

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Condensed consolidated interim financial statements
(unaudited)
For the three-month and nine-month periods ended
30 September 2020
together with the
Independent Auditor's Review Report

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

To the Shareholders of Saudi Printing and Packaging Company

Introduction

We have reviewed the accompanying 30 September 2020 condensed consolidated interim financial statements of **Saudi Printing and Packaging Company** ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprises:

- the condensed consolidated Interim statement of financial position as at 30 September 2020;
- the condensed consolidated Interim statement of profit or loss and other comprehensive income for the three-month period and six-month period ended 30 September 2020.
- the condensed consolidated Interim statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed consolidated Interim statement of cash flows for the nine-month period ended 30 September 2020; and
- the notes to the condensed consolidated Interim financial statements.

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

Scope of Review

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



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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2020 condensed consolidated interim financial statements of **Saudi Printing and Packaging Company** ("the Company") and its subsidiaries (collectively referred to as "the Group") are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

Other matter

The condensed consolidated interim financial statements of the Group for the three-month and nine-month periods ended 30 September 2019, were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on 23 Rabi` al-Awwal 1441H (corresponding to 30 October 2019) and the financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 27 Rajab 1441H (corresponding to 22 March 2020).

**For KPMG Al Fozan & Partners
Certified Public Accountants**

Fahad Mubark Al Dossari
License No.: 469

Date: 18 Rabi` al-Awwal 1441H
Corresponding to: 4 November 2020



SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of Financial Position
As at 30 September 2020
(Saudi Riyals)

	<i>Notes</i>	<i>30 September 2020 (Unaudited)</i>	<i>31 December 2019 (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	785,880,648	821,516,805
Investment properties		26,144,466	26,250,384
Intangible assets and goodwill	12	370,169,405	370,218,642
Right-of-use assets		7,482,988	8,305,117
Total non-current assets		1,189,677,507	1,226,290,948
Current assets			
Inventories	10	192,112,606	182,116,909
Trade receivables		319,671,327	268,262,141
Prepayments and other current assets		39,133,738	45,439,925
Due from related parties	15	3,648,080	11,645,439
Cash and cash equivalents		28,672,548	53,248,034
Total current assets		583,238,299	560,712,448
Total Assets		1,772,915,806	1,787,003,396
Equity			
Share capital	13	600,000,000	600,000,000
Statutory reserve	13	78,639,385	78,639,385
General reserve	13	30,105,326	30,105,326
Retained earnings		3,463,655	15,059,429
Other reserves		61,441	99,998
Total equity		712,269,807	723,904,138
Liabilities			
Non-current liabilities			
Loans and Murabaha	14	439,898,924	471,794,576
Defined benefits obligation – employees’ benefits		37,632,191	35,605,537
Lease liabilities		6,781,592	7,075,482
Total non-current liabilities		484,312,707	514,475,595
Current liabilities			
Trade payables		122,446,133	141,289,326
Accrued expenses and other current liabilities		30,049,757	25,690,122
Loans and Murabaha	14	412,312,933	371,624,435
Current portion of lease liability		855,535	1,470,707
Dividends payables		697,151	697,151
Provision for Zakat	9	9,971,783	7,851,922
Total current liabilities		576,333,292	548,623,663
Total liabilities		1,060,645,999	1,063,099,258
Total Equity and Liabilities		1,772,915,806	1,787,003,396

The accompanying notes (1) to (19) from an integral part of these condensed consolidated interim financial statements

SAUDI PRINTING AND PACKAGING COMPANY

(A Saudi Joint Stock Company)

**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
(Unaudited)**

For the three-month and nine-month periods ended 30 September 2020

(Saudi Riyals)

	<i>Notes</i>	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2020	2019	2020	2019
Revenue	8	204,445,497	252,513,386	598,345,482	692,173,565
Cost of revenue		(166,212,091)	(206,452,484)	(496,755,876)	(595,731,817)
Gross profit		38,233,406	46,060,902	101,589,606	96,441,748
Selling, marketing and distribution expenses		(11,852,724)	(14,311,626)	(35,274,527)	(42,275,377)
General and administrative expenses		(16,293,438)	(16,731,386)	(49,763,971)	(48,763,182)
Impairment of trade receivables – (charge) / release		(1,549,214)	158,051	(2,481,794)	579,867
Operating profit for the period		8,538,030	15,175,941	14,069,314	5,983,056
Other income		3,278,841	2,588,148	8,391,295	6,104,998
Finance costs		(9,165,374)	(14,224,036)	(31,623,876)	(43,592,562)
Profit / (loss) before Zakat		2,651,497	3,540,053	(9,163,267)	(31,504,508)
Zakat expense	9	(827,503)	(832,354)	(2,432,507)	(2,497,014)
Profit / (loss) for the period		1,823,994	2,707,699	(11,595,774)	(34,001,522)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation differences - foreign operations		72,004	(846,834)	(38,557)	(490,516)
Total other comprehensive income / (loss) for the period		72,004	(846,834)	(38,557)	(490,516)
Total comprehensive income / (loss)		1,895,998	1,860,865	(11,634,331)	(34,492,038)
Earnings per share – basic and diluted		0.03	0.03	(0.19)	(0.57)

The accompanying notes (1) to (19) from an integral part of these condensed consolidated interim financial statements

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of Changes in Equity
For the nine-month period ended 30 September 2020
(Saudi Riyals)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Retained earnings</u>	<u>Foreign currency translation reserve</u>	<u>Total</u>
Balance at 31 December 2019 (Audited)	600,000,000	78,639,385	30,105,326	15,059,429	99,998	723,904,138
Loss for the period (Unaudited)	--	--	--	(11,595,774)	--	(11,595,774)
Other comprehensive losses (Unaudited)	--	--	--	--	(38,557)	(38,557)
Total comprehensive losses for the period (Unaudited)	--	--	--	(11,595,774)	(38,557)	(11,634,331)
Balance as at 30 September 2020(Unaudited)	600,000,000	78,639,385	30,105,326	3,463,655	61,441	712,269,807
Balance at 1 January 2019 (Audited)	600,000,000	78,639,385	30,105,326	46,239,566	129,929	755,114,206
Loss for the period (Unaudited)	--	--	--	(34,001,522)	--	(34,001,522)
Other comprehensive loss (Unaudited)	--	--	--	--	(490,516)	(490,516)
Total comprehensive losses for the period (Unaudited)	--	--	--	(34,001,522)	(490,516)	(34,492,038)
Balance as at 30 September 2019 (Unaudited)	600,000,000	78,639,385	30,105,326	12,238,044	(360,587)	720,622,168

The accompanying notes (1) to (19) from an integral part of these condensed consolidated interim financial statements

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)
For the nine-month period ended 30 September 2020
(Saudi Riyals)

	30 September 2020	30 September 2019
Cash flows from Operating Activities:		
Loss for the period	(11,595,774)	(34,001,522)
Adjustments for:		
-Depreciation and amortization	44,706,498	52,849,533
-Gain from property plant and equipment disposal	(720,506)	(144,914)
-Impairment of trade receivables – charged / (reversed)	2,481,794	(579,867)
-Reversal of provision for slow-moving inventory	431,407	(4,202,445)
-Finance costs	31,623,876	43,592,562
-Provision for employees' benefits	4,387,447	4,299,607
-Provision for Zakat	2,432,507	2,497,014
Changes in:		
-Inventories	(10,427,104)	21,930,714
-Trade receivables	(53,093,224)	22,766,383
-Prepayments and other current assets	6,306,187	(2,668,534)
-Trade payables	(18,843,193)	7,078,877
-Accrued expenses and other current liabilities	4,355,302	(19,689,426)
-Related parties	7,997,359	(865,103)
-Impairment of trade receivable	(797,756)	--
Cash generated from operating activities	9,244,820	92,862,879
Employees' benefits paid	(2,360,793)	(3,181,916)
Zakat paid	(308,313)	(1,830,854)
Net cash generated from operating activities	6,575,714	87,850,109
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(8,154,696)	(7,113,522)
Proceeds from disposal of property, plant and equipment	782,145	245,093
Net cash used in investing activities	(7,372,551)	(6,868,429)
Cash flows from financing activities:		
Proceeds from loans and Murabaha	422,789,748	478,584,325
Payments for loans and Murabaha	(415,754,724)	(520,531,072)
Payments for finance cost	(29,866,054)	(39,074,226)
Payment for lease liability	(909,062)	--
Net cash used in financing activities	(23,740,092)	(81,020,973)
Net decrease in cash and cash equivalents	(24,536,929)	(39,293)
Foreign currency translation adjustments	(38,557)	(487,687)
Cash and cash equivalents at the beginning of the period	53,248,034	38,854,469
Cash and cash equivalents at the end of the period	28,672,548	38,327,489
Non-cash transactions		
<u>Impact of the application of IFRS 16</u>		
Leases liabilities	--	6,712,241
Rent payable	--	(62,293)
Right-of-use assets	--	(6,806,899)

The accompanying notes (1) to (19) from an integral part of these condensed consolidated interim financial statements

SAUDI PRINTING AND PACKAGING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the nine-month period ended 30 September 2020
(Saudi Riyals)

1. REPORTING ENTITY

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

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

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest</u>	
		<u>30 September 2020</u>	<u>31 December 2019</u>
Emirates National Factory for Plastic Industries (ENPI) (a)	KSA	100%	100%
Al-Madinah Al-Munawarah Printing and Publishing Company	KSA	100%	100%
Future Industrial Investment Company – FIIC	KSA	100%	100%
Hala Printing Company	KSA	100%	100%

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

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest</u>	
		<u>30 September 2020</u>	<u>31 December 2019</u>
Al-Madinah Printing Company	UAE	100%	100%
Future Printing Company	UAE	100%	100%
United International Clear Packing Company	UAE	100%	100%
United Security Company	UAE	100%	100%
Future Plastic Industries	UAE	100%	100%
Commercial United Packaging Company	UAE	100%	100%
Trans Future Plus Company	KSA	100%	100%
Taiba Printing and Publishing Company	KSA	100%	100%
Flexible Packaging Company	KSA	100%	100%

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

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

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

Nakheel Tower
King Fahad Road
PO Box 50202
Riyadh 11523

SAUDI PRINTING AND PACKAGING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

For the nine-month period ended 30 September 2020

(Saudi Riyals)

2. SIGNIFICANT EVENTS DURING THE PERIOD

The novel Coronavirus (COVID19) which was declared a pandemic by the World Health Organisation (WHO) in March 2020, continues to evolve. It is currently difficult to predict the full extent and duration of the impact of this pandemic on the business and the economies in which the Group operates. The extent and duration of the impact of the pandemic remains uncertain and depends on future developments (such as the transmission rate of the virus), which cannot be accurately predicted at this point in time.

The Group has taken containment steps that, as at 30th September 2020, have limited the adverse impact of the virus on the financial results of the Group. The Group do not expect future, significant and adverse impact on the going concern, the Group will continue to reassess its position and the related impact on regular basis.

3. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the three-month and nine-month periods ended 30 September 2020 are prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants ("SOCPA").

These condensed consolidated interim financial statements should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ('last annual condensed consolidated financial statements'). These financial statements do not include all the information and disclosures required for a complete set of financial statements prepared in accordance with IFRS. However, selected explanatory notes are included to explain events and transaction that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

a) Basis of measurement

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

b) Functional and presentation currency

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

4. USE OF ESTIMATES AND JUDGEMENTS

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements. During the period, a change in estimate was made which is detailed below:

- During the period, the Group has changed the method of calculating depreciation on its machinery from the straight line method to the units of production method to reflect the future economic benefits from utilizing the machinery and recognizing the cost of using the machinery in light of expected use or production. As a result, the depreciation of the machinery was reduced by SR 6 million for the three-month period ended 30 September 2020, resulting in a decrease in the cost of sales and a net loss for the period by the said amount.

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the nine-month period ended 30 September 2020
(Saudi Riyals)

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019 except what have been disclosed in note 4. Accounting policies adopted in preparation of these interim financial statements are described in notes 3 and 4 of the Group's consolidated financial statements for the year ended 31 December 2019.

A number of other new standards which are effective from 1 January 2020, do not have a material effect on the Group's consolidated financial statements.

6. NEW STANDARDS AND AMENDMENT ISSUED BUT NOT YET EFFECTIVE AND IMPLEMENTED

A number of amendments and standards are effective for the period beginning on or after 1 January 2020 and earlier application is permitted; however, the group has not early applied these new amendments and standards in preparing these financial statements and is currently assessing their impact.

Following is a brief on the new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2020:

- IFRS 17 'Insurance Contracts' was issued by the International Accounting Standards Board on 18 May 2017 and is effective for periods beginning on or after 1 January 2023.
- On 31 October 2018, the International Accounting Standards Board issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020.
- On 26 September 2019, the International Accounting Standards Board issued 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' as a first reaction to the potential effects the IBOR reform could have on financial reporting. The amendments are effective annual reporting periods beginning on or after 1 January 2020.
- Together with the revised 'Conceptual Framework' published in March 2018, the International Accounting Standards Board also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. The amendments are effective for annual periods beginning on or after 1 January 2020.
- On 22 October 2018, the IASB issued 'Definition of a Business (Amendments to IFRS 3)' aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the nine-month period ended 30 September 2020
(Saudi Riyals)

7. FAIR VALUE MEASUREMENTS

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the group audit committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 16.

8. OPERATING SEGMENTS

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

a) Basis for segments

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

SAUDI PRINTING AND PACKAGING COMPANY
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(Saudi Riyals)

8. OPERATING SEGMENTS (CONTINUED)

a) Basis for segments (continued)

The following summary describes the operations of each reportable segment

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

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

b) Information about reportable segments

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

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

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

SAUDI PRINTING AND PACKAGING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
For the nine-month period ended 30 September 2020
(Saudi Riyals)

8. OPERATING SEGMENT (CONTINUED)

b) Information about reportable segments (continued)

<i>30 September 2019</i>	<i>Reportable segments</i>				<i>Adjustments and eliminations</i>	
	<i><u>Printing</u></i>	<i><u>Packaging</u></i>	<i><u>All other segments</u></i>	<i><u>Total</u></i>	<i><u>Total</u></i>	<i><u>Total</u></i>
Revenue:						
External customers	122,315,271	569,858,294	--	692,173,565	--	692,173,565
Inter-segments	12,544,697	9,837,771	--	22,382,468	(22,382,468)	--
Total revenue	134,859,968	579,696,065	--	714,556,033	(22,382,468)	692,173,565
Segment (loss)	(9,343,755)	(198,645)	(24,459,122)	(34,001,522)	--	(34,001,522)
Depreciation and amortization	(20,863,423)	(31,880,546)	(105,564)	(52,849,533)	--	(52,849,533)

	<i>Reportable segments</i>							
	<i><u>Printing</u></i>		<i><u>Packaging</u></i>		<i><u>Others</u></i>		<i><u>Total</u></i>	
	<i><u>30</u></i>	<i><u>31</u></i>	<i><u>30</u></i>	<i><u>31</u></i>	<i><u>30</u></i>	<i><u>31</u></i>	<i><u>30 September</u></i>	<i><u>31 December</u></i>
	<i><u>September</u></i>	<i><u>December</u></i>	<i><u>September</u></i>	<i><u>December</u></i>	<i><u>September</u></i>	<i><u>December</u></i>	<i><u>2019</u></i>	<i><u>2018</u></i>
Total assets	542,837,680	574,376,181	1,365,934,437	1,410,765,618	6,801,732	5,997,904	1,773,224,119	1,991,139,703
Total liabilities	(40,024,743)	(57,181,881)	(631,211,033)	(684,645,427)	(523,715,905)	(494,198,189)	(1,060,954,312)	(1,236,025,497)

c) Geographical information

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

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

	<u>30 September 2020</u>	<u>30 September 2019</u>
Revenues from customers		
Saudi Arabia	218,188,413	276,231,834
United Arab of emirates	186,473,493	190,617,465
Others	193,683,576	225,324,266
	<u>598,345,482</u>	<u>692,173,565</u>
	<u>30 September 2020</u>	<u>31 December 2019</u>
Total assets		
Saudi Arabia	799,754,263	783,436,079
United Arab of emirates	973,161,543	1,003,567,317
	<u>1,772,915,806</u>	<u>1,787,003,396</u>

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Total liabilities		
Saudi Arabia	859,698,429	830,753,926
United Arab of emirates	200,947,570	232,345,332
	1,060,645,999	1,063,099,258
Non-current assets*		
Saudi Arabia	420,085,602	462,854,007
United Arab of emirates	769,591,905	763,436,941
	1,189,677,507	1,226,290,948

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

9. ZAKAT

Zakat and expense is recognized at an amount which is management's best estimate of the expected zakat rate charge for the full financial year. The zakat charge in the condensed consolidated interim financial statements may differ from actual zakat charge in the annual consolidated financial statements.

The Group files consolidated Zakat returns to General Authority of Zakat and Income Tax ('GAZT') for the years ended in 31 December 2005 until 2019 and received Zakat certificate for these years, The final assessments have not been issued by GAZT for the years 2009 until 2019 (excluded 2014 & 2017 referred to below).

GAZT issued an assessment notice for these years 31 December 2005 to 2008 and requested the Group to pay additional zakat amounting to SR 6,582,634 . The Group has filed an objection against the said assessment. The Group's objection was rejected by GAZT as certain formalities were not followed by the Group and GAZT issued an updated assessment of SR 2,004,578. Furthermore, GAZT also demanded payment of zakat differences due from the unauthorized profit difference for the years 2005 and 2006 amounting to SR 143,203 (mentioned within the original objection amount), which was paid within a year 2018 The assessment discussions for years ended 31 December 2005 to 2008 between GAZT and the Company are ongoing as at 30 September 2020.

GAZT issued an assessment on the Group's Zakat return accounts for the year ended 31 December 2017 with a total difference of SR 2,253,606 which was paid during 2019 however the assessment for the year ended 2014 amounted to SR 1,361, 774 which was objected by the company and the objection has been acceptable.

10. INVENTORIES

The Group signed a contract to provide printing services with a government authority in the Kingdom of Saudi Arabia for a period of eight months starting from 6 April 2020. In line the contractual terms, the required quantities of raw materials were purchased.

The provision for slow moving inventories during the period ended 30 September 2020 was in line with the policy adopted by the Group. On 28 April 2019, the Board of Directors resolved to re-assess the provision policy for spare parts resulting in provision of SR 4 million being released to the statement of profit or loss during financial year ended 31 December 2019.

The provision for slow moving inventories as at 30 September 2020 amounted to SR 19.7 million (31 December 2019:SR 19.3 million).

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11. PROPERTY, PLANT AND EQUIPMENT

As at 30 September 2020, the cost of property, plant and equipment amounted to SR 1,555.2 million (31 December 2019: SR 1,556 million) and the accumulated depreciation as at 30 September 2020 amounted to SR 769.3 million (31 December 2019: SR 734.5 million).

Refer to note 4 for the change made to depreciation method during the period.

Assets with net book value amounting to SR 215.5 million as at 30 September 2020 (2019: SR 223 million) were placed as collateral against long-term borrowing.

The capital commitments of the Group pertaining to purchase of property, plant and equipment amounted to SR 10.4 million as at 30 September 2020 (2019: SR 8.1 million). These are expected to be delivered in 2022.

12. INTANGIBLE ASSETS AND GOODWILL

The carrying value of goodwill amounted to SR 370 million as at 30 September 2020 (31 December 2019: SR 370 million). The following is a breakdown of goodwill:

	<u>30 September</u> <u>2020</u>	<u>30 September</u> <u>2019</u>
Emirates National Factory for Plastic Industries (ENPI)	359,707,551	359,707,551
Hala Printing Company	10,216,885	10,216,885
	<u>369,924,436</u>	<u>369,924,436</u>

The remaining balance comprises of software cost capitalized amounting to SR 245K as of 30 September 2020 (2019: SR 294K)

In 2012, the Group acquired 100% of the shares of Emirates National Plastic Industries Company ("Emirates Factory"), a limited liability company, established in Sharjah, United Arab Emirates, for a net consideration of SR 642 million. All parties agreed under share purchase agreement ("Agreement") to transfer all rights and obligations associated to the former shareholders to the Group on 1 July 2012 as the date of the transfer of effective control of the Emirates Factory ("Acquisition Date"). The acquisition resulted in a goodwill amounting of SR 353.8 million, which represents the differential between the paid consideration and the fair value of net assets acquired at the date of the acquisition of approximately SR 288.2 million.

On 1 July 2014, the Group restructured the packaging sector by merging Trans Future Industrial Packaging and Flexible Packaging Company into Emirates Factory, bringing the total value of the UAE factory's goodwill to SR 380 million.

Good will impairment test

Group management conducts an impairment test to ensure that there is no impairments at the end of each financial year. As at 31 December 2017, management found that the net book value of the goodwill was greater than its recoverable value and therefore an impairment of SR 20 million was recognized.

The following are the key assumptions used to estimate the recoverable value for the fiscal year ended 31 December 2019. The values allocated to key assumptions represent management's assessment of future trends in related industries and are based on historical data from external and internal sources:

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12. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

	Emirates National Factory for Plastic Industries (ENPI)	Hala Printing Company
Discount rate	10.2%	10.2%
Final value Growth rate	2.5%	2.5%
Average annual growth rate of sales	4.6%	7.8%

The cash flow projections included specific five-year estimates and a terminal growth rate. The terminal growth rate was determined based on management's estimate of the long-term compounded annual growth rate of EBITDA, in line with the assumptions that the market participant may use.

13. SHARE CAPITAL AND RESERVES

Capital

The Group's capital was SR 600 million as at 30 September 2020 and 31 December 2019. It consists of 60 million shares at SR 10 each share.

Statutory reserve

In accordance with the requirements of the Regulations for Companies in the Kingdom of Saudi Arabia, the Company establishes a statutory reserve by appropriating 10% of profit after absorbing the accumulated losses until this reserve reaches 30% of the share capital.

General reserve

According to the Company's By-Laws, the Group is required to transfer a portion from its profit e for the year (after absorbing the accumulated losses) to the general reserve until the total of this reserve reaches 10% of the share capital. This reserve may be used for purposes decided by the Board of Directors.

14. LOANS AND MURABAHA

The Group has banking facility agreements with several local and foreign banks in the form of loans, Murabaha, financing facilities, letter of credits and letters of guarantee totaling approximately SR 889.8 million as at 30 September 2020 (31 December 31 2019: SR 1,015 million). The utilized balance amounted to approximately SR 852.2 million as at 30 September 2020 (31 December 2019: SR 843.4 million). These loans are subject to different interest rates based on the terms ranging from 2% to 3.5% + SIBOR and LIBOR rate.

The purpose of these facilities is to finance working capital, investments and financing the import of raw materials and equipment related to the group's activities and capital expenditures. These facilities carry financing expenses in accordance with the relevant agreements.

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 amounted to SR 325 million
- A plot of land in Abhor district in Jeddah placed as collateral

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14. LOANS AND MURABAHA (CONTINUED)

The breakdown of the loan and murabaha is as follows:

	<u>30 September</u> 2020	<u>31 December</u> 2019
Syndicated loan	269,130,033	312,290,941
Short term loan	280,907,050	310,902,653
Long term loans	289,999,750	204,708,936
Overdrafts	5,056,068	10,155,347
Accrued finance cost	7,118,956	5,361,134
Total	852,211,857	843,419,011

The following is the movement of the loan transactions:

	<u>30 September 2020</u>	<u>31 December</u> 2019
Opening balance	843,419,011	977,459,431
Proceeds during the period / year	422,789,748	596,097,590
Payments during the period / year	(415,754,724)	(731,895,842)
Payments for finance cost during the period / year	(29,866,054)	(56,342,940)
Charged during the period / year	31,623,876	58,100,772
Ending balance	<u>852,211,857</u>	<u>843,419,011</u>

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

	<u>30 September 2020</u>	<u>31 December 2019</u>
Current portion	412,312,933	371,624,435
Non-current portion	439,898,924	471,794,576

15. RELATED PARTY

Related parties of the Group comprise shareholders having control, joint control or significant influence, key management personnel and affiliates where shareholders have control or significant influence. The transactions with related parties are made on terms approved by the Board of the Directors of the Group. The Group and its related parties transact with each other in the normal course of business.

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

Transactions with key management personnel

	<u>30</u> <u>September 2020</u>	<u>30 September</u> 2019
Expenses and allowances of the Board of Directors	1,124,282	1,233,834
Remuneration of key management personnel*	7,430,453	5,847,778

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15. RELATED PARTY TRANSACTIONS (CONTINUED)

*** Key management personnel**

	<u>30 September</u> <u>2020</u>	<u>30 September 2019</u>
Short-term employee benefits	7,291,766	5,711,986
Long-term employee benefits	138,687	135,792
	<u>7,430,453</u>	<u>5,847,778</u>

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

	Nature	Transactions for the nine months ended		Balances outstanding	
		30 September 2020	30 September 2019	30 September 2020	31 December 2019
Sales					
Saudi Specialized Publishing Company	Fellow subsidiaries	625,293	2,331,919	73,044	2,931,897
Saudi Research and Publishing Company	Fellow subsidiaries	13,601,442	24,989,199	3,539,975	7,643,440
Saudi Distribution Company	Fellow subsidiaries	--	--	--	765,386
Saudi Research and Marketing Group (the Holding Company)	Holding Company	37,000	63,587	32,320	--
Saudi Co for Business Trading	Fellow subsidiaries	--	--	--	118,000
Emirates Printing & Publishing Co.	Fellow subsidiaries	--	--	--	--
				<u>2,741</u>	<u>186,716</u>
				<u>3,648,080</u>	<u>11,645,439</u>

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

16. FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of the financial assets and financial liabilities including their levels in the fair value hierarchy for financial instruments measured at fair values. It does not include fair value information for financial assets and financial liabilities not measured at fair value as the carrying amount is a reasonable approximate of fair value.

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16. FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount						Fair value				
	Equity instruments at FVTPL	Equity instruments at FVOCI	Fair value – hedging instruments	FVOCI-Equity instruments	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<u>30 September 2020</u>											
Financial assets not measured at fair value											
Trade receivables	--	--	--	--	319,671,327	--	319,671,327	--	--	--	319,671,327
Due from related parties	--	--	--	--	3,648,080	--	3,648,080	--	--	--	3,648,080
Cash and cash equivalents	--	--	--	--	28,672,548	--	28,672,548	--	--	--	28,672,548
	--	--	--	--	351,991,955	--	351,991,955	--	--	--	351,991,955
Financial liabilities not measured at fair value											
Loans and Murabaha	--	--	--	--	--	852,211,857	852,211,857	--	--	--	852,211,857
Dividends payables	--	--	--	--	--	697,151	697,151	--	--	--	697,151
Lease liability	--	--	--	--	--	7,637,127	7,637,127	--	--	--	7,637,127
Trade payables	--	--	--	--	--	122,446,133	122,446,133	--	--	--	122,446,133
	--	--	--	--	--	982,992,268	982,992,268	--	--	--	982,992,268

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16. FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount						Fair value				
	Equity instruments at FVTPL	Equity instruments at FVOCI	Fair value – hedging instruments	FVOCI-Equity instruments	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2019											
Financial assets not measured at fair value											
Trade receivables	--	--	--	--	268,262,141	--	268,262,141	--	--	--	268,262,141
Due from related parties	--	--	--	--	11,645,439	--	11,645,439	--	--	--	11,645,439
Cash and cash equivalents	--	--	--	--	53,248,034	--	53,248,034	--	--	--	53,248,034
	--	--	--	--	333,155,614	--	333,155,614	--	--	--	333,155,614
Financial liabilities not measured at fair value											
Loans and Murabaha	--	--	--	--	--	843,419,011	843,419,011	--	--	--	843,419,011
Dividends payables	--	--	--	--	--	697,151	697,151	--	--	--	697,151
Lease liability	--	--	--	--	--	8,546,189	8,546,189	--	--	--	8,546,189
Trade payables	--	--	--	--	--	141,289,326	141,289,326	--	--	--	141,289,326
	--	--	--	--	--	993,951,677	993,951,677	--	--	--	993,951,677

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17. COMMITMENTS AND CONTINGENT LIABILITIES

Legal cases

There are some legal cases against some of the group's subsidiaries during its normal business cycle, which are currently being pursued, but the final results of these cases cannot be determined. Management believes that the results of these cases will not have an impact on the group's condensed consolidated interim financial statements as of 30 September 2020.

Commitments

	30 September 2020	December 31, 2019
Letter of credit	37,093,702	66,541,433
Letter of guarantees	7,620,859	24,557,470

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

18. SUBSEQUENT EVENTS

No event has occurred up to and including the date of the approval of the condensed consolidated interim financial statements by the Board of Directors of the Group which could materially affect the consolidated interim financial statements and the related disclosures for the nine-month period ended 30 September 2020.

19. BOARD OF DIRECTORS' APPROVAL

The condensed consolidated interim financial statements have been approved by the Board of Directors on 18 Rabi' al-Awwal 1441H (corresponding to 4 November 2020).