

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
(unaudited)
For the three-month and nine-month periods ended
30 September 2021
together with the
Independent Auditor's Review Report

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
(unaudited)
and Independent Auditor's Review Report
For the three-month and nine-month periods ended
30 September 2021

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KPMG Professional Services

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P. O. Box 92876
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Kingdom of Saudi Arabia
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 on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Saudi Printing and Packaging Company

Introduction

We have reviewed the accompanying 30 September 2021 condensed consolidated interim financial statements of **Saudi Printing and Packaging Company** ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2021;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing as 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.

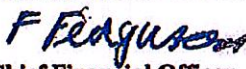
KPMG professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (15,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.


كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة منقولة، مسجلة في المملكة العربية السعودية، رأس مملها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل. المسماة سابقاً "شركة كي بي إم جي للفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العمومية المحدودة، شركة تجاريزية محدودة بضمان. جميع الحقوق محفوظة.

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2021
(Saudi Arabian Riyals)

		30 September 2021	31 December 2020
	<u>Notes</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS			
Non-current assets			
Property, plant and equipment	12	758,794,312	785,919,887
Intangible assets and goodwill	13	370,106,546	370,135,890
Investment properties		25,996,012	26,110,491
Right-of-use assets		8,128,142	7,336,345
Total non-current assets		1,163,025,012	1,189,502,613
Current assets			
Inventories	10	201,397,893	168,532,367
Trade receivables	11	260,241,492	240,040,809
Due from related parties	16	7,091,360	7,123,507
Prepayments and other current assets		36,583,189	29,521,549
Cash and cash equivalents		45,120,102	37,269,042
Total current assets		550,434,036	482,487,274
Total assets		1,713,459,048	1,671,989,887
Equity			
Share capital	14	600,000,000	600,000,000
Statutory reserve	14	78,639,385	78,639,385
General reserve	14	30,105,326	30,105,326
Accumulated losses		(52,806,976)	(6,146,582)
Other reserves		(422,484)	142,632
Total equity		655,515,251	702,740,761
Liabilities			
Non-current liabilities			
Loans and Murabaha	15	428,768,659	387,023,410
Defined benefits obligation – employees' benefits		38,120,275	37,314,872
Lease liabilities		6,995,811	6,818,915
Total non-current liabilities		473,884,745	431,157,197
Current liabilities			
Loans and Murabaha	15	407,076,239	402,510,963
Current portion of lease liability		1,115,463	287,466
Trade payables	17	137,102,093	103,160,339
Accrued expenses and other current liabilities		26,860,592	20,848,617
Dividends payables		697,151	697,151
Provision for Zakat	9	11,207,514	10,587,393
Total current liabilities		584,059,052	538,091,929
Total liabilities		1,057,943,797	969,249,126
Total equity and liabilities		1,713,459,048	1,671,989,887

These condensed consolidated interim financial statements shown on pages 3 to 21 were approved by the Board of Directors on 4 Rabi'al Thani 1443H (corresponding to 9 November 2021) and signed on their behalf by:


Chief Financial Officer
Francis Ferguson



Managing Director
Fahd Ibrahim Al Mufarrij

The accompanying notes (1) to (21) form an integral part of these condensed consolidated interim financial statements

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)**
For the three-month and nine-month periods ended 30 September 2021
(Saudi Arabian Riyals)

	<i>Notes</i>	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2021	2020	2021	2020
Revenue	8	203,605,691	204,445,497	571,255,211	598,345,482
Cost of revenue		(184,463,938)	(166,212,091)	(507,903,411)	(496,755,876)
Gross profit		19,141,753	38,233,406	63,351,800	101,589,606
Selling, marketing and distribution expenses		(11,767,685)	(11,852,724)	(33,927,510)	(35,274,527)
General and administrative expenses		(15,952,352)	(16,293,438)	(48,063,680)	(49,763,971)
Impairment loss on trade receivables		(161,628)	(1,549,214)	(1,527,283)	(2,481,794)
Operating (loss)/ profit for the period		(8,739,912)	8,538,030	(20,166,673)	14,069,314
Other income		858,249	3,278,841	2,595,553	8,391,295
Finance costs		(9,032,344)	(9,165,374)	(26,577,453)	(31,623,876)
(Loss) / profit before Zakat		(16,914,007)	2,651,497	(44,148,573)	(9,163,267)
Zakat expense		(837,274)	(827,503)	(2,511,821)	(2,432,507)
(Loss) / profit for the period		(17,751,281)	1,823,994	(46,660,394)	(11,595,774)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences - foreign operations		3,002	72,004	(565,116)	(38,557)
Total other comprehensive income / (loss) for the period		3,002	72,004	(565,116)	(38,557)
Total comprehensive (loss) / income for the period		(17,748,279)	1,895,998	(47,225,510)	(11,634,331)
Earnings per share – basic and diluted		(0.30)	0.03	(0.79)	(0.19)

These condensed consolidated interim financial statements shown on pages 3 to 21 were approved by the Board of Directors on 4 Rabi' al Thani 1443H (corresponding to 9 November 2021) and signed on their behalf by:


Chief Financial Officer
Francis Ferguson


Managing Director
Fahd Ibrahim Al Mufarrij


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SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2021
(Saudi Arabian Riyals)

	Share capital	Statutory reserve	General reserve	(Accumulated losses)/ retained earnings	Other reserves	Total
Balance at 31 December 2020 (Audited)	600,000,000	78,639,385	30,105,326	(6,146,582)	142,632	702,740,761
Loss for the period (Unaudited)	-	-	-	(46,660,394)	-	(46,660,394)
Other comprehensive losses (Unaudited)	-	-	-	-	(565,116)	(565,116)
Total comprehensive losses for the period (Unaudited)	-	-	-	(46,660,394)	(565,116)	(47,225,510)
Balance at 30 September 2021(Unaudited)	600,000,000	78,639,385	30,105,326	(52,806,976)	(422,484)	655,515,251
Balance at 31 December 2019 (Audited)	600,000,000	78,639,385	30,105,326	15,059,429	99,998	723,904,138
Loss for the period (Unaudited)	-	-	-	(11,595,774)	-	(11,595,774)
Other comprehensive loss (Unaudited)	-	-	-	-	(38,557)	(38,557)
Total comprehensive losses for the period (Unaudited)	-	-	-	(11,595,774)	(38,557)	(11,634,331)
Balance at 30 September 2020 (Unaudited)	600,000,000	78,639,385	30,105,326	3,463,655	61,441	712,269,807

These condensed consolidated interim financial statements shown on pages 3 to 21 were approved by the Board of Directors on 4 Rabi'al Thani 1443H (corresponding to 9 November 2021) and signed on their behalf by:


Chief Financial Officer
Francis Ferguson

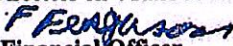

Managing Director
Fahd Ibrahim Al Mufarrij

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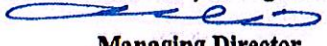
SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Unaudited)
For the nine-month period ended 30 September 2021
(Saudi Arabian Riyals)

	30 September 2021	30 September 2020
Cash flows from operating activities:		
Loss for the period	(46,660,394)	(11,595,774)
Adjustments for:		
-Depreciation and amortization	37,314,147	44,706,498
-Impairment loss on trade receivables	1,527,283	2,481,794
-Provision for slow moving inventory	887,707	431,407
-Gain on sale of property, plant and equipment	(42,712)	(720,506)
-Finance costs	26,577,453	31,623,876
-Lease liability interest	395,080	-
-Defined benefits obligation employees' benefits	3,973,529	4,387,447
- Zakat expense	2,511,821	2,432,507
	<u>26,483,914</u>	<u>73,747,249</u>
Changes in:		
-Inventories	(32,679,271)	(10,427,104)
-Trade receivables	(21,727,966)	(53,093,224)
-Related parties	32,147	7,997,359
-Prepayments and other current assets	(7,061,640)	6,306,187
-Trade payables	33,941,754	(18,843,193)
-Accrued expenses and other current liabilities	6,011,975	4,355,302
-Used from impairment of trade receivables	-	(797,756)
-Used Provision for slow-moving inventory	(1,073,962)	-
	<u>3,926,951</u>	<u>9,244,820</u>
Cash generated from operating activities	3,926,951	9,244,820
Defined benefit liabilities - employees' benefits paid	(3,168,126)	(2,360,793)
Zakat paid	(1,891,700)	(308,313)
Net cash (used in) / generated from operating activities	(1,132,875)	6,575,714
Cash flows from investing activities:		
Acquisition of property, plant and equipment and Intangibles	(9,841,938)	(8,154,696)
Proceeds from sale of property, plant and equipment	85,042	782,145
Net cash used in investing activities	(9,756,896)	(7,372,551)
Cash flows from financing activities:		
Proceeds from loans and Murabaha	972,093,267	422,789,748
Payments for loans and Murabaha	(928,807,288)	(415,754,724)
Payments for finance cost	(23,552,906)	(29,866,054)
Payment for lease liability	(1,285,839)	(909,062)
Net cash generated from / (used in) financing activities	18,447,234	(23,740,092)
Net decrease in cash and cash equivalents	7,557,463	(24,536,929)
Foreign currency translation adjustments	293,597	(38,557)
Cash and cash equivalents at the beginning of the period	37,269,042	53,248,034
Cash and cash equivalents at the end of the period	45,120,102	28,672,548
Significant non-cash transactions		
Right-of-use assets and lease liabilities	1,895,652	-
Foreign currency translation of property, plant and equipment	(858,714)	-

These condensed consolidated interim financial statements shown on pages 3 to 21 were approved by the Board of Directors on 4 Rabi' al Thani 1443H (corresponding to 9 November 2021) and signed on their behalf


Chief Financial Officer
Francis Ferguson

by:


Managing Director
Fahd Ibrahim Al Mufarrij

The accompanying notes (1) to (21) form an integral part of these condensed consolidated interim financial statements

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2021

1. REPORTING ENTITY

Saudi Printing and Packaging Company (the “Company” or “Parent Company”) is a Saudi joint stock company registered in Riyadh in the Kingdom of Saudi Arabia and operates under the Commercial Registration No. 1010219709 dated 1 Jumada al-Ula 1427 H (corresponding to 28 May 2006).

These condensed consolidated interim financial statements as at and for the nine months ended 30 September 2021 include the financial position and results of operations of the Company and its subsidiaries (collectively referred to as the “Group”), as shown in the table below.

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest</u>	
		<u>30 September 2021</u>	<u>31 December 2020</u>
Emirates National Factory for Plastic Industries (ENPI) (a)	UAE	100%	100%
Al-Madinah Al-Munawarah Printing and Publishing Company	KSA	100%	100%
Future Industrial Investment Company – FIIC	KSA	100%	100%
Hala Printing Company	KSA	100%	100%

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

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest</u>	
		<u>30 September 2021</u>	<u>31 December 2020</u>
Al-Madinah Printing Company	UAE	100%	100%
Future Printing Company	UAE	100%	100%
United International Clear Packing Company	UAE	100%	100%
United Security Company	UAE	100%	100%
Future Plastic Industries	UAE	100%	100%
Commercial United Packaging Company	UAE	100%	100%
Trans Future Plus Company	KSA	100%	100%
Taiba Printing and Publishing Company	KSA	100%	100%
Flexible Packaging Company	KSA	100%	100%

The Group carries out printing as per license issued by the Ministry of Culture and Media No. 21050 dated 24 Thul-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.

According to the company’s by-laws, 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the nine-month period ended 30 September 2021

2. SIGNIFICANT EVENTS

The novel Coronavirus (COVID19) which was declared a pandemic by the World Health Organization (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 30 September 2021, 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 condensed consolidated interim financial statements for the nine-month period ended 30 September 2021 are prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These condensed consolidated interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020 ('last annual condensed consolidated financial statements'). These financial statements do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with IFRS. However, selected explanatory notes are included to explain events and transaction that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

a) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the employees' defined benefit plan which is measured at present value of future obligations using Projected Unit Credit Method. Further, the condensed consolidated interim financial statements are prepared using the accrual basis of accounting and going concern concept.

As of 30 September 2021, the Group's current liabilities exceeds its current assets by SAR 33.6 million (31 December 2020: SAR 55.6 million). Moreover, the Group has accumulated losses amounting to SAR 52.8 million as at 30 September 2021 (31 December 2020: SAR 6 million accumulated losses), which approximate 8.6% (31 December 2020: 1%) of the Company's share capital. The management has a strategic business plan to recover the accumulated losses, become profitable and generating positive working capital. Furthermore, the management has rescheduled SAR 40 million of loan and murabaha (refer Note 20 for details).

As a result, as per the Group management's assessment of its ability to continue as a going concern, the management 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 condensed consolidated interim financial statements continue to be prepared on the going concern basis.

b) Functional and presentation currency

The condensed consolidated interim 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.

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the nine-month period ended 30 September 2021

4. USE OF ESTIMATES AND JUDGEMENTS

In preparing these condensed consolidated interim 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.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020 in addition Group's condensed consolidated interim financial statements as at and for the period ended 30 June 2020. Accounting policies and key judgment areas adopted in preparation of these condensed consolidated interim financial statements are described in notes 6 and 7 of the Group's consolidated financial statements for the year ended 31 December 2020.

6. NEW STANDARDS OR AMENDMENTS FOR 2021 AND FORTHCOMING REQUIREMENT

The following are a number of standards, amendments and interpretations of standards that were issued by the IASB as at 15 April 2021.

New currently effective requirements:

Effective Date	New standards and amendments
1 January 2021	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate reform - second phase.

Management assessed the financial impact and there is no impact on the consolidated financial statements as at 30 September 2021.

Forthcoming Requirement:

Effective Date	New standards and amendments
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (amendments to IAS 37).
	Annual Improvements to IFRS Standards (2018 - 2020).
	Property, Plant and Equipment: Proceeds Before Intended Use (amendments to IAS 16).
	Reference to conceptual framework (amendments to IFRS 3).
1 January 2023	Classification of liabilities as current/non-current-Amendments to IAS 1.
	IFRS 17 - Insurance Contracts.
	Definition of accounting estimate -amendments to IAS 8
Available for optional adoption/ effective date deferred indefinitely	Disclosure of accounting policies -amendments to IAS 1 and IFRS practice statement 2.
	Sale or contribution of assets between the investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the nine-month period ended 30 September 2021

7. FAIR VALUE MEASUREMENTS

A number of the Group's accounting policies require the measurement of fair values, for both 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 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.

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 categorised 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 in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Further information about the assumptions made in measuring fair values is included in Note 18.

8. 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.

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the nine-month period ended 30 September 2021

8. OPERATING SEGMENTS (CONTINUED)

a) Basis for segments (continued)

The following summary describes the operations of each reportable segment

<u>Reportable segment</u>	<u>Operation</u>
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

Information related to each reportable segment is set out below. Segment profit or (loss) before zakat and is used to measure performance because management believes this information is most relevant in evaluating the results of the respective segments relative to other entities that operate in the same segment.

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the nine-month period ended 30 September 2021
(Saudi Riyals)

8. OPERATING SEGMENT (CONTINUED)

b) Information about reportable segments (continued)

<i>30 September 2021</i>	<i>Reportable segments</i>				<i>Adjustments and eliminations</i>	<i>Total</i>
	<i>Printing</i>	<i>Packaging</i>	<i>All other segments</i>	<i>Total</i>		
Revenue:						
External customers	50,283,860	520,971,351	-	571,255,211	-	571,255,211
Inter-segments	592,024	19,611,066	-	20,203,090	(20,203,090)	-
Total revenue	50,875,884	540,582,417	-	591,458,301	(20,203,090)	571,255,211
Segment loss	(23,707,896)	(16,983,076)	(5,969,422)	(46,660,394)	-	(46,660,394)
Depreciation and amortization	11,855,198	25,387,888	71,061	37,314,147	-	37,314,147

	<i>Reportable segments</i>							
	<i>Printing</i>		<i>Packaging</i>		<i>Others</i>		<i>Total</i>	
	<i>30 September 2021</i>	<i>31 December 2020</i>	<i>30 September 2021</i>	<i>31 December 2020</i>	<i>30 September 2021</i>	<i>31 December 2020</i>	<i>30 September 2021</i>	<i>31 December 2020</i>
Total assets	388,042,522	391,221,891	1,321,286,032	1,260,760,794	4,130,494	20,007,202	1,713,459,048	1,671,989,887
Total liabilities	(29,673,038)	(27,237,421)	(631,118,493)	(546,469,572)	(397,152,266)	(395,542,133)	(1,057,943,797)	(969,249,126)

<i>30 September 2020</i>	<i>Reportable segments</i>				<i>Adjustments and eliminations</i>	<i>Total</i>
	<i>Printing</i>	<i>Packaging</i>	<i>All other segments</i>	<i>Total</i>		
Revenue:						
External customers	113,273,133	485,072,349	-	598,345,482	--	598,345,482
Inter-segments	11,006,295	14,790,477	-	25,796,772	(25,796,772)	--
Total revenue	124,279,428	499,862,826	-	624,142,254	(25,796,772)	598,345,482
Segment loss	(4,000,836)	(2,123,634)	(5,471,304)	(11,595,774)	--	(11,595,774)
Depreciation and amortization	16,423,163	28,202,341	80,994	44,706,498	--	44,706,498

	<i>Reportable segments</i>							
	<i>Printing</i>		<i>Packaging</i>		<i>Others</i>		<i>Total</i>	
	<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2020</i>	<i>31 December 2019</i>
Total assets	468,465,354	440,229,807	1,293,578,734	1,342,323,917	11,180,031	4,449,672	1,772,915,806	1,787,003,396
Total liabilities	(44,659,425)	(33,278,602)	(581,786,437)	(613,489,390)	(434,508,450)	(416,331,266)	(1,060,645,999)	(1,063,099,258)

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8. 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 on the basis of the geographical location of the assets.

	30 September 2021	30 September 2020
Revenues from customers		
Saudi Arabia	179,897,001	218,188,413
United Arab Emirates	200,579,287	186,473,493
Others	190,778,923	193,683,576
	571,255,211	598,345,482
	30 September 2021	31 December 2020
Total assets		
Saudi Arabia	754,683,419	713,517,880
United Arab Emirates	958,775,629	958,472,007
	1,713,459,048	1,671,989,887
Total liabilities		
Saudi Arabia	814,446,000	783,845,245
United Arab Emirates	243,497,797	185,403,881
	1,057,943,797	969,249,126
Non-current assets*		
Saudi Arabia	436,433,656	422,679,813
United Arab Emirates	726,591,356	766,822,800
	1,163,025,012	1,189,502,613

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

9. ZAKAT

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

The Group filed consolidated Zakat returns Zakat, Tax and Customs Authority ('ZATCA') for the years ended in 31 December 2005 until 2008 and received Zakat certificate for these years.

ZATCA issued assessment notices for the years 31 December 2005 to 2008 and requested the SPPC to pay additional Zakat amounting to SAR 6,582,634. The Group has filed an objection against the said assessment, during 2016 the objection was not accepted by ZATCA from both objective and form aspects except for some deferred gains amounting to SAR 2,004,578 (mentioned within the original objection amount) for which the objection was accepted from this aspect. Furthermore, ZATCA also requested 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 SPPC within the year 2018. The assessment discussions for years ended 31 December 2005 to 2008 between ZATCA and the Company are ongoing as at 30 September 2021.

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9. ZAKAT (CONTINUED)

The Group filed consolidated Zakat returns to ZATCA for the years ended in 31 December 2009 until 2013 and received Zakat certificate for these years. ZATCA did not issue the assessment notices for the mentioned years up to 30 September 2021. ZATCA issued assessment for the year ended 31 December 2014 without additional amounts.

The Group filed consolidated Zakat returns to ZATCA for the years ended 31 December 2015, 2016, and 2018 and received restricted Zakat certificate for these years. ZATCA issued assessment for these years and requested the Group to pay amount of SAR 16,314,362. The Group has filed an objection against the said assessment which are ongoing as at 30 September 2021.

ZATCA issued an assessment on the Group's Zakat return accounts for the year ended 31 December 2017 with a total difference of SAR 12,180,465 of which an amount of SAR 3,057,612 was paid based on the return submitted and ZATCA requested the Group to pay the difference amounting to SAR 9,122,853. However, SPPC objected to the assessment and the objection has been partially accepted and the differences were adjusted to be SAR 2,253,606 which was paid within the year 2019.

The Group filed consolidated Zakat returns to ZATCA for the years ended in 31 December 2019 and 2020 and received restricted Zakat certificate for these years. ZATCA did not issue the assessment notices for the mentioned years up to 30 September 2021.

10. INVENTORIES

The provision for slow moving inventories as at 30 September 2021 was in line with the policy adopted by the Group amounted to SAR 18.7 million (31 December 2020: SAR 18.9 million).

11. TRADE RECEIVABLES

	<u>30 September 2021</u>	<u>31 December 2020</u>
Trade receivables	340,598,389	318,870,423
Less: Allowance for expected credit losses	<u>(80,356,897)</u>	<u>(78,829,614)</u>
	<u>260,241,492</u>	<u>240,040,809</u>

Movement in allowance for expected credit losses is as follows:

	<u>30 September 2021</u>	<u>31 December 2020</u>
Balance at the beginning of the year	78,829,614	76,152,792
Allowance for expected credit losses	1,575,841	3,415,665
Foreign currency translation adjustments	(48,558)	3,525
Write off during the year	-	(742,368)
	<u>80,356,897</u>	<u>78,829,614</u>

12. PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2021, the cost of property, plant and equipment amounted to SAR 1,568 million (31 December 2020: SAR 1,562 million) and the accumulated depreciation as at 30 September 2021 amounted to SAR 809 million (31 December 2020: SAR 776 million).

Assets with net book value amounting to SAR 102 million as at 30 September 2021 (2020: SAR 132 million) were placed as collateral against long-term borrowing (Note 15).

The capital commitments of the Group pertaining to purchase of property, plant and equipment amounted to SAR 7.5 million as at 30 September 2021 (2020: SAR 12.1 million). These are expected to be delivered in 2022.

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13. INTANGIBLE ASSETS AND GOODWILL

The carrying value of goodwill amounted to SAR 370 million as at 30 September 2021 (31 December 2020: SAR 370 million). The following is a breakdown of goodwill:

	30 September 2021	31 December 2020
Emirates National Factory for Plastic Industries (ENPI)	359,707,551	359,707,551
Hala Printing Company	10,216,885	10,216,885
	369,924,436	369,924,436

The remaining balance comprises of software cost capitalized amounting to SAR 182 thousands as of 30 September 2021 (2020: SAR 211 thousands).

(*) 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.

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.

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13. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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 as at 31 December 2020 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.

	Emirates National Factory for Plastic Industries %	Hala Printing Company %
Discount rate	7.94	7.94
Estimated total margin	24.2	24.2
Average annual growth rate of revenue	5.5	17.5
Terminal growth rate	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.

14. SHARE CAPITAL AND RESERVES

Share Capital

As at 30 September 2021, the fully paid-up share capital of the company is SAR 600 million (2020: SAR 600 million) divided into 60 million shares (2020: 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.

General 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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15. 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 2029, subject to renewal. The credit limit for total facilities was SAR 961.8 million as at 30 September 2021(2020: SAR 890). 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 with the total value of the available 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 facility.
- A corporate guarantee provided by a subsidiary of SAR 16.6 million.
- Restricted bank accounts amounting to SAR 9.7 million (2020: SAR 4 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. The Group has complied with all banking terms and commitments contained in the agreements.

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 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.
- Short-term financing of AED 100 million for the purpose of working capital financing.

Of the facilities available to the Group, as at 30 September 2021, the balance utilized amounted to SAR 835 million (2020: SAR 789 million). The following is an analysis of the loans and Murabaha transactions

	30 September 2021	31 December 2020
Syndicated loan	276,561,926	249,966,281
Short term loan	301,891,214	265,372,473
Long term loans	249,863,284	265,561,720
Overdrafts	950,156	5,080,128
Accrued finance cost	6,578,318	3,553,771
Total	835,844,898	789,534,373

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15. LOANS AND MURABAHA (CONTINUED)

The following is the movement of the loan transactions:

	30 September 2021	31 December 2020
Opening balance	789,534,373	843,419,011
Proceeds during the period / year	972,093,267	384,515,044
Payments during the period / year	(928,807,288)	(436,592,319)
Payments for finance cost during the period / year	(23,552,906)	(38,648,964)
Charged during the period / year	26,577,452	36,841,601
Ending balance	<u>835,844,898</u>	<u>789,534,373</u>

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

	30 September 2021	31 December 2020
Current portion	<u>407,076,239</u>	402,510,963
Non-current portion	<u>428,768,659</u>	387,023,410

16. 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.

(16-1) The significant transactions between the Group and transactions with key management personnel.

Transactions with key management personnel

	30 September 2021	30 September 2020
Expenses and allowances of the Board of Directors	<u>1,078,675</u>	1,124,282
Remuneration of key management personnel*	<u>5,410,647</u>	7,430,453

*** Key management personnel**

	30 September 2021	30 September 2020
Short-term employee benefits	<u>5,308,496</u>	7,291,766
Long-term employee benefits	<u>102,151</u>	138,687
	<u>5,410,647</u>	7,430,453

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

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16. RELATED PARTIES (CONTINUED)

(16-2) The significant transactions and balances between the Group and its related parties are as follows:

	Nature	Transactions for the nine-month ended		Balances outstanding	
		30 September 2021	30 September 2020	30 September 2021	31 December 2020
Sales					
Saudi Specialized Publishing Company	Fellow subsidiaries*	191,614	625,293	191,613	170,635
Saudi Research and Publishing Company	Fellow subsidiaries*	11,365,020	13,601,442	6,652,556	6,913,370
Saudi Research and Media Group	Holding Company	92,493	37,000	92,493	31,541
Gulf Company	Fellow subsidiaries*	36,110	-	36,110	7,961
Saudi Distribution Company	Fellow subsidiaries*	575	-	575	-
Tawq Public Relations Company	Fellow subsidiaries*	213,418	-	118,013	-
				7,091,360	7,123,507

* 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 period or prior period for bad or doubtful debts in respect of amounts owed by related parties.

17. 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. Due to certain raw material orders made by the Group, trade payable balance is higher as at 30 September 2021.

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18. FINANCIAL INSTRUMENTS

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

	30 September 2021			31 December 2020		
	Amortized cost	Other financial liabilities	Total	Amortized cost	Other financial liabilities	Total
Financial assets not measured at fair value						
Trade receivables, Net	260,241,492	-	260,241,492	240,040,809	-	240,040,809
Due from related parties	7,091,360	-	7,091,360	7,123,507	-	7,123,507
Cash and cash equivalents	45,120,102	-	45,120,102	37,269,042	-	37,269,042
Other current assets	8,932,672	-	8,932,672	15,143,579	-	15,143,579
	<u>321,385,626</u>	<u>-</u>	<u>321,385,626</u>	<u>299,576,937</u>	<u>-</u>	<u>299,576,937</u>
Financial liabilities not measured at fair value						
Loans and Murabaha	-	835,844,898	835,844,898	-	789,534,373	789,534,373
Dividend payable	-	697,151	697,151	-	697,151	697,151
Finance lease liabilities	-	8,111,274	8,111,274	-	7,106,381	7,106,381
Trade payables	-	137,102,093	137,102,093	-	103,160,339	103,160,339
Employee accruals	-	3,274,631	3,274,631	-	3,300,273	3,300,273
	<u>-</u>	<u>985,030,047</u>	<u>985,030,047</u>	<u>-</u>	<u>903,798,517</u>	<u>903,798,517</u>

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19. COMMITMENTS AND CONTINGENT LIABILITIES

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 an impact on the Group's condensed consolidated interim financial statements as of 30 September 2021.

Commitments

	30 September	31 December
	2021	2020
Letter of credit	91,228,690	36,624,322
Letter of guarantees	848,979	4,214,747

In addition to the above, the Group has capital commitments, refer to note 12.

20. SUBSEQUENT EVENTS

Subsequent to the period end, the Group has signed the below loans and murabaha rescheduling agreements:

- In October 2021 the Group has signed loan and murabaha rescheduling agreement, whereby SAR 20 million of loan and murabaha due for repayment in October 2021 has been rescheduled to November 2025.
- In November 2021, the Group has signed loan and murabaha rescheduling agreements, whereby SAR 20 million of loan and murabaha due for repayment in November 2021 has been rescheduled to May 2026.

21. BOARD OF DIRECTORS' APPROVAL

The condensed consolidated interim financial statements have been approved by the Board of Directors on 3 Rabi'al Thani 1443H (corresponding to 8 November 2021).