

**Saudi Printing and Packaging Company
(A Saudi Joint Stock Company)**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REVIEW REPORT**

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2023**

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2023

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Independent auditor's review report on the interim condensed consolidated financial statements to the shareholders of Saudi Printing and Packaging Company (A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Printing and Packaging Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine month periods ended 30 September 2023, and the related interim consolidated statements changes in equity and cash flows for the nine months period then ended, and other explanatory notes. Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Waleed G. Tawfiq
Certified Public Accountant
License No. (437)

Riyadh: 21 Rabi Al-Thani 1445H
5 November 2023



Saudi Printing and Packaging Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Notes	30 September 2023 (Unaudited) SAR	31 December 2022 (Audited) SAR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	682,241,752	717,465,759
Intangible assets and goodwill	13	370,677,391	370,835,914
Investment properties	20	25,396,534	25,643,501
Right-of-use assets		5,913,305	4,909,729
Non-current trade receivables	10	6,982,221	9,356,428
Non-current - Derivative Asset	14	8,665,937	8,665,937
TOTAL NON-CURRENT ASSETS		1,099,877,140	1,136,877,268
CURRENT ASSETS			
Inventories	9	188,257,422	265,787,671
Trade receivables	10	242,841,054	262,316,040
Prepayments and other current assets		29,987,517	31,529,525
Cash and cash equivalents	11	42,239,279	38,781,183
TOTAL CURRENT ASSETS		503,325,272	598,414,419
TOTAL ASSETS		1,603,202,412	1,735,291,687
EQUITY AND LIABILITIES			
EQUITY			
Capital	15	600,000,000	600,000,000
Statutory reserve	15	-	78,639,385
Contractual reserve	15	2,909,935	30,105,326
Accumulated losses		(21,908,645)	(70,396,120)
Other reserve		(422,382)	(408,259)
TOTAL EQUITY		580,578,908	637,940,332
NON-CURRENT LIABILITIES			
Loans and Murabaha	16	286,265,262	332,302,893
Employees' defined benefit liability		34,531,428	32,104,684
Lease liabilities		4,814,794	3,868,890
TOTAL NON-CURRENT LIABILITIES		325,611,484	368,276,467
CURRENT LIABILITIES			
Trade payables	18	109,991,242	149,219,291
Accrued expenses and other current liabilities	19	28,622,558	23,920,099
Loans and Murabaha – current portion	16	500,702,219	486,469,540
Current portion of lease liability		1,401,457	1,252,773
Due to related party	17	48,788,558	61,186,551
Dividends payable		697,151	697,151
Provision for zakat	8	6,808,835	6,329,483
TOTAL CURRENT LIABILITIES		697,012,020	729,074,888
TOTAL LIABILITIES		1,022,623,504	1,097,351,355
TOTAL EQUITY AND LIABILITIES		1,603,202,412	1,735,291,687


(Chief Executive Officer)


(Group Finance Director)

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements

Saudi Printing and Packaging Company
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three-month and nine-month periods ended 30 September 2023

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2023 (Unaudited) SAR	2022 (Unaudited) SAR	2023 (Unaudited) SAR	2022 (Unaudited) SAR
Revenue	7	204,262,928	261,144,785	607,082,425	767,805,645
Cost of revenue		(185,834,769)	(225,503,774)	(537,834,132)	(657,478,169)
Gross profit		18,428,159	35,641,011	69,248,293	110,327,476
Selling, marketing and distribution expenses		(11,068,449)	(13,523,670)	(38,065,446)	(41,619,837)
General and administrative expenses		(16,071,141)	(16,579,072)	(47,044,802)	(47,615,839)
Reversal/(Impairment) of trade receivable	10	1,105,652	(1,839,364)	786,039	(7,097,003)
Operating (loss) /profit for the period		(7,605,779)	3,698,905	(15,075,916)	13,994,797
Other income		1,310,504	1,681,554	3,257,497	3,908,132
Finance costs		(15,480,270)	(8,280,606)	(43,738,998)	(21,400,774)
Loss before zakat		(21,775,545)	(2,900,147)	(55,557,417)	(3,497,845)
Zakat expense	8	(133,100)	(964,571)	(1,789,884)	(2,746,783)
Loss for the period		(21,908,645)	(3,864,718)	(57,347,301)	(6,244,628)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences – foreign operations		-	50	(14,123)	(4,222)
Other comprehensive (loss)/profit for the period		-	50	(14,123)	(4,222)
Total comprehensive loss		(21,908,645)	(3,864,668)	(57,361,424)	(6,248,850)
Loss per share-basic and diluted		(0.37)	(0.06)	(0.96)	(0.10)
Number of shares		60,000,000	60,000,000	60,000,000	60,000,000

F Ferguson

(Chief Executive Officer)

[Signature]

(Group Finance Director)

Saudi Printing and Packaging Company
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGE IN EQUITY

For the nine-month period ended 30 September 2023

	Capital SAR	Statutory reserve SAR	General reserve SAR	Accumulated losses SAR	Other reserves SAR	Total SAR
Balance at 1 January 2022 (audited)	600,000,000	78,639,385	30,105,326	(66,597,059)	(401,435)	641,746,217
Loss for the period (unaudited)	-	-	-	(6,244,628)	-	(6,244,628)
Other comprehensive loss for the period (unaudited)	-	-	-	-	(4,222)	(4,222)
Total comprehensive loss for the period (unaudited)	-	-	-	(6,244,628)	(4,222)	(6,248,850)
Balance at 30 September 2022 (unaudited)	<u>600,000,000</u>	<u>78,639,385</u>	<u>30,105,326</u>	<u>(72,841,687)</u>	<u>(405,657)</u>	<u>635,497,367</u>
Balance at 1 January 2023 (audited)	600,000,000	78,639,385	30,105,326	(70,396,120)	(408,259)	637,940,332
Loss for the period (unaudited)	-	-	-	(57,347,301)	-	(57,347,301)
Other comprehensive loss for the period (unaudited)	-	-	-	-	(14,123)	(14,123)
Total comprehensive loss for the period (unaudited)	-	-	-	(57,347,301)	(14,123)	(57,361,424)
Absorption of accumulated losses (note 15)	-	(78,639,385)	(27,195,391)	105,834,776	-	-
Balance at 30 September 2023 (unaudited)	<u>600,000,000</u>	<u>-</u>	<u>2,909,935</u>	<u>(21,908,645)</u>	<u>(422,382)</u>	<u>580,578,908</u>

F Ferguson

(Chief Executive Officer)

[Signature]

(Group Finance Director)

Saudi Printing and Packaging Company
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2023

	30 September 2023 (Unaudited) SAR	30 September 2022 (Unaudited) SAR
OPERATING ACTIVITIES:		
Loss before zakat	(55,557,417)	(3,497,845)
<i>Adjustment to reconcile income before zakat to net cash</i>		
Depreciation and amortization	42,821,028	38,775,191
Impairment loss of trade receivable	(786,039)	7,097,003
Provision of slow-moving inventory	2,458,009	(55,563)
Gain from disposal of property, plant and equipment	(178,968)	(117,647)
Finance costs	43,464,542	21,492,100
Derivative asset	-	(8,156,176)
Finance Lease	274,456	-
Provision for employees' defined benefit obligations	5,272,870	4,657,705
	37,768,481	60,194,768
<i>Working capital adjustments:</i>		
Inventories	75,072,240	(52,488,588)
Trade receivables	22,635,232	(24,156,012)
Related Party	(12,397,993)	-
Prepayments and other current assets	1,542,008	(20,076,114)
Trade payables	(39,228,049)	26,472,075
Accrued expenses and other current liabilities	4,702,459	18,888,099
Cash generated from operating activities	90,094,378	8,834,228
Employees' defined benefit liability paid	(2,846,126)	(4,160,683)
Zakat Paid	(1,311,708)	(3,247,657)
Net cash flows from operating activities	85,936,544	1,425,888
INVESTING ACTIVITIES:		
Purchase of additions on property, plant and equipment	(7,044,726)	(5,918,871)
Proceeds from disposal of property, plant and equipment	1,113,871	158,086
Net cash flows used in investing activities	(5,930,855)	(5,760,785)
FINANCING ACTIVITIES:		
Proceeds from loans and Murabaha	996,467,583	887,607,382
Payments of loans and Murabaha	(1,031,992,640)	(854,008,566)
Payments of finance cost	(39,744,436)	(17,455,695)
Payment of lease liabilities	(1,265,150)	(834,549)
Net cash flows (used in)/from financing activities	(76,534,643)	15,308,572
Net decrease in cash and cash equivalents	3,471,046	10,973,675
Foreign currency translation adjustments	(12,950)	10,495
Change in cash restricted for use by banks	-	58
Cash and cash equivalents at the beginning of the period	28,988,331	23,195,873
Cash and cash equivalents at the end of the period	32,446,427	34,180,101

Significant non-cash transaction:

Right-of-use assets and lease liabilities additions

2,085,280

-



(Chief Executive Officer)



(Group Finance Director)

The attached notes 1 to 24 form an integral part of these interim condensed consolidated financial statements

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023

1. CORPORATE INFORMATION

Saudi Printing and Packaging Company (the “Company” or “Parent Company”) is a Saudi Joint Stock Company, registered in Kingdom of Saudi Arabia under Commercial Registration number 1010219709 issued from Riyadh dated 1 Jumada Al-Ula 1427H (corresponding to 28 May 2006).

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).

These interim condensed consolidated financial statements include the financial position and results of operations of the Company and its subsidiaries (collectively referred to as “Group”), as shown in the table below.

Subsidiary	Country of incorporation	Effective ownership interest	
		30 September 2023	31 December 2022
Hala Printing Company	Saudi Arabia	100%	100%
Al-Madinah Al Munawarah Printing & Publishing Company	Saudi Arabia	100%	100%
Future Industrial Investment Company (“FIIC”)	Saudi Arabia	100%	100%
Emirates National Factory for Plastic Industries (“ENPI”) (a)	United Arab Emirates	100%	100%

a) The following are wholly owned subsidiaries of Emirates National Factory for Plastic Industries (“ENPI”):

Subsidiary	Country of incorporation	Effective ownership interest	
		30 September 2023	31 December 2022
City Pack Company	United Arab Emirates	100%	100%
Future Printing Company	United Arab Emirates	100%	100%
United International Clear Packaging Company	United Arab Emirates	100%	100%
United Security Company	United Arab Emirates	100%	100%
Commercial United Packaging Company	United Arab Emirates	100%	100%
Future Plastic Industries	United Arab Emirates	100%	100%
Future Plus Company	Saudi Arabia	100%	100%
Taiba Printing and Publishing Company	Saudi Arabia	100%	100%
Flexible Packaging Company	Saudi Arabia	100%	100%

The Group carries out printing as per license issued by the Ministry of Culture and Media No. 21050 dated 24 Dhul-Hijjah 1412H (corresponding to 25 September 1992). Furthermore, the Group also trades in machines, printing machines, ink, all kinds of paper and raw materials necessary for printings and all the tools and equipment, books, publications, supplies, office materials and materials of advertising. In addition, the Group also carries out packaging services.

The fiscal year of the Company starts from 1 January and ends on 31 December as per the Company by-laws. The fiscal year of the subsidiaries also starts from 1 January and ends on 31 December.

The head office of the Group is located at Riyadh and the registered address is as follows:

Nakheel Tower
King Fahad Road
PO Box 50202
Riyadh 11523

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine months ended 30 September 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2022.

An interim period is considered as integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year operations.

a) Basis of measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for the derivative financial instruments is measured at fair value. Further, the interim condensed consolidated financial statements are prepared using the accrual basis of accounting and going concern concept.

b) Going concern

As of 30 September 2023, the Group's current liabilities exceeds its current assets by SAR 193.7 million (31 December 2022: SAR 130.7 million). Moreover, the Group has accumulated losses amounting to SAR 21.9 million as at 30 September 2023 (31 December 2022: SAR 70.4 million accumulated losses), which approximate 3.7 % (31 December 2022: 11.7%) of the Company's share capital. The management has a strategic business plan to improve the profitability of sectors (note 7) to recover the accumulated losses and generate positive working capital.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

c) Functional and presentation currency

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

3. USE OF ESTIMATES AND JUDGEMENTS

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

5. NEW STANDARDS OR AMENDMENTS

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

6. FAIR VALUE MEASUREMENTS

A number of the Group's accounting policies require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair value. This includes a valuation 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.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

6. FAIR VALUE MEASUREMENTS (continued)

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. 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 the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable 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 prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized by the fair value hierarchy as the lowest level input that is significant to the entire measurement.

7. OPERATING SEGMENTS

The operational segment is a component of the Group that participates in the business activities and can generate revenue and incur expenses, including income and expenses related to transactions with any of the other components of the Group. All operational results of the operating sectors are reviewed by the Group's operational decision makers to make decisions about the resources that will be allocated to the segment and assess its performance, and for which separate financial information is available.

a) Basis for segments

The Group has the following three strategic divisions which are reportable. These divisions offer different products and services and are managed separately as they require different technical and marketing strategies. Transactions between business sectors are conducted in accordance with fair transaction terms in a manner similar to transactions with third parties.

The following summary describes the operations of each reportable segment

Reportable segment	Operation
Printing	Printing, tools and raw materials.
Packaging	Printing on plastic and commercial posters in addition to the manufacture of plastic products.
Others	Includes the head quarter, management activities, investment activities and others.

The management monitors the results of the operations of the business units independently for the purpose of making decisions on resource allocation and performance assessment.

b) Information about reportable segments

The following tables present revenue and loss before zakat information for the Group's operating segments for the nine months ended 30 September 2023 and 2022, respectively.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

7. OPERATING SEGMENTS (continued)

b) Information about reportable segments (continued)

	Reportable segments					<u>Total</u>
	<u>Printing</u>	<u>Packaging</u>	<u>All other segments</u>	<u>Total</u>	<u>Adjustments & Eliminations</u>	
<i>30 September 2023</i>						
<u>Revenue</u>						
External customers	74,715,675	532,366,750	-	607,082,425	-	607,082,425
Inter-segments	14,400,472	41,769,402	-	56,169,874	(56,169,874)	-
Total revenue	89,116,147	574,136,152	-	663,252,299	(56,169,874)	607,082,425
Net loss	(16,701,963)	(33,438,808)	(7,206,530)	(57,347,301)	-	(57,347,301)

	Reportable segments					<u>Total</u>
	<u>Printing</u>	<u>Packaging</u>	<u>All other segments</u>	<u>Total</u>	<u>Adjustments & Eliminations</u>	
<i>30 September 2022</i>						
<u>Revenue</u>						
External customers	102,706,054	665,099,591	-	767,805,645	-	767,805,645
Inter-segments	5,911,937	12,875,073	-	18,787,010	(18,787,010)	-
Total revenue	108,617,991	677,974,664	-	786,592,655	(18,787,010)	767,805,645
Net loss	(324,798)	2,968	(5,922,802)	(6,244,632)	-	(6,244,632)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2023 and 31 December 2022, respectively:

	Reportable segments							
	<u>Printing</u>		<u>Packaging</u>		<u>Other</u>		<u>Total</u>	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Total assets	326,323,553	386,783,376	1,276,232,475	1,347,454,630	646,384	1,053,681	1,603,202,412	1,735,291,687
Total liabilities	(27,056,413)	(29,226,450)	(623,643,795)	(674,035,396)	(371,923,296)	(394,089,509)	(1,022,623,504)	(1,097,351,355)

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

7. OPERATING SEGMENTS (continued)

c) Geographical information

The printing and packaging sectors are mainly managed from Saudi Arabia and the United Arab Emirates, respectively.

The geographical information below shows the Group revenues, assets, liabilities, and operating assets in the countries where the Group operates. When presenting the following geographical information, the sector's revenues were based on the geographical location and assets of the sector based on the geographical location of the assets.

Revenues from customers	30 September 2023	30 September 2022
Saudi Arabia	238,294,247	298,030,497
United Arab Emirates	191,300,953	226,506,141
Others	177,487,225	243,269,007
	607,082,425	767,805,645
Total assets	30 September 2023	31 December 2022
Saudi Arabia	662,030,536	733,923,572
United Arab Emirates	941,171,876	1,001,368,115
	1,603,202,412	1,735,291,687
Total liabilities		
Saudi Arabia	794,478,627	820,574,832
United Arab Emirates	228,144,877	276,776,523
	1,022,623,504	1,097,351,355
Non-current assets*		
Saudi Arabia	373,650,104	402,727,111
United Arab Emirates	726,227,036	734,150,157
	1,099,877,140	1,136,877,268

* Non-current operating assets consist of property, plant, and equipment, investment properties, goodwill, and intangible assets, non-current trade receivables, non-current derivative assets, and right-of-use of assets.

8. ZAKAT AND TAXATION

8.1 ZAKAT

Zakat provision is estimated and charged to the interim condensed consolidated statement of comprehensive income. The Group submitted zakat returns for all years up to 2022, and the Zakat return for the year 2022 and 2021 is still under review by the ZATCA.

The Group received the consolidated zakat assessment for the years 31 December 2005 to 2008. However, ZATCA issued assessment notice requesting the group to pay an additional amount of SAR. 9,964,793 for which the company has filed an objection against the assessment. Subsequently, ZATCA partially accepted the appeal and zakat differences were reduced by SAR. 3,382,159. The group filed additional objection for the remaining amount of SAR. 6,582,634. The objection was partially approved by the General Secretariate of Zakat, Tax and Custom department ("GSTC") and zakat differences were reduced by SAR. 5,040,535. The group and ZATCA filed objection to the GSTC, these objections are still being considered by GSTC at the date of preparing these interim condensed consolidated financial statements.

The Group filed consolidated Zakat returns to ZATCA for the years ended 31 December 2009 until 2013 and received Zakat certificate for these years. ZATCA did not issue the final assessment for the mentioned years up to the date of preparing these interim condensed consolidated financial statements. ZATCA issued assessment notice for the year 2014 without additional amounts.

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8.1 ZAKAT (continued)

The Group received the consolidated zakat assessment for the years 31 December 2015, 2016, and 2018 claiming additional zakat liability of SAR. 27,137,780, the group partially accepted an amount of SAR. 230,874 from ZATCA treatment and filed an appeal for the remaining amount. ZATCA partially accepted the appeal and issued a revised assessment amounted to SAR. 16,314,362. The Group filed objections for these years to the first level of the General Secretariate of Tax and Committees "GSTC", and these objections were rejected by the first level. Then the group filed its appeal to the second level of GSTC and such objection is still being considered by the second level of GSTC.

The Group received the final zakat assessment for the year 31 December 2017. Zakat position has been finalized with ZATCA for the year 2017.

The Group received the zakat assessment for the years 31 December 2019 and 2020 claiming additional zakat liability of SAR. 22,428,203. The Group filed objections for these years, and these objections were partially accepted where zakat differences are reduced to SAR. 21,809,019. The Group filed an appeal on the revised assessment to the 1st level of the GSTC and settled 25% of the total zakat liability amounting to SAR 6,170,214 (according to the zakat By-Laws for the year 2019). The GSTC 1st level has issued a favorable ruling to SPPC whereby the GSTC has upheld the Company's contention in the majority of the appealed items. ZATCA has appealed the Ruling with the GSTC 2nd level. The objection is still being considered by GSTC 2nd level at the date of preparing these consolidated financial statements.

Movement in zakat provision is as follows:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Balance as at 1 January	6,329,483	6,080,182
Charge during the period/year	1,789,884	3,494,702
Paid during the period/year	(1,311,708)	(3,247,658)
Foreign currency translation adjustments	1,176	2,257
	<u>6,808,835</u>	<u>6,329,483</u>

8.2 TAXATION

On 9 December 2022, UAE Ministry of Finance ("MoF") released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023. The Group's accounting year ends on 31 December, accordingly the effective implementation period for the Group will correspond to the year ending on 31 December 2024 and the first return will be filed on or before 30 September 2025.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities. The Group will be subject to taxation commencing 1 January 2024.

Based on the above, the Group assessed the deferred tax implication for UAE operated entities and concluded that it is not expected to be significant as of and for the nine months period ended 30 September 2023. As certain other cabinet decisions are pending as on the date of these interim condensed consolidated financial statements, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalized and published.

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9. INVENTORIES

The provision for slow-moving inventories as at 30 September 2023 was in line with the policy adopted by the Group and amounted to SAR 22.7 million (31 December 2022: SAR 20.2 million).

10. TRADE RECEIVABLES

	<u>30 September 2023</u>	<u>31 December 2022</u>
Trade receivable	335,634,369	358,509,753
Less: Allowance for expected credit losses	<u>(85,811,094)</u>	<u>(86,837,285)</u>
	<u>249,823,275</u>	<u>271,672,468</u>
Current portion	242,841,054	262,316,040
Non-current portion *	<u>6,982,221</u>	<u>9,356,428</u>

* As of 30 September 2023, balance due from three customers subject to a court case have been rescheduled. As a result, the amount due after 12 months have been classified as non-current.

Movement in allowance for expected credit losses is as follows:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Balance at the beginning of the period/year	86,837,285	79,607,199
(Reversal)/Impairment loss on trade receivable	<u>(786,039)</u>	<u>7,230,209</u>
Write off impairment loss on trade receivable	<u>(240,151)</u>	<u>-</u>
Foreign currency translation adjustments	<u>(1)</u>	<u>(123)</u>
	<u>85,811,094</u>	<u>86,837,285</u>

11. CASH AND CASH EQUIVALENTS

	<u>30 September 2023</u>	<u>31 December 2022</u>
Cash in hand	399,313	11,447
Cash at bank	<u>41,839,966</u>	<u>38,769,736</u>
Cash and cash equivalents in the consolidated statement of financial position	42,239,279	38,781,183
Less: Balance with banks-restricted accounts (*)	<u>(9,792,852)</u>	<u>(9,792,852)</u>
Cash and cash equivalents in the consolidated statement of statement of cash flows	32,446,427	28,988,331

(*) The restricted book accounts represent a deposit against a loan obtained (Note 16).

12. PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2023, the cost of property, plant and equipment amounted to SAR 1,525 million (31 December 2022: SAR 1,528 million) and the accumulated depreciation as at 30 September 2023 amounted to SAR 842,7 million (31 December 2022: SAR 810.8 million). During the nine-month period ended 30 September 2023, the Group acquired assets with a cost of SAR 7 million (31 December 2022: SAR 25.9 million).

The Group's total net book value of assets amounted to SAR 682,2 million as at 30 September 2023 (31 December 2022: SAR 717.4 million). Certain property, plant and equipment were placed as collateral against long-term borrowing (Note 16).

The capital commitments of the Group pertaining to purchase of property, plant and equipment amounted to SAR 13,8 million as at 30 September 2023 (2022: SAR 10.6 million). These are expected to be delivered in 2023.

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13. INTANGIBLE ASSETS AND GOODWILL

The carrying value of intangibles amounted to SAR 370,7 million as at 30 September 2023 (31 December 2022: SAR 370.8 million). The following is a breakdown of goodwill:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Emirates National Factory for Plastic Industries	359,707,551	359,707,551
Hala Printing Company	10,216,885	10,216,885
	<u>369,924,436</u>	<u>369,924,436</u>

The remaining balance comprises of software cost capitalized amounting to SAR 753 thousand as of 30 September 2023 (31 December 2022: SAR 911 thousand). 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 Emirates 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 excess of 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. Accordingly, the carrying amount of goodwill has increased to SAR 380 million after adding the goodwill of these two companies. During 2017, the Group recognized impairment of SAR 20.3 million against goodwill.

Goodwill impairment test

The Management performs goodwill test to ensure that there is no impairment at the end of each financial year. The management found, through the goodwill impairment testing performed, that the book value of goodwill was less than its recoverable value as at 31 December 2022.

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 Management.

The 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

Any adverse change in underlying assumptions might 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. A change of +/-1% of the discount rate and/or terminal growth rate would not result in an impairment loss.

The key assumptions used in the estimation of the recoverable amount as at 31 December 2022 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. There are no significant changes in circumstances during the period that would require changes to the assumptions used at 31 December 2022.

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13. INTANGIBLE ASSETS AND GOODWILL (continued)

	Emirates National Factory for Plastic Industries %	Hala Printing Company %
Discount rate	9.5	9.5
Estimated total margin	10.8	23.2
Average annual growth rate of revenue	5.16	4.8
terminal growth rate	2.5	2.5

WACC represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. WACC calculation is based on the specific circumstances of the Group and its operating segments. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

The terminal growth rate was determined based on management's estimate of the long-term growth forecast for UAE and KSA.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value on derivative financial instruments as at the reporting date was as follows:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Derivatives not designated as hedging instruments		
Profit rate swaps	<u>8,665,937</u>	<u>8,665,937</u>

The Group uses derivative financial instruments mainly, profit rate swaps to hedge its profit rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Accordingly, the Group has recognised SAR 8.7 million as a financial asset during the period ended 31 December 2022, and no additional asset has been recorded during the period ended 30 September 2023.

Other details related to the profit rate swap arrangement are as follows:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Change in fair value of the derivative instrument	-	8,665,937
Carrying amount of the derivative instrument	8,665,937	8,665,937
Notional amount of the derivative instrument	147,193,489	163,120,800
Maturity date of the derivative instrument	6 December 2025	6 December 2025

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15. SHARE CAPITAL AND RESERVES

Share Capital: as at 30 September 2023, the fully paid-up share capital of the company is SAR 600 million (31 December 2022: SAR 600 million) divided into 60 million shares (31 December 2022: 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 Company.

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.

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 other purposes.

Based on the Board of Directors' recommendation, the extraordinary General Assembly Meeting in 10 September 2023 decided to utilize the entire statutory reserve amounting to SAR 78,639,385 as of 30 June 2023 and utilize part of the contractual reserve amounting to SAR 27,195,391 to absorb the entire remaining accumulated losses of the company amounting to SAR 105,834,776 as of 30 June 2023.

16. 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 letter of guarantee, on different periods subject to renewal. The credit limit for total facilities was SAR 972.1 million as at 30 September 2023 (31 December 2022: SAR 942.9 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 1.65% to 3.5% per annum in addition to SAIBOR or EIBOR as applicable.

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 with the value of the facilities.
- 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 facilities.
- Restricted bank accounts amounting to SAR 9.8 million (31 December 2022: SAR 9.8 million).
- Corporate Guarantee from Flexible Packaging Company Limited, Future Plus Company and Taibah Printing and Packaging Company Limited.
-
- Legal Mortgage over land and property of SAR. 107,669,923.
- Mortgage of Machineries worth SAR. 171,607,160.
- Assignment of all risk Islamic Insurance policy over mortgaged properties, inventory, and purchased machines.
- Pledge of stock/inventories in favor of the bank until full and final repayment of the total facilities
- Hypothecation over inventories of ENPI Group amounting to the carrying value of the inventories at any given point in time
- Hypothecation over ENPI receivables on pari passu basis between the lenders
- Cross corporate guarantees of ENPI Companies for SAR. 466 million (31 December 2022: SAR. 389 million)

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.

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 in the United Arab Emirates for a total amount of SAR. 484 million representing the following:

- Long-term financing of SAR. 382 million, repayable over 8 years. The facility was obtained for the purposes of financing capital projects in the amount of SAR 102 million, in addition to early payment of existing facilities in favor of other banks in the United Arab Emirates, amounting to SAR. 280 million.
- Short-term financing of SAR. 102 million for the purpose of working capital financing.

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16. LOANS AND MURABAHA (continued)

The future movement in interest rate of loans are hedged through an IRS which has resulted in a derivative financial instrument asset as at 30 September 2023 refer to (Note 14).

As at 30 September 2023, the utilized balance amounted to SAR 787 million (31 December 2022: SAR 818.7 million).

The following is an analysis of the loans and Murabaha transactions:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Long term loans*	360,714,504	404,911,688
Short term loans	398,463,164	389,382,623
Overdrafts	19,749,419	20,037,359
Accrued finance cost	8,040,394	4,440,763
Total	<u>786,967,481</u>	<u>818,772,433</u>

* The long-term loans include current portion.

The following is the movement of the loan and murabaha:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Opening balance	818,772,433	825,754,948
Proceeds during the period/year	996,467,583	1,346,844,863
Payments during the period/year	(1,031,992,640)	(1,355,405,149)
Interest charged during the period /year	43,464,541	38,862,208
Payments for financial cost during the period/year	(39,744,436)	(37,284,437)
Ending balance	<u>786,967,481</u>	<u>818,772,433</u>

The loans and murabaha are presented in the interim condensed consolidated statement of financial position as follows:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Current portion	500,702,219	486,469,540
Non- Current portion	286,265,262	332,302,893
	<u>786,967,481</u>	<u>818,772,433</u>

17. RELATED PARTIES

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

Transactions with key management personnel

	<u>30 September 2023</u>	<u>30 September 2022</u>
Expenses and allowances of the Board of Directors	1,021,241	1,123,272
Remuneration of key management personnel*	4,198,384	4,102,209

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At 30 September 2023

17. RELATED PARTIES (continued)

* Key management personnel

	<u>30 September 2023</u>	<u>30 September 2022</u>
Short -term employee benefits	3,719,224	4,056,554
Long -term employee benefits	479,160	45,655
	<u>4,198,384</u>	<u>4,102,209</u>

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

Due from related parties		Sales transactions during nine-month ended		Balances outstanding	
	Nature	30 September 2023	30 September 2022	30 September 2023	31 December 2022
Saudi Research Publishing Company	Fellow subsidiaries*	34,973,785	37,348,015	-	-
Saudi Specialized Publishing Co.	Fellow subsidiaries*	1,055,290	536,970	-	-
Saudi Research and Media Group	Holding Company	838,745	290,800	-	-
Al-Khaleejiah Advertising and public Relation	Fellow subsidiaries*	-	-	-	-
Saudi Distribution Company	Fellow subsidiaries*	-	525	-	-
Taoq Public Relations Company	Fellow subsidiaries*	-	-	-	-
		-	-	-	-
Due to related party		Advance payments during nine-month ended		Balances outstanding	
	Nature	30 September 2023	30 September 2022	30 September 2023	31 December 2022
Saudi Research and Media Group	Holding Company	30,000,000	-	48,788,558	61,186,551
				<u>48,788,558</u>	<u>61,186,551</u>

* The fellow subsidiaries are the Holding company's subsidiaries.

None of the balances are subject to any guarantees. No expense has been recognized in the current period or prior period for bad or doubtful debts in respect of amounts owed by related parties.

18. TRADE PAYABLES

No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

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19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>30 September 2023</u>	<u>31 December 2022</u>
Accrued expenses	14,326,709	11,696,500
Advances from customers	5,126,231	3,424,322
Employee accruals	4,132,088	4,866,250
Other	5,037,530	3,933,027
	<u>28,622,558</u>	<u>23,920,099</u>

20. INVESTMENT PROPERTIES

As at 30 September 2023, the group holds investment properties with carrying value of SAR 25,4 million (31 December 2022: SR 25.6 million) which has fair value of SR 50.1 million as at 31 December 2022.

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21. FINANCIAL INSTRUMENTS

The table below shows the carrying value of financial assets and liabilities as at 30 September 2023 and 31 December 2022, which are not measured at fair value, as all financial assets and financial liabilities of the Group are measured at amortized cost.

	30 September 2023			31 December 2022		
	Amortized cost	Other financial liabilities	Total	Amortized cost	Other financial liabilities	Total
Financial assets not measured at fair value						
Trade receivable, Net	249,823,275	-	249,823,275	271,672,468	-	271,672,468
Cash and cash equivalents	42,239,279	-	42,239,279	38,781,183	-	38,781,183
Other current assets	13,791,538	-	13,791,538	15,885,658	-	15,885,658
	<u>305,854,092</u>	<u>-</u>	<u>305,854,092</u>	<u>326,339,309</u>	<u>-</u>	<u>326,339,309</u>
Financial liabilities not measured at fair value						
Loans and Murabaha	-	786,967,481	786,967,481	-	818,772,433	818,772,433
Dividend payable	-	697,151	697,151	-	697,151	697,151
lease liabilities	-	6,216,250	6,216,250	-	5,121,663	5,121,663
Trade payable	-	109,991,242	109,991,242	-	149,219,291	149,219,291
	<u>-</u>	<u>903,872,124</u>	<u>903,872,124</u>	<u>-</u>	<u>973,810,538</u>	<u>973,810,538</u>

Financial assets measured at fair value	Fair value measurement hierarchy	30 September 2023	30 September 2023	31 December 2022	31 December 2022
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	<u>8,665,937</u>	<u>8,665,937</u>	<u>8,665,937</u>	<u>8,665,937</u>

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22. COMMITMENTS AND CONTINGENT LIABILITIES

Legal cases

The Group, in its ordinary course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have any material impact on the Company's financial position or on the results of its operations as reflected in these consolidated financial statements.

Commitments

As 30 September 2023, contingent liabilities related to letter of credit amounted to SAR 29,1 million (31 December 2022: SAR 8.5 million). As at 30 September 2023, the Group has outstanding bank guarantee letters from a local bank amounting to SAR 1,01 million (31 December 2022: SAR 2.8 million.)

23. SUBSEQUENT EVENTS

No matters have occurred up to and including the date of approval of these com consolidated interim financial statements by the board of directors which would materially affect the condensed consolidated financial statements and the related disclosures for the period ended 30 September 2023.

24. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements have been approved by the Board of Directors on 16 Rabi Al-Thani 1445H (corresponding to 31 October 2023).