

**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 2022**

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 2022

INDEX	PAGE
Independent auditors' review report	1-2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of profit or loss and other comprehensive income	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of statement of cash flows	6
Notes to the interim condensed consolidated financial statements	7 – 22



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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 2022, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2022, and the related interim condensed statements changes in equity and cash flows for the nine months period then ended, and other explanatory notes. Management 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") that is 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" 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 that is endorsed in the Kingdom of Saudi Arabia.

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) (continued)

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on these consolidated financial statements on 28 Sha'ban 1443H (corresponding to 31 March 2022). Further, the interim condensed consolidated financial statements of the Company for the three-month period ended 31 March 2022 and for the nine-month period ended 30 September 2021 were reviewed by another auditor who expressed an unmodified review conclusion on those interim condensed consolidated financial statements on 18 Shawwal 1443H (corresponding to 19 May 2022) and 4 Rabi Al-Thani 1443H (corresponding to 9 November 2021), respectively.

for Ernst & Young Professional Services

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

Riyadh: 8 Rabi Al-Thani 1444H
2 November 2022



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 September 2022 (Unaudited) SAR	31 December 2021 (Audited) SAR
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	723,803,704	755,291,656
Intangible assets and goodwill	13	370,144,291	370,195,862
Investment properties	20	25,631,784	25,961,117
Right-of-use assets		5,264,061	7,633,111
Non-current trade receivables	10	11,160,124	3,856,127
Non-current - Derivative Asset	14	8,156,176	-
TOTAL NON-CURRENT ASSETS		1,144,160,140	1,162,937,873
CURRENT ASSETS			
Inventories	9	268,242,535	215,698,384
Trade receivables	10	275,853,841	266,098,829
Prepayments and other current assets		44,404,287	24,328,173
Cash and cash equivalents	11	43,972,953	32,988,783
TOTAL CURRENT ASSETS		632,473,616	539,114,169
TOTAL ASSETS		1,776,633,756	1,702,052,042
EQUITY AND LIABILITIES			
EQUITY			
Capital	15	600,000,000	600,000,000
Statutory reserve	15	78,639,385	78,639,385
Contractual reserve	15	30,105,326	30,105,326
Accumulated losses		(72,841,687)	(66,597,059)
Other reserve		(405,657)	(401,435)
TOTAL EQUITY		635,497,367	641,746,217
NON-CURRENT LIABILITIES			
Loans and Murabaha	16	401,045,703	418,680,482
Employees' defined benefit liability		39,684,290	39,187,268
Lease liabilities		4,915,161	6,561,337
TOTAL NON-CURRENT LIABILITIES		445,645,154	464,429,087
CURRENT LIABILITIES			
Trade payables	18	180,324,657	153,852,582
Accrued expenses and other current liabilities	19	45,807,683	26,919,584
Loans and Murabaha – current portion	16	462,253,140	407,074,466
Current portion of lease liability		815,776	1,252,773
Dividends payable		697,151	697,151
Provision for Zakat	8	5,592,828	6,080,182
TOTAL CURRENT LIABILITIES		695,491,235	595,876,738
TOTAL LIABILITIES		1,141,136,389	1,060,305,825
TOTAL EQUITY AND LIABILITIES		1,776,633,756	1,702,052,042




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 2022

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2022 (Unaudited) SAR	2021 (Unaudited) SAR	2022 (Unaudited) SAR	2021 (Unaudited) SAR
		Revenue	7	261,144,785	203,605,691
Cost of revenue		(225,503,774)	(184,463,938)	(657,478,169)	(507,903,411)
Gross profit		35,641,011	19,141,753	110,327,476	63,351,800
Selling, marketing and distribution expenses		(13,523,670)	(11,767,685)	(41,619,837)	(33,927,510)
General and administrative expenses		(16,579,072)	(15,952,352)	(47,615,839)	(48,063,680)
Impairment loss of trade receivable	10	(1,839,364)	(161,628)	(7,097,003)	(1,527,283)
Operating profit/(loss) for the period		3,698,905	(8,739,912)	13,994,797	(20,166,673)
Other income		1,681,554	858,249	3,908,132	2,595,553
Finance costs		(8,280,606)	(9,032,344)	(21,400,774)	(26,577,453)
Loss before Zakat		(2,900,147)	(16,914,007)	(3,497,845)	(44,148,573)
Zakat expense	8	(964,571)	(837,274)	(2,746,783)	(2,511,821)
Loss for the period		(3,864,718)	(17,751,281)	(6,244,628)	(46,660,394)
Other comprehensive income:					
Items that may be reclassified					
subsequently to profit or loss:					
Foreign currency translation differences – foreign operations		50	3,002	(4,222)	(565,116)
Other comprehensive income/(loss) for the period		50	3,002	(4,222)	(565,116)
Total comprehensive loss		(3,864,668)	(17,748,279)	(6,248,850)	(47,225,510)
Earnings per share-basic and diluted		(0.06)	(0.30)	(0.10)	(0.79)
Number of shares		60,000,000	60,000,000	60,000,000	60,000,000



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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)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGE IN EQUITY

For the three-month and nine-month periods ended 30 September 2022

	<i>Capital SAR</i>	<i>Statutory reserve SAR</i>	<i>General reserve SAR</i>	<i>Accumulated losses SAR</i>	<i>Other reserves SAR</i>	<i>Total SAR</i>
Balance at 1 January 2021 (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 loss for the period (unaudited)	-	-	-	-	(565,116)	(565,116)
Total comprehensive loss for the period (unaudited)	-	-	-	(46,660,394)	(565,116)	(47,225,510)
Balance at 30 September 2021 (unaudited)	<u>600,000,000</u>	<u>78,639,385</u>	<u>30,105,326</u>	<u>(52,806,976)</u>	<u>(422,484)</u>	<u>655,515,251</u>
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>



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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)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

As at 30 September 2022

	30 September 2022 (Unaudited) SAR	30 September 2021 (Unaudited) SAR
OPERATING ACTIVITIES:		
Loss before zakat	(3,497,845)	(44,148,573)
<i>Adjustment to reconcile income before zakat to net cash</i>		
Depreciation and amortization	38,775,191	37,314,147
Impairment loss of trade receivable	7,097,003	1,527,283
Provision/(reversal) of slow-moving inventory	(55,563)	887,707
Loss / (gain) from disposal of property, plant and equipment	(117,647)	(42,712)
Finance costs	21,492,100	26,972,533
Derivative asset	(8,156,176)	-
Provision for employees' benefit	4,657,705	3,973,529
	<u>60,194,768</u>	<u>26,483,914</u>
<i>Working capital adjustments:</i>		
Inventories	(52,488,588)	(32,679,271)
Trade receivables	(24,156,012)	(21,695,819)
Prepayments and other current assets	(20,076,114)	(7,061,640)
Trade payables	26,472,075	33,941,754
Accrued expenses and other current liabilities	18,888,099	6,011,975
Used provision for slow-moving inventory	-	(1,073,962)
Cash generated from operating activities	<u>8,834,228</u>	<u>3,926,951</u>
Employees' defined benefit liability paid	(4,160,683)	(3,168,126)
Zakat paid	(3,247,657)	(1,891,700)
Net cash flows from/ (used in) operating activities	<u>1,425,888</u>	<u>(1,132,875)</u>
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(5,918,871)	(9,841,938)
Proceeds from disposal of property, plant and equipment	158,086	85,042
Net cash flows used in investing activities	<u>(5,760,785)</u>	<u>(9,756,896)</u>
FINANCING ACTIVITIES:		
Proceeds from loans and Murabaha	887,607,382	972,093,267
Payments of loans and Murabaha	(854,008,566)	(928,807,288)
Payments of finance cost	(17,455,695)	(23,552,906)
Payment of lease liabilities	(834,549)	(1,285,839)
Net cash flows from financing activities	<u>15,308,572</u>	<u>18,447,234</u>
Net increase in cash and cash equivalents	10,973,675	7,557,463
Foreign currency translation adjustments	10,495	293,597
Change in cash restricted for use by banks	58	-
Cash and cash equivalents at the beginning of the period	<u>23,195,873</u>	<u>37,269,042</u>
Cash and cash equivalents at the end of the period	<u>34,180,101</u>	<u>45,120,102</u>




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 2022

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 2022	31 December 2021
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 2022	31 December 2021
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 2022

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the nine months ended 30 September 2022 have been 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”).

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 2021.

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 2022, the Group's current liabilities exceeds its current assets by SAR 63 million (31 December 2021: SAR 56.7 million). Moreover, the Group has accumulated losses amounting to SAR 72.8 million as at 30 September 2022 (31 December 2021: SAR 66.6 million accumulated losses), which approximate 12.1% (31 December 2021: 11.1%) of the Company's share capital. The management has a strategic business plan to recover the accumulated losses, become profitable 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.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

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 2021, except as disclosed below and in note 5 of the Group's consolidated financial statements for the year ended 31 December 2021.

In the current period, the Group has accounted for a derivative financial instrument. The policy for the derivative financial instruments is summarized below:

Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured for any changes in their fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from the changes in the fair value of derivatives are taken directly to profit or loss.

5. NEW STANDARDS OR AMENDMENTS FOR 2022

Several amendments apply for the first time in 2022, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

Prior to the application of the amendments, the Group had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Group in determining the costs of fulfilling the contracts. The Group has therefore recognised an onerous contract provision, which remained unchanged as of 30 September 2022 as the Group had not yet fulfilled its obligations under the contract.

In accordance with the transitional provisions, the Group applies the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

5. NEW STANDARDS OR AMENDMENTS FOR 2022 (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as here were no modifications of the Group's financial instruments during the period.

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.

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.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

6. FAIR VALUE MEASUREMENTS (continued)

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.

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

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 2022 and 2021, respectively.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

7. OPERATING SEGMENTS (continued)

b) Information about reportable segments (continued)

	Reportable segments					Total
	Printing	Packaging	All other segments	Total	Adjustments & Eliminations	
<i>30 September 2022</i>						
Revenue						
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)/profit	(324,798)	2,968	(5,922,802)	(6,244,632)	-	(6,244,632)

	Reportable segments					Total
	Printing	Packaging	All other segments	Total	Adjustments & Eliminations	
<i>30 September 2021</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
Net loss	(23,707,896)	(16,983,076)	(5,969,422)	(46,660,394)	-	(46,660,394)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2022 and 31 December 2021, respectively:

	Reportable segments							
	Printing		Packaging		Other		Total	
	30 September 2022	31 December 2021	30 September 2022	31 December 2021	30 September 2022	31 December 2021	30 September 2022	31 December 2021
Total assets	385,040,921	379,137,351	1,387,402,219	1,321,952,782	4,190,616	961,909	1,776,633,756	1,702,052,042
Total liabilities	(29,432,208)	(26,507,980)	(706,545,667)	(640,610,610)	(405,158,514)	(393,187,235)	(1,141,136,389)	(1,060,305,825)

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

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 2022	30 September 2021
Saudi Arabia	298,030,497	179,897,001
United Arab Emirates	226,506,141	200,579,287
Others	243,269,007	190,778,923
	767,805,645	571,255,211
Total assets	30 September 2022	31 December 2021
Saudi Arabia	741,793,207	721,046,243
United Arab Emirates	1,034,840,549	981,005,799
	1,776,633,756	1,702,052,042
Total liabilities		
Saudi Arabia	843,076,062	821,377,145
United Arab Emirates	298,060,327	238,928,680
	1,141,136,389	1,060,305,825
Non-current assets*		
Saudi Arabia	394,029,277	411,183,977
United Arab Emirates	750,130,863	751,753,896
	1,144,160,140	1,162,937,873

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

8. 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 2021, and the Zakat return for the year 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 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 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.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

8. 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 these objections are 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 final 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 ZATCA regulations). The ruling from the first level of GSTC is still under review.

Movement in zakat provision is as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Balance as at 1 January	6,080,182	10,587,393
Charge during the period/year	2,746,783	3,349,510
Paid during the period/year	(3,247,657)	(7,856,582)
Foreign currency translation adjustments	13,520	(139)
	<u>5,592,828</u>	<u>6,080,182</u>

9. INVENTORIES

The provision for slow moving inventories as at 30 September 2022 was in line with the policy adopted by the Group and amounted to SAR 19 million (31 December 2021: SAR 19.1 million).

10. TRADE RECEIVABLES

	<u>30 September 2022</u>	<u>31 December 2021</u>
Trade receivable	375,064,446	345,155,882
Due from a related party (Note 17)	-	5,752,658
	<u>375,064,446</u>	<u>350,908,540</u>
Less: Allowance for expected credit losses	(88,050,481)	(80,953,584)
	<u>287,013,965</u>	<u>269,954,956</u>
Current portion	275,853,841	266,098,829
Non-current portion *	11,160,124	3,856,127

* 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 2022</u>	<u>31 December 2021</u>
Balance at the beginning of the year	80,953,584	78,829,614
Impairment loss on trade receivable	7,097,003	2,170,844
Foreign currency translation adjustments	(106)	(46,874)
	<u>88,050,481</u>	<u>80,953,584</u>

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

11. CASH AND CASH EQUIVALENTS

	<u>30 September 2022</u>	<u>31 December 2021</u>
Cash in hand	753,841	599,754
Cash at bank	43,219,112	32,389,029
Cash and cash equivalents in the consolidated statement of financial position	43,972,953	32,988,783
Less: Balance with banks-restricted accounts (*)	(9,792,852)	(9,792,910)
Cash and cash equivalents in the consolidated statement of statement of cash flows	34,180,101	23,195,873

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

12. PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2022, the cost of property, plant and equipment amounted to SAR 1,583 million (31 December 2021: SAR 1,578 million) and the accumulated depreciation as at 30 September 2022 amounted to SAR 859 million (31 December 2021: SAR 823 million). During the nine-month period ended 30 September 2022, the Group acquired assets with a cost of SAR 5 million (31 December 2021: SAR 20 million).

The Group's total net book value of assets amounted to SAR 724 million as at 30 September 2022 (31 December 2021: SAR 755 million). Certain property, plant and equipment with a book value of SAR 70.5 million as at 30 September 2022 (31 December 2021: SAR 91 million) 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 15.9 million as at 30 September 2022 (2021: SAR 7.5 million). These are expected to be delivered in 2022.

13. INTANGIBLE ASSETS AND GOODWILL

The carrying value of goodwill amounted to SAR 370 million as at 30 September 2022 (31 December 2021: SAR 370 million). The following is a breakdown of goodwill:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Emirates National Factory for Plastic Industries	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 220 thousand as of 30 September 2022 (31 December 2021: SAR 271 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.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

13. INTANGIBLE ASSETS AND GOODWILL (continued)

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, goodwill losses amounted to SAR 20.3 million.

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 impairment testing performed, that the book value of goodwill was less than its recoverable value as at 31 December 2021.

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 Printing Company is 7.8% and 20.6%, respectively, for the current year, has been applied to the cash flows that exceed the period of the financial budget.

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

Sensitivity to changes in assumptions

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. 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 2021 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	7.81	7.81
Estimated total margin	20.7	30
Average annual growth rate of revenue	7.8	20.6
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.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

14. DERIVATIVE FINANCIAL INSTRUMENTS

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Derivatives not designated as hedging instruments		
Profit rate swaps	<u>8,156,176</u>	<u>-</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 8.2 million as a financial asset during the period ended 30 September 2022.

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Change in fair value of the hedging instrument	8,156,176	-
Carrying amount of the hedging instrument	8,156,176	-
Notional amount of the hedging instrument	168,385,385	184,150,800
Maturity date of the hedging instrument	6 December 2025	6 December 2025

15. SHARE CAPITAL AND RESERVES

Share Capital: as at 30 September 2022, the fully paid-up share capital of the company is SAR 600 million (2021: SAR 600 million) divided into 60 million shares (2021: 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.

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 letters guarantee, on different periods starting from December 2018 and ending in March 2029, subject to renewal. The credit limit for total facilities was SAR 965.9 million as at 30 September 2022 (31 December 2021: SAR 884.6 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 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.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

16. LOANS AND MURABAHA (continued)

- A corporate guarantee provided by a subsidiary of SAR 16.6 million.
- Restricted bank accounts amounting to SAR 9.8 million (2021: SAR 9.7 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 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.

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 2022 refer to (Note 14).

As at 30 September 2022, the utilized balance amounted to SAR 863.3 million (31 December 2021: SAR 825.7 million).

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Long term loans*	486,328,022	554,867,305
Short term loans	352,763,460	248,852,010
Overdrafts	17,399,290	19,172,640
Accrued finance cost	6,808,071	2,862,993
Total	863,298,843	825,754,948

* The long-term loans include current portion.

The following is the movement of the loan and murabaha:

	<u>30 September 2022</u>	<u>31 December 2021</u>
Opening balance	825,754,948	789,534,373
Proceeds during the period/year	887,607,382	1,210,343,578
Payments during the period/year	(854,008,566)	(1,173,432,225)
Interest charged during the period /year	21,400,774	35,107,481
Payments for financial cost during the period/year	(17,455,695)	(35,798,259)
Ending balance	863,298,843	825,754,948

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

	<u>30 September 2022</u>	<u>31 December 2021</u>
Current portion	462,253,140	407,074,466
Non- Current portion	401,045,703	418,680,482
	863,298,843	825,754,948

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

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

	30 September 2022	30 September 2021
Expenses and allowances of the Board of Directors	1,123,272	1,078,675
Remuneration of key management personnel*	4,102,209	5,410,647

* Key management personnel

	30 September 2022	30 September 2021
Short -term employee benefits	4,056,554	5,308,496
Long -term employee benefits	45,655	102,151
	4,102,209	5,410,647

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

Due from / (to) related parties		Transactions for the nine-month ended		Balances outstanding	
Nature		30 September 2022	30 September 2021	30 September 2022	31 December 2021
Sales					
Saudi Research Publishing Company	Fellow subsidiaries*	37,348,015	11,365,020	-	5,406,228
Saudi Specialized Publishing Co.	Fellow subsidiaries*	536,970	191,614	-	67,310
Saudi Research and Media Group	Holding Company	290,800	92,493	-	52,214
Al-Khaleejiah Advertising and Public Relations Company	Fellow subsidiaries*	-	-	-	53,579
Saudi Distribution Gulf Company	Fellow subsidiaries*	525	575	-	575
Tawq Public Relations Company	Fellow subsidiaries*	-	36,110	-	-
		-	213,418	-	172,752
				-	<u>5,752,658</u>
Collections					
Saudi Research and Media Group	Holding Company	(16,643,767)	-	(16,643,767)	-
				(16,643,767)	-

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

All balances with these related parties are priced at arm's length. 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.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

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. Due to certain raw material orders made by the Group, trade payable balance is higher as at 30 September 2022.

19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>30 September 2022</u>	<u>31 December 2021</u>
Accrued expenses	14,038,626	11,067,113
Due to related parties (Note 17)	16,643,767	-
Employee accruals	7,751,966	8,411,027
Advances from customers	5,050,570	3,943,939
Other	2,322,754	3,497,505
	<u>45,807,683</u>	<u>26,919,584</u>

20. INVESTMENT PROPERTIES

As at 30 September 2022, the group holds investment properties with carrying value of SAR 25.6 million (31 December 2021: SR 25.9 million) which has fair value of SR 37.9 million as at 31 December 2021.

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2022

21. FINANCIAL INSTRUMENTS

The table below shows the carrying value of financial assets and liabilities as at 30 September 2022 and 31 December 2021, which are not measured at fair value, as all financial assets and financial liabilities of the Group are measured at amortized cost.

	30 September 2022			31 December 2021		
	Amortized cost	Other financial liabilities	Total	Amortized cost	Other financial liabilities	Total
Financial assets not measured at fair value						
Trade receivable, Net	275,853,841	-	275,853,841	266,098,829	-	266,098,829
Cash and cash equivalents	43,972,953	-	43,972,953	32,988,783	-	32,988,783
Other current assets	19,921,295	-	19,921,295	15,628,495	-	15,628,495
	<u>339,748,089</u>	<u>-</u>	<u>339,748,089</u>	<u>314,716,107</u>	<u>-</u>	<u>314,716,107</u>
Financial liabilities not measured at fair value						
Loans and Murabaha	-	863,298,843	863,298,843	-	825,754,948	825,754,948
Dividend payable	-	697,151	697,151	-	697,151	697,151
Financial lease liabilities	-	5,730,937	5,730,937	-	7,814,110	7,814,110
Trade payable	-	180,324,657	180,324,657	-	153,852,582	153,852,582
Employee accruals	-	7,751,966	7,751,966	-	8,411,027	8,411,027
	<u>-</u>	<u>1,057,803,554</u>	<u>1,057,803,554</u>	<u>-</u>	<u>996,529,818</u>	<u>996,529,818</u>

Financial assets measured at fair value	Fair value measurement hierarchy	30 September 2022	30 September 2022	31 December 2021	31 December 2021
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	<u>8,156,176</u>	<u>8,156,176</u>	<u>-</u>	<u>-</u>

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

At 30 September 2022

22. 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. Management believes that the result of these cases will not have an impact on the Groups condensed consolidated interim financial statements as of 30 September 2022.

Commitments

As 30 September 2022, contingent liabilities related to uncovered letter of credit amounted to SAR 28.5 million (31 December 2021: SAR 22.1 million). As at 30 September 2022, the Group has outstanding bank guarantee letters from a local bank amounting to SAR 2.8 million (31 December 2021: SAR 0.44 million.)

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

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 2022.

24. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements have been approved by the Board of Directors on 6 Rabi Al-Thani 1444H (corresponding to 31 October 2022).