729,443
Rent (Note 12)	1,089,768	1,167,764
Travel	273,823	742,431
Others	6,298,104	9,511,216
	<b>64,175,938</b>	<b>64,902,705</b>

**28. OTHER INCOME**

	For the financial year ended 31 December	
	2020	2019
Income from the sale of production waste	3,342,556	4,176,839
Insurance claims	3,061,300	7,420,400
Discounts granted by Abu Dhabi Water and Electricity Authority	1,805,295	
Rental income (Note 11)	955,984	834,898
Gains on disposal of property, plant and equipment	131,173	197,537
Collection from Human Resource Development Fund	-	816,790
Others	496,349	1,990,168
	<b>9,792,657</b>	<b>15,436,632</b>

**29. FINANCE CHARGES**

	For the financial year ended 31 December	
	2020	2019
Loans	17,240,059	13,538,721
Tawarruq	11,020,362	11,451,761
Murabaha	7,242,457	26,517,108
Amortization of finance rescheduling charges	2,687,448	845,393
Financing against Letter of Credits	1,207,388	4,038,156
Finance costs on the employees' benefit obligation (Note 21)	1,166,983	1,211,120
Financing cost on lease liabilities (Note 12)	417,058	498,513
	<b>40,981,755</b>	<b>58,100,772</b>

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**30. LOSS PER SHARE**

The basic loss per share calculation is based on dividing the loss attributable to the Company's shareholders by the weighted average number of ordinary shares during the year of 60 million shares (2019: 60 million shares). The diluted loss per share is calculated by dividing loss for the year by the adjusted weighted average number of ordinary shares during the year assuming that all impaired shares have been converted into ordinary shares (if any).

The diluted loss per share is equivalent to the basic loss per share for the year ended 31 December due to the absence of convertible financial instruments or with a reduced impact on earnings per share.

	<b>31 December 2020</b>	31 December 2019
Losses for the year	<b>(20,544,719)</b>	(38,760,088)
<b><u>No. of shares</u></b>		
Weighted average number of shares (Note 18)	<b>60,000,000</b>	60,000,000
<b>Basic and diluted losses per share</b>	<b>(0.34)</b>	(0.65)

**31. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS**

**Legal cases**

There are some legal cases against some of the group's subsidiaries during its normal business cycle, which are currently being pursued, but the final results of these cases cannot be determined. Management believes that the results of these cases will not have a material impact on the Group's consolidated financial statements as at 31 December 2020.

**Zakat assessments**

Refer to note 23 for details on the Zakat assessments.

**Contingent liabilities**

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events or where the amount of obligations cannot be reasonably measured. Contingent assets are not recognized but are disclosed where an inflow of economic benefits is probable.

As 31 December 2020, contingent liabilities related to uncovered letter of credit amounted to SAR 36,6 Million (2019: SAR 66,5 Million). As at 31 December 2020, the Group has outstanding bank guarantee letters from a local bank amounting to SAR 4,2 Million (31 December 2019: SAR 24,6 Million).

**Capital commitments**

As at 31 December 2020, capital commitments related to projects in progress and property, plant and equipment purchase contracts amounted to SAR 12.1 Million (2019: SAR 10.1 Million) (Note 9).

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**2. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**

**A. Fair value measurement of financial instruments**

The table below shows the carrying values of financial assets and liabilities as at 31 December, which are not measured at fair value, as all financial assets and financial liabilities of the Group are measured at amortized cost.

	31 December 2020			31 December 2019		
	Amortized cost	Other financial liabilities	Total	Amortized cost	Other financial liabilities	Total
<b>Financial assets not measured at fair value</b>						
Trade receivables, Net	247,164,316	-	247,164,316	279,907,580	-	279,907,580
Cash and cash equivalents	37,269,042	-	37,269,042	53,248,034	-	53,248,034
Other current assets	15,143,579	-	15,143,579	25,269,611	-	25,269,611
	<u>299,576,937</u>	<u>-</u>	<u>299,576,937</u>	<u>358,425,225</u>	<u>-</u>	<u>358,425,225</u>
<b>Financial liabilities not measured at fair value</b>						
Loans and Murabaha	-	789,534,373	789,534,373	-	843,419,011	843,419,011
Dividend payable	-	697,151	697,151	-	697,151	697,151
Finance lease liabilities	-	7,106,381	7,106,381	-	8,546,189	8,546,189
Trade payables	-	103,160,339	103,160,339	-	141,289,326	141,289,326
Employee accruals	-	3,300,273	3,300,273	-	4,639,374	4,639,374
	<u>-</u>	<u>903,798,517</u>	<u>903,798,517</u>	<u>-</u>	<u>998,591,051</u>	<u>998,591,051</u>



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**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**  
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**B. Risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

**Risk management framework**

The Board of Directors of the Group has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. This committee submits regular reports to the Board of Directors on its activities. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee monitors how management monitors the compliance with the Group's risk management procedures and policies. It also reviews the adequacy of the overall risk management framework in relation to the risks faced by the Group. The internal audit department supports the Group audit committee in performing its supervisory role. The internal audit team conducts periodic reviews, in particular, on the procedures and controls for risk management. It also sends reports on the results of these reviews to the Audit Committee.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises mainly from trade receivables.

The carrying value of financial assets represents the maximum value to which a financial asset could be exposed to credit risk as at the statement of financial position date at 31 December, as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	37,194,042	53,088,379
Trade receivables	240,040,809	268,262,141
Other current assets	15,143,579	25,269,611
	<u>292,378,430</u>	<u>346,620,131</u>

**Trade receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Risk Management Committee has established a credit policy according to which the creditworthiness of each new customer is analyzed before the Group presents its terms and conditions for payment and supply. The Group review includes external ratings, when applicable, and sometimes includes banking references.

The Group limits its exposure to credit risk from trade receivables by setting maximum collection limits and credit limits for its customers.

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**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**  
**(CONTINUED)**

**B. Risk Management (continued)**

**Credit risk (continued)**

Trade receivables (continued)

The following table provides information about the exposure to credit risk and ECLs for receivables as at 31 December 2020:

Aging of Trade receivables	Weighted- average loss rate	Gross carrying amount	Impairment loss allowance
Less than 3 months	0.63%	178,231,560	1,125,740
From 3 to 12 months	8.14%	22,440,668	1,827,192
From 12 to 24 months	18.12%	21,776,878	3,945,132
From 24 to 36 months	41.78%	8,179,305	3,417,276
More than 48 months	77.64%	88,242,012	68,514,274
<b>Total</b>		<b>318,870,423</b>	<b>78,829,614</b>

The following table provides information about the exposure to credit risk and ECLs for receivables as at 31 December 2019:

Aging of Trade receivables	Weighted- average loss rate	Gross carrying amount	Impairment loss allowance
Less than 3 months	0.45%	187,242,819	837,978
From 3 to 12 months	2.38%	49,258,764	1,450,421
From 12 to 24 months	20.90%	19,965,939	4,172,006
From 24 to 36 months	50.74%	18,378,494	9,324,741
More than 48 months	86.77%	69,568,917	60,367,646
<b>Total</b>		<b>344,414,933</b>	<b>76,152,792</b>

Cash and cash equivalents

As at 31 December 2020, the Group held cash and cash equivalent of SAR 37 Million (2019: SAR 53 Million). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A1 to A2, based on Moody's credit rating.

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk is the difficulties that the Group will encounter in raising funds to meet commitments related to financial instruments. Liquidity risk may result from the inability to sell financial assets quickly at an amount close to its fair value.

The Group manages liquidity risk by maintaining the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 90 days. The Group also monitors the level of expected cash inflows on trade receivables together with expected cash outflows on trade and other payables and ensuring that bank facilities are available. The terms and conditions of these facilities are disclosed in (Note 20). The Group's terms of sale stipulate that payments are made in cash upon supply of the goods or on a forward basis.

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**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**  
**(CONTINUED)**

**B. Risk Management (continued)**

**Liquidity risk (continued)**

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are based on the gross undiscounted amount.

The following are the contractual maturities of non-derivative financial liabilities:

<u>31 December 2020</u>	<u>Carrying value</u>	<u>Contractual cash flow</u>		
		<u>Total</u>	<u>Less than one year</u>	<u>More than one year</u>
Loans and Murabaha	789,534,373	789,534,373	402,510,963	387,023,410
Trade payables	103,160,339	103,160,339	103,160,339	-
Accrued expenses and other payables	20,848,617	20,848,617	20,848,617	-
Lease liability	7,106,381	10,818,517	611,876	10,206,641
Accrued Zakat	10,597,393	10,597,393	10,597,393	-
	<u>931,247,103</u>	<u>934,959,239</u>	<u>537,729,188</u>	<u>397,230,051</u>

  

<u>31 December 2019</u>	<u>Carrying value</u>	<u>Contractual cash flow</u>		
		<u>Total</u>	<u>Less than one year</u>	<u>More than one year</u>
Loans and Murabaha	843,419,011	843,419,011	371,624,435	471,794,576
Trade payables	141,289,326	141,289,326	141,289,326	-
Accrued expenses and other payables	26,076,704	26,076,704	26,076,704	-
Lease liability	8,546,189	8,546,189	1,470,707	7,075,482
Accrued Zakat	7,851,922	7,851,922	7,851,922	-
	<u>1,027,183,152</u>	<u>1,027,183,152</u>	<u>548,313,094</u>	<u>478,870,058</u>

Liquidity risk is managed by monitoring on a regular basis and ensuring that sufficient funds and banking facilities are available to meet the Group's future liabilities.

***Market risk***

Market risk is the risk that changes in the market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

***Commission rate risk***

Commission rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market commission rates. The Group is subject to commission rate risk on short and long term commission bearing Islamic banking facilities.

The table below reflects the commission rate risk to income as a result of reasonably possible changes in commission rates while all other changes remain constant. Price risk has no effect on equity.

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**32. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**  
**(CONTINUED)**

**B. Risk Management (continued)**  
**Commission rate risk (continued)**

The income effect represents the effect of the assumed changes in commission rates on the profit / (losses) of the Group for one year on the basis of floating commission financial liabilities as at December 31.

Increase/(decrease) in basis points	Impact on income for the year	
	2020	2019
+5	(394,767)	(419,029)
+10	(789,534)	(838,058)
-5	394,767	419,029
-10	789,534	838,058

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The management monitors fluctuations in foreign exchange rates and believes that the Group is not exposed to significant currency risk, as it does not undertake any significant transactions in currencies other than the Saudi Riyal, the US dollar and the Emirati dirham. The Saudi Riyal exchange rate is fixed pegged against the US dollar, and therefore, balances and transactions dominated in US dollars do not represent significant risks. Regarding the AED, the Group's management believes that its exposure to currency risk that is pegged against the AED is limited given that the Saudi Riyal is pegged against the AED.

**Capital management**

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group monitors its capital base using a ratio of Net debt to Equity. For this purpose, adjusted net debt is defined as total liabilities, including loans, less cash and cash equivalents. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserves.

	31 December 2020	31 December 2019
Total liabilities	969,249,126	1,063,099,258
Less: Cash and bank balances	(37,269,042)	(53,248,034)
<b>Adjusted net debt (a)</b>	<b>931,980,084</b>	<b>1,009,851,224</b>
Total equity	702,740,761	723,904,138
<b>Adjusted equity (b)</b>	<b>702,740,761</b>	<b>723,904,138</b>
Adjusted net debt ratio from adjusted equity (a) / (b)	1.33	1.40

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**33. RECLASSIFICATION OF COMPARATIVES**

Certain of the prior year amounts have been reclassified to conform for better presentation of the consolidated statement of financial position and consolidated statement of cash flows.

**A. Consolidated Statement of Financial Position**

	<b>Balances previously reported as at 31 December 2019</b>	<b>Reclassification</b>	<b>Balance reclassified as at 31 December 2019</b>
Property, plant and equipment - <i>(note 33.1)</i>	821,516,805	2,714,448	824,231,253
<b>Total non-current assets</b>	<b>1,226,290,948</b>	<b>2,714,448</b>	<b>1,229,005,396</b>
Prepayments and other current assets <i>(note 33.1)</i>	45,439,925	(2,714,448)	42,725,477
<b>Total current assets</b>	<b>560,712,448</b>	<b>(2,714,448)</b>	<b>557,998,000</b>
Defined benefit obligation - employees' benefits <i>(note 33.2)</i>	35,605,537	(386,582)	35,218,955
<b>Total non-current liabilities</b>	<b>514,475,595</b>	<b>(386,582)</b>	<b>514,089,013</b>
Accrued expenses and other current liabilities <i>(note 33.2)</i>	25,690,122	386,582	26,076,704
<b>Total current liabilities</b>	<b>548,623,663</b>	<b>386,582</b>	<b>549,010,245</b>

**B. Consolidated Statement of Cash flows**

	<b>Balances previously reported as at 31 December 2019</b>	<b>Reclassification</b>	<b>Balance reclassified as at 31 December 2019</b>
<b>Operating activities</b>	196,142,103	2,714,448	198,856,551
<b>Investing activities</b>	(9,615,418)	(2,714,448)	(12,329,866)

**33.1** The advance payment for projects in progress was reclassified to non-current assets for the comparatives as at 31 December 2019 as one of the subsidiary made a reclassification subsequent to the issuance of the Group's consolidated financial statements for the year ended 31 December 2019 on 22 March 2020 (corresponding to 27 Rajab 1441H).

**33.2** The balance of the end-of-service benefits due to employees who had resigned as at 31 December 2019 and serving a notice period was included in non-current liabilities during the year ended 31 December 2019. This has been reclassified to current liabilities in the comparatives, as these were to be settled within twelve months of 31 December 2019.

There is no impact on the Group's Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

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**34. SUBSEQUENT EVENTS**

In January 2021, Emirates National Factory for Plastic Industries (a wholly owned subsidiary in the United Arab Emirates) signed a banking facility agreement (in compliance with the provisions of Islamic Sharia) with a local bank for a total amount of AED 475 million representing the following:

- Long-term financing of AED 375 million, repayable over 8 years. The facility was obtained for the purposes of financing capital projects in the amount of AED 100 million, in addition to early payment of existing facilities in favor of other banks in the United Arab Emirates, amounting to AED 275 million. As a result, the current portion related to these facilities will be decreased by AED 62.4 million at the financial period ending at 31 March 2021.
- Short-term financing of AED 100 million for the purpose of working capital financing.

The facility agreement is guaranteed by a promissory note from the Group of the total value of the facilities in favor of the bank in addition to other guarantees (Note 20).

**35. BOARD OF DIRECTORS APPROVAL**

The consolidated financial statements were approved by the Board of Directors on 12 Sha'aban 1442H (corresponding to 25 March 2021)