

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
31 DECEMBER 2023**

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI PRINTING AND PACKAGING COMPANY (A Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of Saudi Printing and Packaging Company (A Saudi Joint Stock Company) (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2023, and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company) (continued)**

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
<p>As at 31 December 2023, the Group’s gross trade receivables amounted to SR 309.4 million, against which impairment allowance for expected credit losses of SAR 92.9 million is maintained.</p> <p>The Group uses the Expected Credit Losses “ECL” model as required by the relevant accounting standard to calculate allowance for impairment in trade receivable. Further, the Group perform an assessment based on a set of relevant qualitative factors for some of the customers categories.</p> <p>We considered impairment of trade receivables as key audit matter as the determination of the expected credit loss (“ECL”) involves significant judgement and this has a material impact on the consolidated financial statements of the Group.</p> <p>The key area of judgement includes assumptions used in ECL model in determining probability of default and macroeconomic information to adjust the historical loss rate.</p> <p>Refer to notes of the consolidated financial statements for significant accounting policy relating to impairment of financial asset, and note 9 for trade receivables related disclosures.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the management’s process in determining and calculating the expected credit loss. • Assessed significant assumptions, including collection rates, recovery rates, impairment ratios and those relating to future economic events that are used to calculate the expected credit losses. • Tested the completeness and accuracy of data used in the ECL calculation including the customer's ageing reports. • Tested the mathematical accuracy of the ECL model. • Obtained an understanding of the latest development and the basis of measuring the impairment allowance for specific provisions and assessed management assumptions given the circumstances. • Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.

**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company) (continued)**

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue Recognition	
<p>During the year ended 31 December 2023, the Group recognised total revenue of SR 779.1 million (2022: SR 1,000.1 million).</p> <p>The Group earns revenue from different business segments which primarily include printing and packaging. The Group recognizes revenue upon satisfaction of the performance obligation.</p> <p>We have considered revenue recognition a key audit matter as the application of accounting standard for revenue recognition involves careful consideration and judgment to determine when risks and rewards have been transferred to customers for different types of contracts. In addition, revenue is an important element of how the Group measures its performance which creates an incentive for improper revenue recognition.</p> <p>Refer to notes of the consolidated financial statements for significant accounting policies relating to revenue recognition and note 20 for revenue related disclosures.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group’s business model and sales process. • Tested, on sample basis, sales transactions to verify that the related revenues and trade receivables are recorded in the current accounting period taking into consideration the terms and conditions of the sale orders, including the shipping terms. • Tested, on sample basis, sales cut off by agreeing deliveries occurring around the year end to supporting documentation to establish that sales and corresponding trade receivables are properly recorded in the correct period. • Assessed the adequacy of the Group’s disclosures made in the notes to the consolidated financial statements.

**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company) (continued)**

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of Goodwill	
<p>As at 31 December 2023 the Group’s consolidated financial statements included goodwill which arose from past business combinations amounting to SAR 334.9 million (2022: SAR 369.9 million)</p> <p>In accordance with the International Accounting Standard (IAS) 36 “Impairment of assets”, goodwill must be tested for impairment at least annually. The determination of recoverable amount, being the higher of value-in-use and fair value less costs to dispose, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Moreover, the determination of the recoverable value based on value-in-use requires making considerable judgement and assumptions when estimating the future cashflows, growth rates and discount rates.</p> <p>We have identified the impairment of goodwill as key audit matter considering the quantitative materiality of the Goodwill recognised and involvement of significant judgements and assumptions in the determination of recoverable amount by management.</p> <p>Refer to notes of the consolidated financial statements for significant accounting policy relating to Goodwill and note 5 for goodwill related disclosures.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of management’s identification of the group’s CGU for the purpose of impairment testing. • Involved our internal specialist to assist us in reviewing the valuation methodologies used by management and assess the reasonableness of the valuation assumptions such as discount and growth rates by comparing these assumptions to source data and market data. • Tested the mathematical accuracy and performed sensitivity analysis on the key assumptions used in the model, including the discount rate used in the discounted cash flow forecast. • Assessed the reliability of cash flow forecasts through a review of actual past performance and comparison to previous forecasts. • Assessed the adequacy of the relevant disclosures included in the consolidated financial statements

Other information included in the Group’s 2023 Annual Report

Other information consists of the information included in the Group’s 2023 annual report, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information in its annual report. The Group’s 2023 annual report is expected to be made available to us after the date of this auditor’s report.

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



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company) (continued)**

Other information included in the Group's 2023 Annual Report (continued)

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

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company) (continued)**

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

- Conclude on the appropriateness of Management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

for Ernst & Young Professional Services

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



Riyadh: 17 Ramadhan 1445H
(27 March 2024)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	<i>2023</i> <i>SAR</i>	<i>2022</i> <i>SAR</i>
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	673,423,675	717,465,759
Intangible assets and goodwill	5	335,632,092	370,835,914
Investment properties	6	25,314,211	25,643,501
Right-of-use assets	7	5,572,031	4,909,729
Non-current trade receivables	9	5,658,536	9,356,428
Non-current derivative assets	16	7,646,415	8,665,937
TOTAL NON-CURRENT ASSETS		1,053,246,960	1,136,877,268
CURRENT ASSETS			
Inventories	8	191,436,274	265,787,671
Trade receivables	9	210,784,640	262,316,040
Prepayments and other current assets	10	32,326,336	37,699,739
Cash and cash equivalents	11	36,351,574	38,781,183
TOTAL CURRENT ASSETS		470,898,824	604,584,633
TOTAL ASSETS		1,524,145,784	1,741,461,901
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	600,000,000	600,000,000
Statutory reserve	13	-	78,639,385
Contractual reserve	13	2,909,935	30,105,326
Accumulated losses		(101,045,500)	(70,396,120)
Other reserve		(419,939)	(408,259)
TOTAL EQUITY		501,444,496	637,940,332
NON-CURRENT LIABILITIES			
Loans and Murabaha	14	177,652,688	332,302,893
Employees' defined benefit liability	15	35,322,559	32,104,684
Lease liabilities	7	4,473,986	3,868,890
TOTAL NON-CURRENT LIABILITIES		217,449,233	368,276,467
CURRENT LIABILITIES			
Trade payables	17	129,609,000	149,219,291
Accrued expenses and other current liabilities	18	22,494,874	23,920,099
Loans and Murabaha	14	595,760,604	486,469,540
Current portion of lease liability	7	1,424,573	1,252,773
Due to related parties	12	40,576,549	61,186,551
Dividends payable		697,151	697,151
Provision for Zakat	19	14,689,304	12,499,697
TOTAL CURRENT LIABILITIES		805,252,055	735,245,102
TOTAL LIABILITIES		1,022,701,288	1,103,521,569
TOTAL EQUITY AND LIABILITIES		1,524,145,784	1,741,461,901



Chairman



Chief Executive Officer



Group Finance Director

The attached notes 1 to 33 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

	<i>Notes</i>	2023 SAR	2022 SAR
Revenue	20	779,158,077	1,000,093,933
Cost of revenue	21	(696,715,823)	(857,700,626)
Gross profit		82,442,254	142,393,307
Selling, marketing and distribution expenses	22	(49,983,698)	(55,696,742)
General and administrative expenses	23	(69,768,408)	(66,982,637)
Impairment on Goodwill	5	(35,000,000)	-
Operating (loss) /profit		(72,309,852)	19,713,928
Other income	24	4,808,879	5,977,289
Finance costs	25	(61,303,063)	(31,415,991)
Loss before Zakat from operations		(128,804,036)	(5,724,774)
Zakat expense	19	(3,500,000)	(3,494,702)
Loss for the year from operations		(132,304,036)	(9,219,476)
Loss for the year		(132,304,036)	(9,219,476)
Other comprehensive income:			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign currencies		(11,680)	(6,824)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(11,680)	(6,824)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain/(loss) on employees' defined benefit liability		(4,180,120)	5,420,415
Net other comprehensive (loss) / income that will not be reclassified to profit or loss in subsequent periods		(4,180,120)	5,420,415
Other comprehensive (loss) /income for the year		(4,191,800)	5,413,591
Total comprehensive loss		(136,495,836)	(3,805,885)
Earnings per share			
Basic, profit for the year attributable to ordinary equity holders of the parent		(2.21)	(0.15)
Diluted, profit for the year attributable to ordinary equity holders of the parent		(2.21)	(0.15)


Chairman


Chief Executive Officer



Group Finance Director

The attached notes 1 to 33 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
For the year ended 31 December 2023

	<i>Capital SAR</i>	<i>Statutory reserve SAR</i>	<i>Contractual reserve SAR</i>	<i>Accumulated losses SAR</i>	<i>Other reserves SAR</i>	<i>Total SAR</i>
Balance at 1 January 2022	600,000,000	78,639,385	30,105,326	(66,597,059)	(401,435)	641,746,217
Loss for the year	-	-	-	(9,219,476)	-	(9,219,476)
Other comprehensive income/(loss) for the year	-	-	-	5,420,415	(6,824)	5,413,591
Total comprehensive loss for the year	-	-	-	(3,799,061)	(6,824)	(3,805,885)
Balance at 31 December 2022	<u>600,000,000</u>	<u>78,639,385</u>	<u>30,105,326</u>	<u>(70,396,120)</u>	<u>(408,259)</u>	<u>637,940,332</u>
Balance at 1 January 2023	600,000,000	78,639,385	30,105,326	(70,396,120)	(408,259)	637,940,332
Loss for the year	-	-	-	(132,304,036)	-	(132,304,036)
Other comprehensive loss for the year	-	-	-	(4,180,120)	(11,680)	(4,191,800)
Total comprehensive loss for the year	-	-	-	(136,484,156)	(11,680)	(136,495,836)
Absorption of accumulated losses (note 13)	-	(78,639,385)	(27,195,391)	105,834,776	-	-
Balance at 31 December 2023	<u>600,000,000</u>	<u>-</u>	<u>2,909,935</u>	<u>(101,045,500)</u>	<u>(419,939)</u>	<u>501,444,496</u>



Chairman



Chief Executive Officer



Group Finance Director

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	2023 SAR	2022 SAR
OPERATING ACTIVITIES:		
Loss before zakat	(128,804,036)	(5,724,774)
<i>Adjustment to reconcile income before zakat to net cash</i>		
Depreciation and amortization	57,696,063	56,917,528
Impairment loss of trade receivable	4,810,464	7,230,209
Impairment of Goodwill	35,000,000	-
Net provision of slow-moving inventory	2,482,951	1,179,031
Loss/Gain from disposal of property, plant and	245,235	(235,507)
Finance costs	60,973,071	38,862,208
Loss/gain from non-current derivative asset	1,019,522	(8,665,937)
Lease liabilities interest	329,992	353,821
Provision for employees' defined benefit liability	3,487,595	3,568,436
	<u>37,240,857</u>	<u>93,485,015</u>
Working capital adjustments:		
Inventories	71,868,446	(51,268,268)
Trade receivables	50,418,828	(8,947,598)
Prepayments and other current assets	5,373,403	(7,201,353)
Trade payables	(19,610,291)	(4,633,291)
Accrued expenses and other current liabilities	(1,425,225)	(2,999,485)
Due to related party	(20,610,002)	61,186,551
Cash generated from operating activities	<u>123,256,016</u>	<u>79,621,571</u>
Defined benefit liabilities- employees' benefits paid	(5,781,994)	(5,230,605)
Zakat paid	(1,311,708)	(3,247,658)
Net cash flows from operating activities	<u>116,162,314</u>	<u>71,143,308</u>
INVESTING ACTIVITIES:		
Acquisition of property, plant and equipment	(12,970,574)	(17,975,600)
Purchase of intangibles	-	(713,029)
Proceeds from disposal of property, plant and equipment	1,026,909	867,325
Net cash flows used in investing activities	<u>(11,943,665)</u>	<u>(17,821,304)</u>
FINANCING ACTIVITIES:		
Proceeds from loans and Murabaha	1,177,554,767	1,346,844,863
Payments of loans and Murabaha	(1,223,040,815)	(1,355,405,149)
Payments of finance cost	(59,514,010)	(37,284,437)
Payment of lease liabilities	(1,639,253)	(1,688,202)
Net cash used in financing activities	<u>(106,639,311)</u>	<u>(47,532,925)</u>
Net (decrease) / increase in cash and cash equivalents	(2,420,662)	5,789,079
Foreign currency translation differences	(8,947)	3,321
Change in cash restricted for use by banks	-	58
Cash and cash equivalents at the beginning of the year	<u>28,988,331</u>	<u>23,195,873</u>
Cash and cash equivalents at the end of the year	<u>26,558,722</u>	<u>28,988,331</u>
Significant non-cash transactions:		
Property, plant and equipment additions	-	7,910,000
Remeasurements of employees' defined benefit liability	4,180,120	5,420,415
Right-of-use assets and lease liabilities adjustments	308,349	1,358,029


Chairman


Chief Executive Officer


Group Finance Director

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

1. CORPORATE INFORMATION

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

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

These 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	
		2023	2022
Hala Printing Company (a)	Saudi Arabia	100%	100%
Al-Madinah Al Munawarah Printing & Publishing Company (b)	Saudi Arabia	100%	100%
Future Industrial Investment Company (“FIIC”) (c)	Saudi Arabia	100%	100%
Emirates National Factory for Plastic Industries (“ENPI”) (d)	United Arab Emirates	100%	100%

- a) Hala Printing Company is a Saudi limited liability company registered in the Kingdom of Saudi Arabia and operating under the Commercial Registration No. 1010220149 issued in the city of Riyadh on 11 Jumada’ I 1427H (corresponding to 7 June 2006). The Company operates in the field of wholesale and retail trade in publications, paper and its products and publications of written materials under the media license issued by the Ministry of Culture and Media No. 3435, dated 9 Thul-Qi’dah 1414H (corresponding to 20 April 1994), which was renewed on 13 Shawwal 1437H.
- b) Al Madina Printing and Packaging Company is a Saudi limited liability company registered in the Kingdom of Saudi Arabia. The Company operates under the Commercial No. 4030004369 issued in the city of Jeddah on 23 Rajab 1338H (corresponding to 9 December 1963). The Company operates in the field of producing photocopy paper, textbooks and publications under the license issued by the Ministry of Media No. 510 on 24 Dhul-Hijjah 1413H (corresponding to 14 June 1993).
- c) Future Industrial Investment Company is a Saudi limited liability company registered in the Kingdom of Saudi Arabia, and operating under Commercial Registration No. 1010353704 issued in the city of Riyadh on 19 Dhul-Hijjah 1433H (corresponding to 4 November 2012). The principal activity of the Company includes the wholesale and retail trade of printing and packaging materials and machines, their tools, inks, paper, plastics and their raw materials.
- d) Emirates National Factory for Plastic Industries is a limited liability company registered with the Department of Economic Development – Government of Sharjah in the United Arab Emirates and operating under Commercial Registration No. 3742 issued on 5 December 1995. The Company is licensed to manufacture plastic bags, plastic tubes, plastic sheets and aluminum sheets.

The following are wholly owned subsidiaries of Emirates National Factory for Plastic Industries:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

1. CORPORATE INFORMATION (continued)

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

2. Material Accounting Policy Information

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) collectively referred to as “IFRSs as endorsed in the Kingdom of Saudi Arabia”.

The consolidated financial statements have been prepared on a historical cost basis, except for the derivative financial instruments which are measured at fair value and employees’ defined benefit liability which is measured using the projected unit credit method.

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

The Group's current liabilities exceeds its current assets by SAR 334.3 million (31 December 2022: SAR 130.6 million). Moreover, the Group has accumulated losses amounting to SAR 101 million as at 31 December 2023 (31 December 2022: SAR 70.3 million accumulated losses), which approximate 16.8% (31 December 2022: 11.7%) 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.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.2 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3 Summary of Material Accounting Policy Information

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs.

The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

a) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

c) Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

c) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

d) Zakat, tax and VAT

Zakat

Provision for zakat is calculated at the date of the consolidated statement of financial position in accordance with regulations of Zakat, Tax and Customs Authority (“ZATCA”).

The resulting provision is recorded within the consolidated statement of profit or loss. Additional zakat liability, if any, related to prior year’s assessments arising from ZATCA are recognized in the period in which the final assessments are finalized.

Value Added Tax (VAT)

The Group is subject to monthly VAT provisions. It is paid and settled through the monthly statements submitted by the Group to the ZATCA.

e) Foreign currencies

The Group’s consolidated financial statements are presented in SAR, which is also the parent company’s functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment in a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognized in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

e) Foreign currencies (continued)

i) Transactions and balances (continued)

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into SAR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

f) Cash dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized, and the distribution is no longer at the discretion of the Company. A corresponding amount is recognized directly in equity.

g) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation

Straight-line method

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	The shorter of 10 – 33 years or the lease contract period
Plant and equipment	5 to 20 years
Furniture and fixtures	10 years
Vehicles	4 years
Computer hardware	4 – 7 years
Tools	5 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

g) Property, plant and equipment (continued)

Depreciation (continued)

Straight-line method (continued)

The Group reviews the estimated residual values and expected useful lives of assets at least annually. In particular, the Group considers the impact of health, safety and environmental legislation in its assessment of expected useful lives and estimated residual values.

Units of production method

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

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

h) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis from the date of commencement of the lease to the end of the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

h) Leases (continued)

Group as a lessee (continued)

ii) Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

i) Revenue from contracts with customers

The Group is in the business of printing and packaging.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment at the customer's location.

In determining the transaction price for the sale of its goods, the Group considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

i) Revenue from contracts with customers (continued)

Variable consideration (continued)

Some contracts for the sale of goods provide customers with a right to return the goods within a specified period.

The rights of return give rise to variable consideration.

Rights of return

The Group uses the expected value method to estimate the variable consideration given the large number of contracts that have similar characteristics. The Group then applies the requirements on constraining estimates of variable consideration in order to determine the amount of variable consideration that can be included in the transaction price and recognised as revenue. A refund liability is recognised for the goods that are expected to be returned (i.e., the amount not included in the transaction price). A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover the goods from the customer.

Trade receivable

A receivable is recognised if an amount of consideration that is unconditional is due from the customer.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

j) Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured using the cost model (at historical cost less accumulated depreciation – except for lands, which are carried at its cost – and the accumulated impairment losses, if any)

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

Buildings: 10 – 33 years

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

k) Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

l) Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“OCI”), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (“SPPI)”’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

1) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognized, modified or impaired.

The Group’s financial assets at amortised cost includes trade receivables, cash and cash equivalents and other current assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

1) Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs.

Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 3 years past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

I) Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and murabaha)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and murabaha)

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

Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the period of long-term borrowings using the effective interest rate method.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

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

Saudi Printing and Packaging Company

(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

m) Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

n) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

n) Impairment of non-financial assets (continued)

The Group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase manufacturing costs. These risks in relation to climate-related matters are included as key assumptions where they materially impact the measure of recoverable amount. These assumptions have been included in the cash-flow forecasts in assessing value-in-use amounts.

o) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

q) Employees' defined benefit liability

Short-term employees' benefits

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

Defined benefits plan

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

Valuation method and main assumptions of the actuarial study

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

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.3 Summary of Material Accounting Policy Information (continued)

q) Employees' defined benefit liability (continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'administration expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

r) Cost of revenue

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

s) Selling and distribution expenses

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

t) General and administrative expenses

General and administrative expenses consist of direct and indirect costs not attributable to cost of revenue. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis. These expenses primarily include employee costs, other benefits, compensation and allowances of the board of directors and its committees, maintenance fees, rent and travel expenses, insurance, professional fees, and others.

u) 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.

2.4 Standards issued but not yet effective.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.4 Standards issued but not yet effective. (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right, and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements

2.5 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

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

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

The new standard had no impact on the Group's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

2. Material Accounting Policy Information (continued)

2.5 New and amended standards and interpretations (continued)

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

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

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

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

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules.

3. Use of Significant Estimates and Judgments

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Saudi Printing and Packaging Company

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

3. Use of Significant Estimates and Judgments (continued)

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the

lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

- Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating lease

- Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

- Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

3. Use of Significant Estimates and Judgments (continued)

- Defined benefits plans

The cost of the employees' defined benefit liability and its present value are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases.

Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

- Defined benefits plans

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

- Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow ("DCF") model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

- Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Saudi Printing and Packaging Company
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

4. PROPERTY, PLANT AND EQUIPMENT

	<i>Land</i>	<i>Buildings</i>	<i>Plant & equipment</i>	<i>Furniture & fixtures</i>	<i>Vehicles</i>	<i>Computer hardware</i>	<i>Tools</i>	<i>Projects in progress</i>	<i>Total</i>
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
Cost									
At 1 January 2022	142,884,094	311,806,079	1,022,792,798	48,330,091	16,599,199	18,881,264	753,081	15,755,873	1,577,802,479
Additions	-	-	283,125	3,395	1,104	107,540	7,910,000	17,580,436	25,885,600
Disposals	-	(58,897)	(71,831,280)	(1,057,602)	(874,441)	(634,395)	(245,871)	(706,904)	(75,409,390)
Transfer from projects in progress	-	12,218,980	11,426,411	1,184,184	448,050	392,468	-	(25,670,093)	-
Exchange differences	(632)	(1,215)	(3,982)	(328)	(77)	(97)	-	(51)	(6,382)
At 31 December 2022	142,883,462	323,964,947	962,667,072	48,459,740	16,173,835	18,746,780	8,417,210	6,959,261	1,528,272,307
Additions	-	87,198	26,209	-	-	38,201	-	12,818,966	12,970,574
Disposals	-	-	(7,699,936)	-	(316,337)	(12,902)	(301,279)	(264,124)	(8,594,578)
Transfer from projects in progress	-	323,256	8,392,948	190,096	265,519	453,792	-	(9,625,611)	-
Foreign currency differences	-	-	-	-	-	-	-	-	-
At 31 December 2023	142,883,462	324,375,401	963,386,293	48,649,836	16,123,017	19,225,871	8,115,931	9,888,492	1,532,648,303
Accumulated depreciation									
At 1 January 2022	-	115,791,818	635,311,451	39,229,840	15,943,163	15,482,957	751,594	-	822,510,823
Depreciation	-	9,354,296	40,967,616	2,369,449	395,957	660,402	1,413,975	-	55,161,695
Disposals	-	(58,897)	(64,008,496)	(1,057,602)	(872,762)	(623,948)	(245,867)	-	(66,867,572)
Foreign currency differences	-	256	1,142	122	37	45	-	-	1,602
At 31 December 2022	-	125,087,473	612,271,713	40,541,809	15,466,395	15,519,456	1,919,702	-	810,806,548
Depreciation	-	10,298,912	42,687,102	657,624	308,994	656,705	1,131,176	-	55,740,513
Disposals	-	(39,710)	(6,652,205)	-	(316,337)	(12,902)	(301,279)	-	(7,322,433)
Foreign currency differences	-	-	-	-	-	-	-	-	-
At 31 December 2023	-	135,346,675	648,306,610	41,199,433	15,459,052	16,163,259	2,749,599	-	859,224,628
Net book value:									
At 31 December 2023	142,883,462	189,028,726	315,079,683	7,450,403	663,965	3,062,612	5,366,332	9,888,492	673,423,675
At 31 December 2022	142,883,462	198,877,474	350,395,359	7,917,931	707,440	3,227,324	6,497,508	6,959,261	717,465,759

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

4. PROPERTY, PLANT AND EQUIPMENT (continued)

- Certain property, plant and equipment have been placed as collateral against loans amounting to 279.3M (Note 14).
- Lands with carrying value of SAR. 142.8M are owned by the group.
- The balance of projects in progress represents the cost of establishing warehouse in one of the group's subsidiary, and machines which the Group is assembling to be used in production.

Depreciation charge for the year has been allocated as follows:

	2023	2022
	SAR	SAR
Cost of revenue	52,122,850	50,911,379
General and administrative expenses	3,341,945	3,923,603
Selling and distribution expenses	275,718	326,713
	55,740,513	55,161,695

5. INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Software	Total
	SAR	SAR	SAR
Cost			
At 1 January 2022	390,230,436	13,370,729	403,601,165
Additions	-	713,029	713,029
At 31 December 2022	390,230,436	14,083,758	404,314,194
Additions	-	-	-
At 31 December 2023	390,230,436	14,083,758	404,314,194
Amortization and impairment			
At 1 January 2022	20,306,000	13,099,303	33,405,303
Amortization	-	72,974	72,974
Foreign currency differences	-	3	3
At 31 December 2022	20,306,000	13,172,280	33,478,280
Amortization	-	203,822	203,822
Impairment	35,000,000	-	35,000,000
Foreign currency differences	-	-	-
At 31 December 2023	55,306,000	13,376,102	68,682,102
Net book value:			
At 31 December 2023	334,924,436	707,656	335,632,092
At 31 December 2022	369,924,436	911,478	370,835,914

The following is a breakdown of goodwill:

	2023	2022
	SAR	SAR
Emirates National Factory for Plastic Industries	324,707,551	359,707,551
Hala Printing Company	10,216,885	10,216,885
	334,924,436	369,924,436

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

5. INTANGIBLE ASSETS AND GOODWILL (continued)

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

All the parties have agreed under the Shares Purchase and Sale Agreement (the "Agreement") to transfer all rights and liabilities related to the former shareholders to the Group on 1 July 2012 as the date on which effective control is transferred to the Group (the “Acquisition Date”). This acquisition resulted in goodwill amounting to 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 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 and 2023, the group recognizes impairment on the goodwill amounted to SAR 20.3 and 35 million, respectively.

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 recoverable amount was less than the book value of the goodwill as at 31 December 2023 accordingly an impairment of SAR 35 million was recorded during the current year.

The recoverable amount was determined on the basis of the information used to calculate the present value of the five-year expected cash flows along with cash flow to perpetuity, based on the financial budget approved by the management. The estimated average annual growth rate of revenue of the Emirates National Factory for Plastic Industries and Hala Printing Company is 4.23 and 5.52, respectively.

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 might result in an impairment loss. The terminal growth rates and Weighted Average Cost of Capital Assumptions (“WACC”) used are the key assumptions in cases where potential changes might lead to impairment. A change of +/- 1% in the WACC will result in further significant impairment loss.

The key assumptions used in the estimation of the recoverable amount as at 31 December 2023 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.

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At 31 December 2023

5. INTANGIBLE ASSETS AND GOODWILL (continued)

Sensitivity to changes in assumptions (continued)

	31 December 2023		31 December 2022	
	ENPI	Hala	ENPI	Hala
	%	%	%	%
Weighted Average Cost of Capital Assumptions (“WACC”)	9.82	9.82	9.5	9.5
Estimated average EBITDA margin	9.66	19.18	10.8	23.2
Average annual growth rate of revenue	4.23	5.52	5.16	4.8
Terminal growth rate	2.5	2.5	2.5	2.5

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

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

6. INVESTMENT PROPERTIES

	Land	Buildings	Total
	SAR	SAR	SAR
Cost:			
At 1 January 2022	18,922,102	9,403,543	28,325,645
At 31 December 2022	18,922,102	9,403,543	28,325,645
At 31 December 2023	18,922,102	9,403,543	28,325,645
Accumulated depreciation:			
At 1 January 2022	-	2,364,528	2,364,528
Depreciation	-	317,569	317,569
Foreign currency differences	-	47	47
At 31 December 2022	-	2,682,144	2,682,144
Depreciation	-	329,290	329,290
Foreign currency differences	-	-	-
At 31 December 2023	-	3,011,434	3,011,434
Net book value:			
At 31 December 2023	18,922,102	6,392,109	25,314,211
At 31 December 2022	18,922,102	6,721,399	25,643,501

The Group’s investment properties consist of two commercial properties in the Kingdom of Saudi Arabia and the United Arab Emirates, both of which have been retained by the Group for the purpose of capital appreciation and achieving rental income. Rental income for the year ended 31 December 2023 amounted to SAR 974,044 (2022: SAR 915,230).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

6. INVESTMENT PROPERTIES (continued)

Fair value disclosures

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

	2023		2022	
	<i>Carrying value</i> <i>SAR</i>	<i>Fair value</i> <i>SAR</i>	<i>Carrying value</i> <i>SAR</i>	<i>Fair value</i> <i>SAR</i>
Investment properties	25,314,211	49,900,000	25,643,501	50,136,316
	25,314,211	49,900,000	25,643,501	50,136,316

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

The fair value of property located in the Kingdom of Saudi Arabia was determined based on the valuation by third party CBRE Rowad Al-Riyadh Real Estate Valuation Company ("Valuer") has performed the valuation of the investment properties using the residual Valuation method.

The fair value of property located in the United Arab Emirates was determined based on the valuation made by third party Asteco Property Management for Real Estate Valuation and Revaluation Establishment under RERA license number (43767) ("Valuer") has performed the valuation of the investment properties using the income approach.

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

Geographic location	Valuation technique	Unobservable inputs
KSA	<p>Residual valuation approach</p> <p>The residual valuation method is the valuation method accepted by the RICS for valuing developments and opportunities which take time to come to fruition.</p>	<p>Assumptions</p> <p>The term "Residual Valuation" relates to any valuation which consists of an estimate of the value of a property after allowing for various items of expenditure.</p>
UAE	<p>Income approach</p> <p>By using revenue multiples / capitalization rates based on available market trends and evidence.</p>	<p>Assumptions</p> <p><u>Building:</u></p> <ul style="list-style-type: none"> - Annual rent of the subject of appraisal and similar buildings amounting to AED 966,000 (SAR 984,858). - Operating expenses average 11% of the annual rent for similar buildings.

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6. INVESTMENT PROPERTIES (continued)

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Profit arising from investment properties:

	<u>2023</u>	<u>2022</u>
	<i>SAR</i>	<i>SAR</i>
Rental income derived from investment properties	966,000	915,230
	<i>Percentage</i>	<i>Percentage</i>
Direct operating expenses generating rental income (percentage of annual rent)	11%	12%

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for various items of plant, building, and land used in its operations. Leases of land generally have lease terms between 1 and 20 years, building have lease terms from 6 to 17 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

	<i>Right-of-use assets</i>
	<u><i>SAR</i></u>
As at 1 January 2022	7,633,111
Additions	-
Disposals	(1,358,029)
Depreciation	(1,365,290)
Exchange differences	(63)
As at 31 December 2022	<u>4,909,729</u>
Additions	2,393,088
Disposals	(308,349)
Depreciation	(1,422,438)
Exchange differences	1
As at 31 December 2023	<u>5,572,031</u>

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At 31 December 2023

7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2023	2022
	SAR	SAR
As at 1 January	5,121,663	7,814,110
Additions	2,393,088	-
Modification	(308,349)	(1,358,029)
Accretion of interest	329,992	353,821
Payments	(1,639,253)	(1,688,202)
Foreign currency translation adjustments	1,418	(37)
As at 31 December	<u>5,898,559</u>	<u>5,121,663</u>
Current	<u>1,424,573</u>	<u>1,252,773</u>
Non-current	<u>4,473,986</u>	<u>3,868,890</u>

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of 5% (2022: 5%).

The lease payments along with present value of the lease payments as at 31 December 2023 are as follows:

	<i>Future lease payments</i>	<i>Interest</i>	<i>Present value of lease payments</i>
	SAR	SAR	SAR
Within one year	1,675,761	(296,634)	1,419,127
Two to five years	1,191,025	(432,468)	838,557
Later than five years	4,637,304	(996,429)	3,640,875
	<u>7,504,090</u>	<u>(1,725,531)</u>	<u>5,898,559</u>

The following are the amounts recognized in profit or loss:

	2023	2022
	SAR	SAR
Depreciation expense of right-of-use assets	1,422,438	1,365,290
Interest expense on lease liabilities	329,992	353,826
Expense relating to short-term or low value leases (included in cost of revenue)	1,314,113	1,415,121
Expense relating to short-term or low value leases (included in selling and distribution expenses)	4,480,811	4,336,293
Expense relating to short-term or low value leases (included in general and administrative expenses)	1,277,156	1,271,126
Total amount recognised in profit or loss	<u>8,824,510</u>	<u>8,741,656</u>

The Group had total cash outflows for leases of SAR 1,639,253 in 2023 (2022: SAR 1,688,202). The Group also had non-cash additions to right-of-use assets and lease liabilities of 2,393,088 in 2023 (2022: Nil).

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8. INVENTORIES

	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Raw materials	139,595,692	205,314,615
Finished goods	36,511,629	48,489,654
Work-in-progress	8,643,058	3,118,267
Spare-parts and consumables	26,870,145	25,366,638
Goods-in-transit	2,537,790	3,737,586
	214,158,314	286,026,760
Less: Provision for obsolete and slow-moving inventory	(22,722,040)	(20,239,089)
	191,436,274	265,787,671

Movement in provision for obsolete and slow-moving inventory is as follows:

	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Balance at the beginning of the year	20,239,089	19,060,108
Provided during the year	2,482,951	1,179,031
Foreign currency translation adjustments	-	(50)
	22,722,040	20,239,089

Hypothecation and pledge over inventories of ENPI Group amounting to the carrying value of the inventories at any given point in time is given as loan guarantee (note 14). Such balance at the year end amounted to SR 135.5 million (2022: SR 187.3 million).

9. TRADE RECEIVABLES

	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Trade receivable	309,437,310	359,856,138
	309,437,310	359,856,138
Less: Allowance for expected credit losses	(92,994,134)	(88,183,670)
	216,443,176	271,672,468
Current portion	210,784,640	262,316,040
Non-current portion *	5,658,536	9,356,428

* on prior years, 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>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Balance at the beginning of the year	88,183,670	80,953,584
Impairment loss on trade receivable	4,810,464	7,230,209
Foreign currency translation adjustments	-	(123)
	92,994,134	88,183,670

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At 31 December 2023

10. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>2023</u>	<u>2022</u>
	SAR	SAR
Prepaid expense	15,395,541	15,444,932
Advance to suppliers	6,558,126	9,256,545
Refundable security deposit	3,214,759	4,961,405
Prepayment to ZATCA	6,170,214	6,170,214
Employees' receivables	1,645,334	1,460,948
Others	892,374	1,945,054
	<u>33,876,348</u>	<u>39,239,098</u>
Less: Impairment for prepayments and other current assets	<u>(1,550,012)</u>	<u>(1,539,359)</u>
	<u>32,326,336</u>	<u>37,699,739</u>

11. CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
	SAR	SAR
Cash in hand	13,944	11,447
Cash at bank	36,337,630	38,769,736
Cash and cash equivalents in the consolidated statement of financial position	<u>36,351,574</u>	<u>38,781,183</u>
Less: Balance with banks-restricted accounts (*)	<u>(9,792,852)</u>	<u>(9,792,852)</u>
Cash and cash equivalents in the consolidated statement of statement of cash flows	<u>26,558,722</u>	<u>28,988,331</u>

(*) The restricted bank accounts represent a deposit against a loan obtained and not available for the group general use (Note 14).

12. BALANCES AND TRANSACTIONS WITH 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.

12.1 Key management personnel compensation

	<u>2023</u>	<u>2022</u>
	SAR	SAR
Board of directors' expenses and allowances	1,429,241	1,550,426
Key management personnel compensation (*)	5,183,721	5,504,759
	<u>6,612,962</u>	<u>7,055,185</u>
Key management personnel compensation (*)	<u>2023</u>	<u>2022</u>
	SAR	SAR
Short-term employee benefits	4,484,171	5,123,895
Post-employment benefits	699,550	380,863
	<u>5,183,721</u>	<u>5,504,758</u>

*Key management personal compensation includes salaries and equivalents and defined benefit liabilities employees' benefits.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2023

12. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (continued)

12.2 The significant transaction and balances between the Group and its related parties are as follows:

	<i>Sales Transaction for the year ended 31 December</i>		<i>Balance due from/(due to) as at 31 December</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
Saudi Research and Media Group *	1,009,604	791,742	(40,576,549)	(61,186,551)
Saudi Research and Publishing Company	45,571,680	50,106,840	-	-
Saudi Specialized Publishing Company	1,775,240	718,260	-	-
Saudi Distribution Company	-	525	-	-
AlKhaleejiah Advertising Company	-	-	-	-
Taoq Public Relations Company	-	19,900	-	-

* Saudi Research and Media Group "SRMG" is the holding of SPPC, and the remaining companies are subsidiaries of SRMG.

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.

13. SHARE CAPITAL AND RESERVES

Share Capital: as at 31 December 2023, the fully paid-up share capital of the company is SAR 600 million (2022: SAR 600 million) divided into 60 million shares (2022: 60 million shares) with a nominal value of SAR 10 each. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

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.

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

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 letter of guarantee, on different periods subject to renewal. The credit limit for total facilities was SAR 886.8 million as at 31 December 2023 (31 December 2022: SAR 942.9 million). These agreements are subject to the terms and conditions of banking facilities that apply to all types of facilities provided by banks to their clients. The purpose of these facilities is to finance the activity, working capital, investments and capital expenditures as well as to finance the import of raw materials and equipment related to the Group's activities and projects. These facilities are subject to interest charges according to the relevant agreements, ranging from 1.65% to 3.5% per annum in addition to SAIBOR or EIBOR as applicable.

The loan agreements contain covenants, mainly relating to certain current ratio, leverage ratio, total debt to equity ratio, and others. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. The Group didn't comply with certain loans and certain covenants as at 31 December 2023. The group has breach in certain financial covenants related to certain interest-bearing loan, accordingly this certain loan has been classified as short-term.

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14. LOANS AND MURABAHA (continued)

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.
- Restricted bank accounts amounting to SAR 9.8 million (2022: SAR 9.8 million). (note 11)
- Corporate Guarantee from Flexible Packaging Company Limited, Future Plus Company and Taibah Printing and Packaging Company Limited.
- Legal Mortgage over land and property of SAR 107.6 million.
- Mortgage of Machineries worth SAR 171.6 million.
- Assignment of all risk Islamic Insurance policy over mortgaged properties, inventory, and purchased machines.
- Pledge of stock/inventories in favor of the bank until full and final repayment of the total facilities
- Hypothecation over inventories of ENPI Group amounting to the carrying value of the inventories at any given point in time
- Hypothecation over ENPI receivables on pari passu basis between the lenders
- Cross corporate guarantees of ENPI Companies for SAR. 410 million (31 December 2022: SAR 389 million)
- Comfort letter from the shareholders of ENPI amounting to the full working capital facilities of SAR 410 million (2022: SAR 389 million).
- Promissory note in an amount of SAR 76.46 million (AED 75,000,000)

Based on the decision of the Board of Directors held on 7 May 2018, the bank has the right, in the event of default by the Group, to recourse through some of the subsidiaries, and the bank has the right to request additional guarantees other than what is mentioned in the loan agreement.

In January 2021, Emirates National Factory for Plastic Industries (a wholly owned subsidiary in the United Arab Emirates) signed a banking facility agreement (in compliance with the provisions of Islamic Sharia) with a local bank in the United Arab Emirates for a total amount of SAR. 494 million representing the following:

- Long-term financing of SAR. 356.8 million, repayable over 8 years. The facility was obtained for the purposes of financing capital projects in the amount of SAR 76.4 million, in addition to early payment of existing facilities in favor of other banks in the United Arab Emirates, amounting to SAR. 280 million.
- Short-term financing of SAR. 137.6 million for the purpose of working capital financing.

This loan has an IRS which has resulted in a derivative financial instrument asset as at 31 December 2023 refer to (note 16).

As at 31 December 2023, the balance utilized amounted to SAR 773.4 million (2022: SAR 818.8 million).

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

	2023	2022
	SAR	SAR
Long term loans*	372,101,924	404,911,688
Short term loans	377,416,393	389,382,623
Overdrafts	19,327,305	20,037,359
Accrued finance cost	4,567,670	4,440,763
Total	773,413,292	818,772,433

* The long-term loans include current portion.

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At 31 December 2023

14. LOANS AND MURABAHA (continued)

The following is the movement of the loan transaction:

	<u>2023</u>	<u>2022</u>
	SAR	SAR
Opening balance	818,772,433	825,754,948
Proceeds during the year	1,177,554,767	1,346,844,863
Payments during the year	(1,223,040,815)	(1,355,405,149)
Interest charged during the year	59,640,917	38,862,208
Payments for financial cost during the year	(59,514,010)	(37,284,437)
Ending balance	<u>773,413,292</u>	<u>818,772,433</u>

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

	<u>2023</u>	<u>2022</u>
	SAR	SAR
Current portion	595,760,604	486,469,540
Non- Current portion	177,652,688	332,302,893
	<u>773,413,292</u>	<u>818,772,433</u>

15. EMPLOYEES DEFINED BENEFITS LIABILITIES

	SAR
Defined benefit obligation at 1 January 2022	39,187,268
Current service cost	3,527,185
Past service gain	(824,648)
Interest cost	865,899
Benefits paid	(5,230,605)
Re-measurement of employees' defined liabilities	(5,420,415)
Defined benefit liabilities at 31 December 2022	<u>32,104,684</u>
Current service cost	3,487,595
Interest cost	1,332,154
Benefits paid	(5,781,994)
Re-measurement of employees' defined liabilities	4,180,120
Defined benefit liabilities at 31 December 2023	<u>35,322,559</u>

Significant actuarial assumptions

The table below outlines the assumptions used in the evaluation process.

	Kingdom of Saudi Arabia		United Arab Emirates	
	2023	2022	2023	2022
Discount rate	4.56%	4.70%	4.14%	4.35%
Salary increase rate	0% for FY 23 And 1% thereafter	0% for FY 22 And 1% thereafter	0% for FY 23 And 1% thereafter	0% for FY 22 And 1% thereafter
Assumed retirement age	60 years	60 years	60 years	60 years

Sensitivity analysis

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

	Discount rate		Salary increase rate	
	1% decrease	1% increase	1% decrease	1% increase
	SAR	SAR	SAR	SAR
31-Dec-23	2,043,311	(2,312,442)	(2,126,795)	2,369,334
31-Dec-22	2,654,315	(2,302,966)	(2,402,614)	2,728,302

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15. EMPLOYEES DEFINED BENEFITS OBLIGATION (continued)

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

	<u>2023</u>	<u>2022</u>
	SAR	SAR
Derivatives not designated as hedging instruments		
Profit rate swaps	7,646,415	8,665,937

The Group uses derivative financial instruments mainly, profit rate swaps. Such derivative financial instruments are initially recognized 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 recognized asset of SAR 8.7 million as a financial asset during the year ended 31 December 2022 and the asset has been decreased to SAR 7.6 million during year ended 31 December 2023.

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

	<u>2023</u>	<u>2022</u>
	SAR	SAR
Change in fair value of the derivative instrument	(1,019,522)	8,665,937
Carrying amount of the derivative instrument	7,646,415	8,665,937
Notional amount of the derivative instrument	141,458,678	163,120,800
Maturity date of the derivative instrument	6 December 2025	6 December 2025

17. TRADE PAYABLES

	<u>2023</u>	<u>2022</u>
	SAR	SAR
Trade payables	129,609,000	149,219,291
	129,609,000	149,219,291

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. Trade payables are normally settled in 60 to 90 days.

18. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2023</u>	<u>2022</u>
	SAR	SAR
Accrued expenses	12,140,544	11,696,500
Advances from customers	3,861,205	3,424,322
Employees accruals	3,876,119	4,866,250
Other	2,617,006	3,933,027
	22,494,874	23,920,099

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19. PROVISION FOR ZAKAT

19.1 ZAKAT

Zakat base:	2023	2022
	SAR	SAR
Loss before zakat adjustment	<u>(128,804,036)</u>	<u>(5,724,774)</u>
Disallowable expenses	<u>12,113,164</u>	<u>15,722,502</u>
Adjusted loss/ (income) for zakat provision	<u>(116,690,872)</u>	<u>9,997,728</u>
Equity opening balance	708,744,711	708,744,711
Provisions and other adjustments	139,764,539	136,175,845
Non-current liabilities	378,697,634	420,029,581
Non-current assets	<u>(1,137,208,274)</u>	<u>(1,184,412,209)</u>
Zakat base	<u>(26,962,262)</u>	<u>90,535,656</u>

Movement in zakat provision:	2023	2022
	SAR	SAR
Balance as at 1 January	12,499,697	12,250,396
Charge during the year	3,500,000	3,494,702
Zakat Paid	(1,311,708)	(3,247,658)
Foreign currency translation adjustment	1,315	2,257
Balance as at 31 December	<u>14,689,304</u>	<u>12,499,697</u>

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

The Group received the consolidated zakat assessment for the years 31 December 2005 to 2008. However, ZATCA issued assessment notice requesting the group to pay an additional amount of SAR. 9,964,793 for which the company has filed an objection against the assessment. Subsequently, ZATCA partially accepted the appeal and zakat differences were reduced by SAR. 3,382,159. The group filed additional objection for the remaining amount of SAR. 6,582,634. The objection was partially approved by the General Secretariate of Tax and Committees (“GSTC”) and zakat differences were reduced by SAR. 5,040,535. The group and ZATCA filed objection to the GSTC, these objections are still being considered by GSTC at the date of preparing these 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 consolidated financial statements. ZATCA issued assessment notice for the year 2014 without additional amounts.

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 the objection was rejected by the first level. Then the group filed its appeal to the second level of GSTC. The GSTC 2nd level has issued its ruling upholding ZATCA’s treatment in majority of the items. However, the Group did not accept this ruling and submitted a reconsideration request to the GSTC. The result of this reconsideration request is still pending.

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

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19. PROVISION FOR ZAKAT (continued)

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

19.2 TAXATION

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

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to the 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to be substantively enacted for the purposes of accounting for Income Taxes.

The UAE CT Law shall apply to Emirates National Plastic Industries with effect from 01 January 2024. The MoF continue to issue supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions) to further clarify certain aspects of the UAE CT Law. Such Decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the group.

Since the provisions of UAE CT law will apply to Tax Periods commencing on or after 1 June 2023, the related current taxes shall be accounted for in the financial statements for the period beginning 01 January 2024. However, the related deferred tax accounting impact has been considered for the financial year ended 31 December 2023. The group will continue to monitor the publication of subsequent Decisions and related guidance, as well as continuing its more detailed review of its financial matters, to consider any changes to the position at subsequent reporting dates.”

20. SEGMENT INFORMATION

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

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

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. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

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20. SEGMENT INFORMATION (continued)

b) Information about reportable segments

The following tables present revenue and loss before zakat information for the Group's operating segments for the year ended 31 December 2023 and 2022, respectively.

	Reportable segments					Total
	Printing	Packaging	All other segments	Total	Adjustments & Eliminations	
31 December 2023	SAR	SAR	SAR	SAR	SAR	SAR
Revenue						
External customers	96,442,102	682,715,975	-	779,158,077	-	779,158,077
Inter-segments	17,435,980	48,433,115	-	65,869,095	(65,869,095)	-
Total revenue	113,878,082	731,149,090	-	845,027,172	(65,869,095)	779,158,077
Expense						
Finance costs	4,992,561	55,657,263	653,239	61,303,063	-	61,303,063
Depreciation and amortization	19,352,028	38,270,909	73,126	57,696,063	-	57,696,063
Segment loss	(25,864,425)	(58,624,423)	(12,815,188)	(97,304,036)	(35,000,000)	(132,304,036)
Total assets	301,028,999	1,216,621,842	6,494,943	1,524,145,784	-	1,524,145,784
Total liabilities	(21,589,495)	(629,950,557)	(371,161,236)	(1,022,701,288)	-	(1,022,701,288)

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

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20. SEGMENT INFORMATION (continued)

b) Information about reportable segments (continued)

	Reportable segments					<u>Total</u> SAR
	<u>Printing</u>	<u>Packaging</u>	<u>All other segments</u>	<u>Total</u>	<u>Adjustments & Eliminations</u>	
	SAR	SAR	SAR	SAR	SAR	
<i>31 December 2022</i>						
Revenue						
External customers	144,929,685	855,164,248	-	1,000,093,933		1,000,093,933
Inter-segments	6,343,190	20,167,997	-	26,511,187	(26,511,187)	-
Total revenue	<u>151,272,875</u>	<u>875,332,245</u>	<u>-</u>	<u>1,026,605,120</u>	<u>(26,511,187)</u>	<u>1,000,093,933</u>
Expense						
Finance costs	2,338,011	28,801,240	276,740	31,415,991	-	31,415,991
Depreciation and amortization	20,587,404	36,234,358	95,766	56,917,528	-	56,917,528
Segment (Loss) / Gains	<u>(1,494,919)</u>	<u>27,785</u>	<u>(7,752,371)</u>	<u>(9,219,505)</u>	<u>-</u>	<u>(9,219,505)</u>
Total assets	<u>392,953,590</u>	<u>1,347,454,630</u>	<u>1,053,681</u>	<u>1,741,461,901</u>	<u>-</u>	<u>1,741,461,901</u>
Total liabilities	<u>(35,396,664)</u>	<u>(674,035,396)</u>	<u>(394,089,509)</u>	<u>(1,103,521,569)</u>	<u>-</u>	<u>(1,103,521,569)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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20. SEGMENT INFORMATION (continued)

b) 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	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Saudi Arabia	305,919,792	398,021,642
United Arab Emirates	253,347,217	293,633,629
Others	219,891,068	308,438,662
	<u>779,158,077</u>	<u>1,000,093,933</u>
Total assets	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Saudi Arabia	641,234,979	740,093,786
United Arab Emirates	882,910,805	1,001,368,115
	<u>1,524,145,784</u>	<u>1,741,461,901</u>
Total liabilities		
Saudi Arabia	789,258,331	826,745,046
United Arab Emirates	233,442,957	276,776,523
	<u>1,022,701,288</u>	<u>1,103,521,569</u>
Non-current assets*		
Saudi Arabia	369,219,485	402,727,111
United Arab Emirates	684,027,475	734,150,157
	<u>1,053,246,960</u>	<u>1,136,877,268</u>

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

21. COST OF REVENUE

	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Cost of materials	516,751,688	672,396,831
Employees' expenses and benefits	68,720,488	70,888,713
Depreciation and amortization	53,548,346	52,667,212
Services and utilities	33,439,660	33,933,624
Maintenance	10,920,514	10,505,478
Consumables	4,419,437	4,854,654
Insurance	3,139,292	3,324,206
Rent	1,314,113	1,415,121
Provision for obsolete and slow-moving inventories	2,482,951	1,179,031
Others	1,979,334	6,535,756
	<u>696,715,823</u>	<u>857,700,626</u>

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22. SELLING AND DISTRIBUTION EXPENSES

	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Employees' expenses and benefits	22,353,122	22,053,745
Transportation and shipment	15,305,786	21,010,575
Rent	4,480,811	4,336,293
Commission and incentives	2,581,209	3,393,336
Advertising and promotion	1,043,977	1,058,944
Maintenance	639,937	621,138
Depreciation	275,718	326,713
Others	3,303,138	2,895,998
	<u>49,983,698</u>	<u>55,696,742</u>

23. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Employees' expenses and benefits	36,440,702	37,344,935
Provision for expected credit losses	4,810,464	7,230,209
Professional fees	9,939,519	4,448,060
Depreciation and amortization	3,871,998	3,923,603
Telephone and fax	2,619,003	2,401,212
Insurance	1,977,058	1,705,990
Board of directors and committees' remuneration and allowances	1,429,241	1,550,426
Rent	1,277,156	1,271,126
Travel	535,681	381,949
Others	6,867,586	6,725,127
	<u>69,768,408</u>	<u>66,982,637</u>

24. OTHER INCOME

	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Income from sale of production wastes	4,033,021	5,076,684
Rental income	974,043	915,230
(Loss)/Gains on disposal of property, plant and equipment	(245,235)	235,507
Others	47,050	(250,132)
	<u>4,808,879</u>	<u>5,977,289</u>

25. FINANCE COSTS

	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Banking facilities	56,918,145	36,755,108
Financing against letter of credits and bank charges	1,236,758	1,670,057
Finance costs on employees' benefits liabilities	1,332,154	865,899
Amortization of finance rescheduling charges	466,492	437,043
Finance costs on lease liabilities	329,992	353,821
Loss/(Gain) from derivative assets	1,019,522	(8,665,937)
	<u>61,303,063</u>	<u>31,415,991</u>

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26. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Loss attributable to ordinary equity holders of the parent: income	<u>(132,304,036)</u>	<u>(9,219,479)</u>
Loss attributable to ordinary equity holders of the parent for basic earnings	<u>(132,304,036)</u>	<u>(9,219,479)</u>
	<u>2023</u>	<u>2022</u>
	<u>SAR</u>	<u>SAR</u>
Weighted average number of ordinary shares for basic EPS*	60,000,000	60,000,000
Effects of dilution from:		
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>60,000,000</u>	<u>60,000,000</u>

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these consolidated financial statements.

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27. FINANCIAL INSTRUMENTS

Fair value measurement of financial assets

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

	2023			2022		
	<i>Amortized cost</i>	<i>Other financial liabilities</i>	<i>Total</i>	<i>Amortized cost</i>	<i>Other financial liabilities</i>	<i>Total</i>
	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
Financial assets not measured at fair value						
Trade receivable, Net	216,443,176	-	216,443,176	262,316,040	-	262,316,040
Cash and cash equivalents	36,351,574	-	36,351,574	38,781,183	-	38,781,183
Other current assets	16,930,795	-	16,930,795	15,885,658	-	15,885,658
	269,725,545	-	269,725,545	316,982,881	-	316,982,881
Financial liabilities not measured at fair value						
Loans and Murabaha	-	773,413,292	773,413,292	-	818,772,433	818,772,433
Dividend payable	-	697,151	697,151	-	697,151	697,151
Financial lease liabilities	-	5,898,559	5,898,559	-	5,121,663	5,121,663
Trade payable	-	129,609,000	129,609,000	-	149,219,291	149,219,291
Employee accruals	-	3,876,118	3,876,118	-	4,866,250	4,866,250
	-	913,494,120	913,494,120	-	978,676,788	978,676,788

Financial assets measured at fair value	Fair value measurement hierarchy	2023		2022	
		<i>SAR</i>	<i>SAR</i>	<i>SAR</i>	<i>SAR</i>
		<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>
Derivative financial instruments	Level 2	7,646,415	7,646,415	8,665,937	8,665,937

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28. RISK MANAGEMENT

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and market risk which is limited to interest rate risk, foreign currency and equity price risk. No changes were made in the risk management objectives and policies during the years ended to 31 December 2023 and 31 December 2022. The management of the Group reviews and agrees policies for managing each of these risks which are summarised below.

28.1 Credit risk

Credit risk is the risk that counterparty will cause a financial loss to the Group by failing to discharge its obligation. Credit risk arises in the Group's normal course of business. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

The table below shows the maximum exposure to credit risk across financial assets:

	2023	2022
	SAR	SAR
Trade and other receivables	216,443,176	271,672,468
Prepayment and other current assets	15,395,541	16,084,593
Cash and cash equivalents	36,351,574	38,781,183
	268,190,291	326,538,244

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group minimizes concentrations of credit risk by undertaking transactions with a large number of individual and corporate customers and with customers in various geographical locations and industries. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise amount due from related parties, bank balances and term deposits, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The bank balances and deposits are placed with financial institutions of strong repute.

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28 RISK MANAGEMENT (continued)

28.1 Credit risk (continued)

Risk concentration of maximum exposure to credit risk (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

2023

Ageing of trade receivables	Weighted average loss-rate	Gross carrying amount	Impairment loss allowance
		SAR	SAR
Less than 3 months	0.17%	167,271,210	279,009
From 3 to 12 months	1.58%	20,260,575	321,020
From 12 to 24 months	17.44%	3,167,275	552,447
From 24 to 36 months	54.93%	4,819,335	2,647,154
More than 36 months	78.30%	113,918,915	89,194,504
Total		309,437,310	92,994,134

2022

Ageing of trade receivables	Weighted average loss-rate	Gross carrying amount	Impairment loss allowance
		SAR	SAR
Less than 3 months	0.29%	197,349,525	574,425
From 3 to 12 months	6.09%	13,632,268	829,560
From 12 to 24 months	16.95%	10,917,751	1,850,732
From 24 to 36 months	35.82%	5,534,780	1,982,463
More than 36 months	62.64%	132,421,814	82,946,490
Total		359,856,138	88,183,670

28.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The Group limits its liquidity risk by ensuring bank facilities and funding from shareholders are available. The Group's terms of business generally require amounts to be paid as per the contractual agreements. It is the Group's policy to obtain short term loan and bank borrowings that matures within the next 12-month period with a renewal option at both parties' discretion.

The table below summarizes the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligation and management exceptions. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments and management expectation over the life of these financial liabilities.

2023

	<i>less than 12 months</i> SAR	<i>More than 12 months</i> SAR	<i>Total</i> SAR
Loans and Murabaha	595,760,604	177,652,688	773,413,292
Trade payables	129,609,000	-	129,609,000
Accrued expenses and other payables	22,494,873	-	22,494,873
Accrued zakat	14,689,304	-	14,689,304
Lease liabilities	1,424,574	4,473,985	5,898,559
Total	763,978,355	182,126,673	946,105,028

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28 RISK MANAGEMENT (continued)

28.2 Liquidity risk (continued)

2022	<i>less than 12 months</i> SAR	<i>More than 12 months</i> SAR	<i>Total</i> SAR
Loans and Murabaha	486,469,540	332,302,893	818,772,433
Trade payables	149,219,291	-	149,219,291
Accrued expenses and other payables	23,920,099	-	23,920,099
Accrued zakat	6,329,483	-	6,329,483
Lease liabilities	1,252,773	3,868,890	5,121,663
Total	667,191,186	336,171,783	1,003,362,969

28.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates and foreign exchange rates, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

28.3.1 Commission rate risk

The Group is exposed to commission rate risk on its commission-bearing short-term and long-term Islamic banking facilities.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets and financial liabilities held at 31 December. There is no impact on the Group's equity.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	<i>Increase/decrease</i> <i>in basis points (+/-)</i>	<i>Effect on profit</i> <i>for the year</i> SAR (+/-)
2023	5	386,707
	10	773,414
2022	5	409,386
	10	818,772

28.3.2 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. Currency risk is managed on the basis of limits determined by the management and a continuous assessment of the Group's open positions and current and expected exchange rate movements. The management believes that there is minimal risk of significant losses due to exchange rate fluctuations since it does not undertake any significant transactions in currencies other than Saudi Arabian Riyal, the US Dollar and the Emirati Dirham. The Saudi Riyal exchange rate is fixed pegged against the US dollar, and therefore, balances and transactions denominated in the US dollar do not represent significant risks. Regarding the AED, the Group's management believes that its exposure to currency risk that is pegged against the AED is limited given that the Saudi Riyal is pegged against the AED.

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28 RISK MANAGEMENT (continued)

28.3 Market risk (continued)

28.3.2 Currency risk (continued)

The effect of a reasonably possible movement of the SAR currency rate against the USD and AED with all other variables held constant on the consolidated statement of income.

29. CAPITAL MANAGEMENT

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

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

	2023	2022
	SAR	SAR
Total liabilities	1,022,701,288	1,103,521,569
Less: Cash and cash equivalents	(36,351,574)	(38,781,183)
Adjusted net debt (a)	986,349,714	1,064,740,386
Total equity	501,444,496	637,940,332
Adjusted equity (b)	501,444,496	637,940,332
Adjusted net debt to equity ratio	1.97	1.67

30. COMMITMENTS AND CONTINGENT LIABILITIES

Legal cases

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

Contingent liabilities

As 31 December 2023, contingent liabilities related to uncovered letter of credit amounted to SAR 20.97 million (2022: SAR 8.5 million). As at 31 December 2023, the Group has outstanding bank guarantee letters from a local bank amounting to SAR 1.1 million (2022: SAR 2.8 million).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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30. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Capital commitments

The capital commitments of the Group pertaining to purchase of property, plant and equipment amounted to SAR 17.9 million as at 31 December 2023 (2022: SAR 10.6 million).

31. SUBSEQUENT EVENTS

No matters have occurred up to and including the date of approval of these consolidated financial statements by the board of directors which would materially affect the consolidated financial statements and the related disclosures for the year ended 31 December 2023.

32. COMPARATIVE FIGURES

Certain comparative figures of the prior year amounts have been reclassified to conform with the presentation in the current year. The reclassification did not affect the profits and equity.

Comparative figures reclassifications are mainly as follows:

	As previously Reported	Amount of reclassification	After reclassification
Zakat provision – 1 January 2022	(6,080,182)	(6,170,214)	(12,250,396)
Prepayment and other current asset– 1 January 2022	-	6,170,214	6,170,214
Zakat provision – 31 December 2022	(6,329,483)	(6,170,214)	(12,499,697)
Prepayment and other current asset – 31 December 2022	-	6,170,214	6,170,214

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 27 March 2024 (corresponding to 17 Ramadhan 1445H).