

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
(unaudited)
For the three-month and six-month periods ended
30 June 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 six-month periods ended
30 June 2021

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KPMG Professional Services

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Commercial Registration No 1010425494

كي بي ام 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 June 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 June 2021;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period and six-month periods ended 30 June 2021;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2021;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 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 ام جي للاستشارات المهنية شركة مهنية مسانعة متقلة، مسجلة في المملكة العربية السعودية، رأس مالها (١٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي ام جي للفرزات وشركاه محاسبون ومراجعون قفريون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي ام جي المستقلة وتتبعه كي بي ام جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة.



Independent Auditor's Report on Review of Condensed Consolidated Interim Financial Statements

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2021 condensed consolidated interim financial statements of **Saudi Printing and Packaging Company** ("the Company") and its subsidiaries (collectively referred to as "the Group") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Fahad Mubark Al Dossari
License No.: 469

Date: 9 Muharram 1443H
Corresponding to: 17 August 2021



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

	<i>Notes</i>	<i>30 June 2021 (Unaudited)</i>	<i>31 December 2020 (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	767,491,102	785,919,887
Investment properties		26,031,163	26,110,491
Intangible assets and goodwill	12	370,105,875	370,135,890
Right-of-use assets		8,487,375	7,336,345
Total non-current assets		1,172,115,515	1,189,502,613
Current assets			
Inventories	10	201,436,384	168,532,367
Trade receivables		246,520,719	240,040,809
Prepayments and other current assets		33,653,706	29,521,549
Due from related parties	15	5,474,037	7,123,507
Cash and cash equivalents		31,185,102	37,269,042
Total current assets		518,269,948	482,487,274
Total Assets		1,690,385,463	1,671,989,887
Equity			
Share capital	13	600,000,000	600,000,000
Statutory reserve	13	78,639,385	78,639,385
General reserve	13	30,105,326	30,105,326
Accumulated losses		(35,055,695)	(6,146,582)
Other reserves		(425,486)	142,632
Total equity		673,263,530	702,740,761
Liabilities			
Non-current liabilities			
Loans and Murabaha	14	417,904,839	387,023,410
Defined benefits obligation – employees' benefits		37,779,735	37,314,872
Lease liabilities		7,258,359	6,818,915
Total non-current liabilities		462,942,933	431,157,197
Current liabilities			
Trade payables	16	160,537,378	103,160,339
Accrued expenses and other current liabilities		23,729,033	20,848,617
Loans and Murabaha	14	357,723,478	402,510,963
Current portion of lease liability		1,115,463	287,466
Dividends payables		697,151	697,151
Provision for Zakat	9	10,376,497	10,587,393
Total current liabilities		554,179,000	538,091,929
Total liabilities		1,017,121,933	969,249,126
Total Equity and Liabilities		1,690,385,463	1,671,989,887

These condensed consolidated interim financial statements shown on pages 3 to 20 were approved by the Board of Directors on 3 Muharram 1443H (corresponding to 11 August 2021) and signed on their behalf by:

Chief Financial Officer

Mr. Francis Ferguson

F. Ferguson

Managing Director

Mr. Fahd Ibrahim Al-Mufarrij

Fahd Ibrahim Al-Mufarrij

The accompanying notes (1) to (20) 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 six-month periods ended 30 June 2021
(Saudi Riyals)

	<i>Notes</i>	For the three-month period ended 30 June		For the six-month period ended 30 June	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue	8	194,209,180	199,629,596	367,649,520	393,899,985
Cost of revenue		(172,871,873)	(162,233,978)	(323,439,473)	(329,611,205)
Gross profit		21,337,307	37,395,618	44,210,047	64,288,780
Selling, marketing and distribution expenses		(11,096,964)	(11,837,706)	(22,159,825)	(24,354,383)
General and administrative expenses		(16,084,704)	(16,365,880)	(32,111,328)	(33,470,533)
Impairment of trade receivables		(410,434)	(612,882)	(1,365,655)	(932,580)
Operating (loss) / profit for the period		(6,254,795)	8,579,150	(11,426,761)	5,531,284
Other income		782,023	4,416,633	1,737,304	5,112,454
Finance costs		(9,042,369)	(10,699,800)	(17,545,109)	(22,458,502)
(Loss) / profit before Zakat		(14,515,141)	2,295,983	(27,234,566)	(11,814,764)
Zakat expense		(837,235)	(802,581)	(1,674,547)	(1,605,004)
(Loss) / profit for the period		(15,352,376)	1,493,402	(28,909,113)	(13,419,768)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences - foreign operations		(402,393)	228,845	(568,118)	(110,561)
Total other comprehensive (loss) / income for the period		(402,393)	228,845	(568,118)	(110,561)
Total comprehensive (loss) / income		(15,754,769)	1,722,247	(29,477,231)	(13,530,329)
Earnings per share – basic and diluted		(0.26)	0.03	(0.49)	(0.23)

These condensed consolidated interim financial statements shown on pages 3 to 20 were approved by the Board of Directors on 3 Muharram 1443H (corresponding to 11 August 2021) and signed on their behalf by:

Chief Financial Officer
Mr. Francis Ferguson

F Ferguson

Managing Director
Mr. Fahd Ibrahim Al-Mufarrij

Fahd Ibrahim Al-Mufarrij

The accompanying notes (1) to (20) 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 CHANGES IN EQUITY
For the six-month period ended 30 June 2021
(Saudi Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>(Accumulated losses)/ Retained earnings</u>	<u>Foreign currency translation reserve</u>	<u>Total</u>
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)	--	--	--	(28,909,113)	--	(28,909,113)
Other comprehensive losses (Unaudited)	--	--	--	--	(568,118)	(568,118)
Total comprehensive losses for the period (Unaudited)	--	--	--	(28,909,113)	(568,118)	(29,477,231)
Balance as at 30 June 2021 (Unaudited)	<u>600,000,000</u>	<u>78,639,385</u>	<u>30,105,326</u>	<u>(35,055,695)</u>	<u>(425,486)</u>	<u>673,263,530</u>
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)	--	--	--	(13,419,768)	-	(13,419,768)
Other comprehensive loss (Unaudited)	--	--	--	-	(110,561)	(110,561)
Total comprehensive losses for the period (Unaudited)	--	--	--	(13,419,768)	(110,561)	(13,530,329)
Balance as at 30 June 2020 (Unaudited)	<u>600,000,000</u>	<u>78,639,385</u>	<u>30,105,326</u>	<u>1,639,661</u>	<u>(10,563)</u>	<u>710,373,809</u>

These condensed consolidated interim financial statements shown on pages 3 to 20 were approved by the Board of Directors on 3 Muharram 1443H (corresponding to 11 August 2021) and signed on their behalf by:

Chief Financial Officer
Mr. Francis Ferguson

F Ferguson

Managing Director
Mr. Fahd Ibrahim Al-Mufarrij

Fahd Ibrahim Al-Mufarrij

The accompanying notes (1) to (20) 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 CASH FLOWS
(Unaudited)
For the six-month period ended 30 June 2021
(Saudi Riyals)

	30 June 2021	30 June 2020
Cash flows from Operating Activities:		
Loss for the period	(28,909,113)	(13,419,768)
Adjustments for:		
-Depreciation and amortization	24,224,318	29,171,109
-Impairment of trade receivables	1,365,655	932,580
-Inventory write-down	230,000	
-Gain from sale of property, plant and equipment	(27,824)	-
-Finance costs	17,545,109	22,458,502
-Provision for employees' benefits	2,618,036	2,853,700
-Provision for Zakat	1,674,547	1,605,004
	18,720,728	43,601,127
Changes in:		
-Inventories	(32,755,718)	(24,426,036)
-Trade receivables	(7,845,565)	(32,294,049)
-Related parties	1,649,470	9,368,428
-Prepayments and other current assets	(4,132,157)	(1,104,051)
-Trade payables	57,377,039	7,250,925
-Accrued expenses and other current liabilities	2,880,416	3,129,270
-Used from impairment of trade receivables	-	(280,318)
-Used Provision for slow-moving inventory	(378,299)	(236,859)
	35,515,914	5,008,437
Cash generated from operating activities	(2,153,173)	(893,119)
Defined benefit liabilities - employees' benefits paid	(1,885,443)	-
Paid Zakat	-	-
Net cash generated from operating activities	31,477,298	4,115,318
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(6,434,076)	(4,500,087)
Proceeds from sale of property, plant and equipment	661,619	-
Net cash used in investing activities	(5,772,457)	(1,004,960)
Cash flows from financing activities:		
Proceeds from loans and Murabaha	734,964,186	320,569,167
Payments for loans and Murabaha	(749,044,847)	(311,797,936)
Payments for finance cost	(17,370,504)	(23,930,460)
Payment for lease liability	(628,211)	(560,108)
Net cash used in financing activities	(32,079,376)	(15,719,337)
Net decrease in cash and cash equivalents	(6,374,535)	(16,104,106)
Foreign currency translation adjustments	290,595	(110,561)
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	31,185,102	37,033,367
Significant non-cash transactions		
Right-of-use assets and lease liabilities	1,895,652	-
Foreign currency translation of property, plant and equipment	(858,713)	-

These condensed consolidated interim financial statements shown on pages 3 to 20 were approved by the Board of Directors on 3 Muharram 1443H (corresponding to 11 August 2021) and signed on their behalf by:

Chief Financial Officer

Mr. Francis Ferguson



Managing Director

Mr. Fahd Ibrahim Al-Mufarrij



The accompanying notes (1) to (20) 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 six-month period ended 30 June 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 I 1427 H (corresponding to 28 May 2006).

These condensed consolidated interim financial statements 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 June 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 June 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 Dhul Hijah 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the six-month period ended 30 June 2021

2. COVID 19 UPDATE

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 June 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 Six-month period ended 30 June 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 at 30 June 2021, the Group’s current liabilities exceeds its current assets by SAR 36 million (31 December 2020: by SAR 55 million). Moreover, the Group has accumulated losses amounting to SAR 35 million as at 30 June 2021 (31 December 2020: SAR 6 million accumulated losses), which approximate 5.6% (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 generative positive working capital.

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

b) Functional and presentation currency

The condensed consolidated interim financial statements are presented in Saudi Riyal (“SR”), which is the functional currency of the Group. All amounts are shown in full unless otherwise indicated

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the six-month period ended 30 June 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 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 EFFECTIVE IN 2020 AND SUBSEQUENT YEARS

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

New currently effective requirements:

Effective from	New standards and amendments
1 June 2020	COVID-19 – Related Rent Concessions (Amendments to IFRS 16).
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 June 2021.

New requirements that will be applied subsequently:

Effective for annual periods beginning on or after	New standards and amendments
1 January 2022	Onerous Contracts – Cost of Fulfilling a Contract (amendments to IAS 37).
	Annual Amendments to IFRSs (2018 - 2020 Cycle).
	Property, Plant and Equipment: Proceeds Before Intended Use (amendments to IAS 16).
	Reference to conceptual framework (amendments to IFRS 3).
1 January 2023	Amendments to IAS 1 'Presentation of Financial Statements' related to classification of liabilities as current/non-current.
	IFRS 17 - Insurance Contracts and amendments to IFRS 17 - Insurance Contracts.
	Definition of accounting estimate -amendments to IAS 8 Disclosure of accounting policies -amendments to IAS 1 and IFRS practice statements
Available for optional adoption/ effective date deferred indefinitely	Sale or contribution of assets between the investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28).

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the six-month period ended 30 June 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 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 17.

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 six-month period ended 30 June 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 six-month period ended 30 June 2021

8. OPERATING SEGMENT (CONTINUED)

b) Information about reportable segments (continued)

<i>30 June 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	26,335,197	341,314,323	-	367,649,520	-	367,649,520
Inter-segments	428,135	12,585,257	-	13,013,392	(13,013,392)	-
Total revenue	26,763,332	353,899,580	-	380,662,912	(13,013,392)	367,649,520
Segment loss	(17,415,077)	(7,726,860)	(3,767,176)	(28,909,113)	-	(28,909,113)
Depreciation and amortization	7,382,252	16,793,533	48,533	24,224,318	-	24,224,318

	<i>Reportable segments</i>							
	<i>Printing</i>		<i>Packaging</i>		<i>Others</i>		<i>Total</i>	
	<i>30 June 2021</i>	<i>31 December 2020</i>	<i>30 June 2021</i>	<i>31 December 2020</i>	<i>30 June 2021</i>	<i>31 December 2020</i>	<i>30 June 2021</i>	<i>31 December 2020</i>
Total assets	380,333,682	391,221,891	1,307,261,510	1,260,760,794	2,790,271	20,007,202	1,690,385,463	1,671,989,887
Total liabilities	(31,683,016)	(27,237,421)	(603,606,232)	(546,469,572)	(381,832,685)	(395,542,133)	(1,017,121,933)	(969,249,126)

<i>30 June 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	60,284,637	333,615,348	-	393,899,985	-	393,899,985
Inter-segments	4,027,976	10,529,304	-	14,557,280	(14,557,280)	-
Total revenue	64,312,613	344,144,652	-	408,457,265	(14,557,280)	393,899,985
Segment loss	(10,734,696)	830,367	(3,515,439)	(13,419,768)	-	(13,419,768)
Depreciation and amortization	9,292,214	19,826,562	52,333	29,171,109	-	29,171,109

	<i>Reportable segments</i>							
	<i>Printing</i>		<i>Packaging</i>		<i>Others</i>		<i>Total</i>	
	<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2020</i>	<i>31 December 2019</i>	<i>30 June 2020</i>	<i>31 December 2019</i>
Total assets	459,178,911	440,229,807	1,327,953,758	1,342,323,917	7,025,343	4,449,672	1,794,158,012	1,787,003,396
Total liabilities	(64,712,828)	(33,278,602)	(603,000,026)	(613,489,390)	(416,071,349)	(416,331,266)	(1,083,784,203)	(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 June 2021	30 June 2020
Revenues from customers		
Saudi Arabia	108,504,127	145,079,514
United Arab of emirates	136,062,343	115,380,201
Others	123,083,050	133,440,270
	367,649,520	393,899,985
	30 June 2021	31 December 2020
Total assets		
Saudi Arabia	673,758,069	713,517,880
United Arab of emirates	1,016,627,394	958,472,007
	1,690,385,463	1,671,989,887
Total liabilities		
Saudi Arabia	772,273,962	783,845,245
United Arab of emirates	244,847,971	185,403,881
	1,017,121,933	969,249,126
Non-current assets*		
Saudi Arabia	412,329,941	422,679,813
United Arab of emirates	759,785,574	766,822,800
	1,172,115,515	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 on calculating the Zakat related to the final assessment are settled in the year in which they are completed.

The Group filed consolidated Zakat returns with the Zakat, Tax and Customs Authority (ZATCA 'ZATCA') for the years ended in 31 December 2005 until 2020 and received Zakat certificates for these years. The final assessments have not been issued by ZATCA for the years 2009 until 2020 (excluding 2014 & 2017 referred to below).

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9. ZAKAT (CONTINUED)

ZATCA issued assessment notices for the years 31 December 2005 to 2008 and requested the Group to pay additional Zakat amounting to SAR 6,582,634. The Group has filed an objection against the said assessment. The Group's objection was rejected by ZATCA as certain formalities were not followed by the Group and ZATCA issued an updated assessment of SAR 2,004,578. Furthermore, ZATCA also demanded payment of Zakat differences due from the unauthorized profit difference for the years 2005 and 2006 amounting to SAR 143,203 (mentioned within the original objection amount), which were paid by the Group within the 2018 year. The assessment discussions for years ended 31 December 2005 to 2008 between ZATCA and the Company are ongoing as at 30 June 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 2,253,606 which was paid during 2019. However, the assessment for the year ended 2014 amounting to SAR 1,361,774 was objected by the Group and the objection has been accepted.

10. INVENTORIES

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

11. PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2021, the cost of property, plant and equipment amounted to SR 1,565 million (31 December 2020: SR 1,562 million) and the accumulated depreciation as at 30 June 2021 amounted to SR 797.5 million (31 December 2020: SR 776 million).

Assets with net book value amounting to SR 112 million as at 30 June 2021 (2020: SR 132 million) were placed as collateral against long-term borrowing. Note no. 14.

The capital commitments of the Group pertaining to purchase of property, plant and equipment amounted to SR 9.8 million as at 30 June 2021 (2020: SR 12.1 million). These are expected to be delivered in 2022.

12. INTANGIBLE ASSETS AND GOODWILL

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

	30 June 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
	<u>369,924,436</u>	<u>369,924,436</u>

The remaining balance comprises of software cost capitalized amounting to SR 181 K as of 30 June 2021 (2020: SR 211K).

(*) 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.

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12. 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 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.

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

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12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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.

13. SHARE CAPITAL AND RESERVES

Capital

As at 30 June 2021, the fully paid-up share capital of the Group 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 Group.

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 purposes.

14. 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 1,075 million as at 30 June 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 IBOR. Unthreeder 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 36 million.
- Restricted bank accounts amounting to SAR 9.8 million (2020: SAR 4 million).

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14. LOANS AND MURABAHA (CONTINUED)

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 June 2021, the balance utilized amounted to SAR 776 million (2020: SAR 789 million). The following is an analysis of the loans and Murabaha transactions

	30 June 2021	31 December 2020
Long term loans	529,668,493	515,528,001
Short term loan	225,387,996	265,372,473
Overdrafts	16,843,452	5,080,128
Accrued finance cost	3,728,376	3,553,771
Total	<u>775,628,317</u>	<u>789,534,373</u>

The following is the movement of the loan transactions:

	30 June 2021	31 December 2020
Opening balance	789,534,373	843,419,011
Proceeds during the period / year	734,964,186	384,515,044
Payments during the period / year	(749,044,847)	(436,592,319)
Payments for finance cost during the period / year	(17,370,504)	(38,648,964)
Charged during the period / year	17,545,109	36,841,601
Ending balance	<u>775,628,317</u>	<u>789,534,373</u>

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

	30 June 2021	31 December 2020
Current portion	357,723,478	402,510,963
Non-current portion	417,904,839	387,023,410

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15. 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.

(15-1) The significant transactions between the Group and transactions with key management personnel.

Transactions with key management personnel

	30 June	30 June
	2021	2020
Expenses and allowances of the Board of Directors	714,521	748,226
Remuneration of key management personnel*	4,368,271	3,823,563

*** Key management personnel**

	30 June	30 June
	2021	2020
Short-term employee benefits	4,282,731	3,783,183
Long-term employee benefits	85,540	40,380
	<u>4,368,271</u>	<u>3,823,563</u>

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

(15-2) The significant transactions and balances between the Group and its related parties are as follows:

	Nature	Transactions for the six-month ended		Balances outstanding	
		30 June	30 June	30 June	31 December
		2021	2020	2021	2020
Sales					
Saudi Specialized Publishing Company	Fellow subsidiaries	123,930	599,935	32,810	170,635
Saudi Research and Publishing Company	Fellow subsidiaries	5,598,202	10,073,153	5,264,900	6,913,370
Saudi Research and Media Group	Holding Company	53,000	--	92,493	31,541
Gulf Company	Fellow subsidiaries	24,480	37,000	36,108	7,961
Tawq Public Relations Company	Fellow subsidiaries	349,420	--	47,726	-
				<u>5,474,037</u>	<u>7,123,507</u>

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

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

16. 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 June 2021.

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17. FINANCIAL INSTRUMENTS

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

	30 June 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	246,520,719	-	246,520,719	240,040,809	-	240,040,809
Due from related parties	5,474,037	-	5,474,037	7,123,507	-	7,123,507
Cash and cash equivalents	31,185,101	-	31,185,101	37,269,042	-	37,269,042
Other current assets	6,875,904	-	6,875,904	15,143,579	-	15,143,579
	290,055,761	-	290,055,761	299,576,937	-	299,576,937
Financial liabilities not measured at fair value						
Loans and Murabaha	-	775,628,317	775,628,317	-	789,534,373	789,534,373
Dividend payable	-	697,151	697,151	-	697,151	697,151
Finance lease liabilities	-	8,373,822	8,373,822	-	7,106,381	7,106,381
Trade payables	-	160,537,378	160,537,378	-	103,160,339	103,160,339
Employee accruals	-	3,103,400	3,103,400	-	3,300,273	3,300,273
	-	948,340,068	948,340,068	-	903,798,517	903,798,517

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18. 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 June 2021.

Commitments

	30 June 2021	31 December 2020
Letter of credit	35,488,560	36,624,322
Letter of guarantees	7,811,588	4,214,747

In addition to the above, the Group has capital commitments, refer to note 11.

19. SUBSEQUENT EVENTS

No event has occurred up to and including the date of the approval of the condensed consolidated interim financial statements by the Board of Directors of the Group which could materially affect the consolidated interim financial statements and the related disclosures for the nine-month period ended 30 June 2021.

20. BOARD OF DIRECTORS' APPROVAL

The condensed consolidated interim financial statements have been approved by the Board of Directors on 3 Muharram 1443H (corresponding to 11 August 2021).