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Prospectus

Prospectus of United Carton Industries Company

A Saudi closed joint stock company pursuant to the Ministerial Resolution No G/137 dated 12 Jumada al-Ula 1438H (corresponding to 9 February 2017G) with Commercial Registration No 4030065231, dated 18 Ramadan 1409H (corresponding to 24 April 1989G).

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Offering Period: Two days

starting from 14 Thul-Qi'dah 1446H (corresponding to 12 May 2025G) to 15 Thul-Qi'dah 1446H (corresponding to 13 May 2025G)

An offering of twelve million (12,000,000) Shares representing thirty per cent. (30%) of the share capital of United Carton Industries Company through an initial public offering at an offer price of fifty Saudi Arabian Riyals (SAR 50) per share.

United Carton Industries Company (hereinafter referred to as the "**Company**" or "**Issuer**") is a Saudi closed joint stock company pursuant to the Ministerial Resolution No G/137 dated 12 Jumada al-Ula 1438H (corresponding to 9 February 2017G) with Commercial Registration No. 4030065231 issued in Jeddah, Kingdom of Saudi Arabia. The Company's head and registered office is located at Industrial Area Phase 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia. The current share capital of the Company is four hundred million Saudi Arabian Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (the "**Shares**").

The Company was originally incorporated on 13 Safar 1409H (corresponding to 24 September 1988G) as a limited liability company with a paid-up share capital of nine million and six hundred thousand Saudi Arabian Riyals (SAR 9,600,000), divided into nine thousand and six hundred (9,600) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share and registered under Commercial Registration No. 4030065231 dated 18 Ramadan 1409H (corresponding to 24 April 1989G). At the time of incorporation, Zamil Group Holding Company (formerly Hamad Abdullah AlZamil & Brothers Company) contributed to 40.0 per cent. of the share capital (representing 3,840 shares), Omar Kassem Alesayi and Company contributed 30 per cent. of the share capital (representing 2,880 shares) and Abdulrahman Hayel Saeed Anam contributed 30 per cent. of the share capital (representing 2,880 shares). Pursuant to the shareholders resolution dated 20 Rabi' al-Awwal 1411H (corresponding to 10 October 1990G), the Company's share capital increased from nine million and six hundred thousand Saudi Arabian Riyals (SAR 9,600,000) to fourteen million Saudi Arabian Riyals (SAR 14,000,000), divided into fourteen thousand (14,000) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of four million and four hundred thousand Saudi Arabian Riyals (SAR 4,400,000) from retained earnings. Pursuant to the shareholders resolution dated 14 Shawwal 1411H (corresponding to 29 April 1991G), the Company's share capital increased from fourteen million Saudi Arabian Riyals (SAR 14,000,000) to nineteen million Saudi Arabian Riyals (SAR 19,000,000), divided into nineteen thousand (19,000) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through a cash contribution for an amount of five million Saudi Arabian Riyals (SAR 5,000,000) by the shareholders. Pursuant to the shareholders resolution dated 12 Jumada al-Akhirah 1413H (corresponding to 6 December 1992G), the Company's share capital increased from nineteen million Saudi Arabian Riyals (SAR 19,000,000) to twenty-four million Saudi Arabian Riyals (SAR 24,000,000), divided into twenty-four thousand (24,000) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of five million Saudi Arabian Riyals (SAR 5,000,000) from retained earnings. Pursuant to the shareholders resolution dated 30 Rajab 1415H (corresponding to 1 January 1995G), the Company's share capital increased from twenty-four million Saudi Arabian Riyals (SAR 24,000,000) to thirty million and five hundred thousand Saudi Arabian Riyals (SAR 30,500,000), divided into thirty thousand and five hundred (30,500) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of six million and five hundred thousand Saudi Arabian Riyals (SAR 6,500,000) from retained earnings. Pursuant to the shareholders resolution dated 15 Muharram 1417H (corresponding to 1 June 1996G), the Company's share capital increased from thirty million and five hundred thousand Saudi Arabian Riyals (SAR 30,500,000) to thirty-one million and six hundred thousand (SAR 31,600,000), divided into thirty-one thousand and six hundred (31,600) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of one million and one hundred thousand Saudi Arabian Riyals (SAR 1,100,000) from retained earnings. On the same date, Abdulrahman Hayel Saeed Anam transferred all his shares amounting to nine thousand and one hundred and fifty (9,150) Shares representing 30.0 per cent. of the Company's share capital to Frimex Investment LLC (formerly Frimex Trading Company LLC) without consideration. Pursuant to the shareholders resolution dated 23 Shawwal 1424H (corresponding to 17 December 2003G), the Company's share capital was increased from thirty-one million and six hundred thousand Saudi Arabian Riyals (SAR 31,600,000) to fifty million Saudi Arabian Riyals (SAR 50,000,000) divided into fifty thousand (50,000) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of eighteen million and one four hundred thousand Saudi Arabian Riyals (SAR 18,400,000) from the shareholders account. In 2001G, the entire share capital of Saudi Carton Factory Company Limited was acquired by the Company for a cash consideration of SAR 73.2 million. Pursuant to the shareholders resolution dated 9 Muharram 1430H (corresponding to 6 January 2009G), Saudi Carton Factory Company was merged with the Company along with all its rights and liabilities, without consideration, and Saudi Carton Factory Company was converted into a branch of the Company while retaining the name, number and date of its Commercial Registration, and the Company's share capital was increased from fifty million Saudi Arabian Riyals (SAR 50,000,000) to fifty-six million and seven hundred and fifty thousand Saudi Arabian Riyals (SAR 56,750,000), divided into fifty-six thousand and seven hundred and fifty (56,750) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share, as the shareholders agreed to add the share capital of Saudi Carton Factory Company to the share capital of the Company. Pursuant to the shareholders resolution dated 18 Rabi' al-Awwal 1437H (corresponding to 29 December 2015G), the Company's share capital increased from fifty-six million and seven hundred and fifty thousand Saudi Arabian Riyals (SAR 56,750,000) to two hundred million Saudi Arabian Riyals (SAR 200,000,000), divided into twenty million (20,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through the capitalisation of an amount of one hundred and forty-three million and two hundred and fifty thousand Saudi Arabian Riyals (SAR 143,250,000) from retained earnings account. Pursuant to the shareholders resolution dated 6 Rabi' al-Thani 1438H (corresponding to 4 January 2017G), the shareholders agreed to convert the Company from a limited liability company to a closed joint stock company. On the same date, Zamil Group Holding Company (formerly Hamad Abdullah AlZamil & Brothers Company) transferred one million (1,000,000) shares, representing 5.0 per cent. of the share capital, to Zamil Group Investment Company without consideration and also transferred one million (1,000,000) shares, representing 5.0 per cent. of the share capital, to Eastern Industrial Investment Company without consideration. Pursuant to the Extraordinary General Assembly dated 19 Shawwal 1445H (corresponding to 28 April 2024G), the Company's share capital was increased from two hundred million Saudi Arabian Riyals (SAR 200,000,000) to four hundred million Saudi Arabian Riyals (SAR 400,000,000), divided into forty million (40,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through the capitalisation of an amount of sixty million Saudi Arabian Riyals (SAR 60,000,000) from statutory reserve and an amount of one hundred forty million Saudi Arabian Riyals (SAR 140,000,000) from retained earnings. For further details, see Section 4.10 (*Evolution of Capital*).

As of the date of this Prospectus, the Company's share capital is four hundred million Saudi Arabian Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share.

The initial public offering of the Company's Shares (the "**Offering**") will consist of twelve million (12,000,000) ordinary Shares (collectively, the "Offer Shares" and each an "**Offer Share**)". The Offering price will be fifty Saudi Arabian Riyals (SAR 50) per Offer Share (the "**Offer Price**"), with each Offer Share carrying a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Offer Share. The Offer Shares represent thirty per cent. (30%) of the share capital of the Company following subscription. The Offering shall be restricted to the following two groups of investors (collectively, the "**Investors**"):

Tranche (A) Participating Parties: Comprising the parties entitled to participate in the book-building process specified under the Book-Building Instructions (as defined in Section 1 (*Definitions and Abbreviations*)) issued by the Capital Market Authority (the "**CMA**"). This includes investment fund, Qualified Foreign Investors, GCC Corporate Investors, and certain other foreign investors under swap agreements (collectively referred to as the "**Participating Parties**" and each a "**Participating Party**") (for further details, see Section 1 (*Definitions and Abbreviations*)). The number of Offer Shares to be provisionally allocated to the Participating Parties is twelve million (12,000,000) Offer Shares, representing one hundred per cent. (100%) of the Offer Shares. The final allocation will be made after the end of the Individual Subscribers' subscription (as defined in Tranche (B) below), using the discretionary allocation mechanism by the Financial Advisor (as defined in Section 1 (*Definitions and Abbreviations*)) in coordination with the Company. As a result, some of the Participating Entities may not be allocated any Offer Shares. The Financial Advisor shall have the right, if there is sufficient demand by Individual Subscribers and in coordination with the Company, to reduce the number of Offer Shares allocated to Participating Entities to nine million and six hundred thousand (9,600,000) Offer Shares, representing eighty per cent. (80%) of the Offer Shares.

Tranche (B) Individual Subscribers: Comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have an investment account and an active portfolio with one of the Receiving Agents (collectively, the "**Individual Subscribers**" and each an "**Individual Subscriber**", and together with the Participating Entities, the "**Subscribers**"). A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million and four hundred thousand (2,400,000) Offer Shares representing twenty per cent. (20%) of the total Offer Shares shall be allocated to Individual Subscribers. If the Individual Subscribers do not subscribe in full to the Offer Shares allocated to them, the Financial Advisor may in coordination with the Company reduce the number of Offer Shares allocated to Individual Subscribers in proportion to the number of Offer Shares subscribed by them.

Prior to the Offering, the Company's current shareholders (collectively referred to as the "**Selling Shareholders**") whose names are mentioned on page (xxv) own all the Shares of the Company. The Offer Shares will be sold by the Selling Shareholders in accordance with Table 4 (*Direct Ownership Structure of the Company Pre- and Post-Offering*). Upon completion of the Offering, the Selling Shareholders will, in aggregate own seventy per cent. (70%) of the Shares and will consequently retain a controlling interest in the Company. After deducting the Offering expenses (the "**Net Offering Proceeds**"), the Offering Proceeds will be paid to the Selling Shareholders on a pro-rata basis according to the number of owned by each Selling Shareholder. The Company will not receive any part of the Offering Proceeds (for further details, see Section 8 (*Use of Proceeds*)). The Offering is fully underwritten by the underwriter (for further details, see Section 12 (*Underwriting*)). The Company has five substantial shareholders (i.e., those who own five per cent. (5%) or more of the Company's share capital prior to the Offering), namely Zamil Group Holding Company, Omar Kassem Alesayi and Company, Frimex Investment LLC, Zamil Group Investment Company and Eastern Industrial Investment Company (the "**Substantial Shareholders**") as set out in Table 2 (*Substantial Shareholders and Their Ownership in the Company Pre- and Post-Offering*). The Substantial Shareholders will be subject to a lock-up period during which they will be prohibited from selling their Shares for a period of six (6) months from the date of commencement of trading of the Company's Shares on Saudi Exchange ("**Tadawul**" or the "**Exchange**") (the "**Lock-up Period**"). Following the end of the Lock-up Period, the Substantial Shareholders may dispose of their Shares.

The Offering for Individual Subscribers will commence on Monday, 14 Thul-Qi'dah 1446H (corresponding to 12 May 2025G) and will remain open for a period of two days up to and including the closing day on Tuesday, 15 Thul-Qi'dah 1446H (corresponding to 13 May 2025G) (the "**Offering Period**"). Subscription to the Offer Shares by the Individual Subscribers can be made during the Offering Period through the websites and electronic platforms of the Receiving Agents (the "**Receiving Agents**") listed on page (xii) (for further details, see Section 16 (*Subscription Terms and Conditions*)). Participating Parties can bid for the Offer Shares through the Bookrunner within the book-building period before the Shares are offered to the Individual Subscribers.

Each Individual Subscriber who subscribes to the Offer Shares must apply for a minimum of ten (10) Offer Shares. The maximum number of Offer Shares that can be subscribed to is four hundred thousand (400,000) Offer Shares. The minimum number of allocated Offer Shares will be ten (10) Offer Shares per Individual Subscriber and the remaining balance of the Offer Shares, if any, will be allocated on a pro rata basis based on the number of Offer Shares applied for by each Individual Subscriber. If the number of Individual Subscribers exceeds two hundred forty thousand (240,000) Individual Subscribers, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated at the discretion of the Financial Advisor in coordination with the Company. Excess subscription monies, if any, will be refunded to the Individual Subscribers without any charge or withholding by the relevant Receiving Agent. The announcement of the final allocation shall be made no later than 20 Thul-Qi'dah 1446H (corresponding to 18 May 2025G) and the refund of excess subscription monies, if any, will be made no later than 20 Thul-Qi'dah 1446H (corresponding to 18 May 2025G) (for further details, see "*Key Dates and Subscription Procedures*" on page (xxi) and Section 16 (*Subscription Terms and Conditions*)).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each shareholder (a "**Shareholder**") has the right to attend and vote at general assembly meetings of the Company (the "**General Assembly**") and each Shareholder is entitled to delegate another Shareholder, who is not a member of the Company's Board of Directors, as their proxy to represent them in General Assembly meetings and vote on their behalf on its resolutions. No Shareholder benefits from any preferential voting rights. The Offer Shares will entitle their holders to receive dividends declared and distributed by the Company starting from the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for further details, see Section 7 (*Dividend Distribution Policy*)).

Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. The Company has submitted an application for the registration and offer of the Shares to the CMA, and an application for the listing of the Shares on the Exchange. This Prospectus has been approved and the required documents have been submitted to the relevant authorities. All of the requirements have been met and all of the relevant regulatory and corporate official approvals for the Offering have been obtained. It is expected that trading in the Shares will commence on the Exchange shortly after the final allocation of the Offer Shares and the satisfaction of the necessary conditions and procedures (for further details, see "*Key Dates and Subscription Procedures*" on page (xxi)). Saudi natural persons, non-Saudi natural persons holding valid residence permits in the Kingdom, companies, banks, and investment funds established in the Kingdom or in countries of the Cooperation Council for the Arab States of the Gulf (the "**GCC**"), as well as GCC natural persons, will be permitted to trade in the Shares after the trading on the Exchange commences. Moreover, Qualified Foreign Investors and Strategic Foreign Investors will be permitted to trade in the Shares in accordance with the Rules for Foreign Investment in Securities (all as defined in Section 1 (*Definitions and Abbreviations*)). Furthermore, non-GCC natural persons who are not residents in the Kingdom and non-GCC institutions incorporated outside the Kingdom will be permitted to make indirect investments to acquire an economic interest in the Shares by entering into a swap agreement with a capital market institution licenced by the CMA to acquire, hold and trade the Shares on the Exchange on behalf of a foreign investor (the "**Capital Market Institution**"). Under such swap agreements, the Capital Market Institution will be the registered legal owner of such Shares. Moreover, other foreign investors which are clients of a Capital Market Institution authorised by the CMA to conduct managing activities will be permitted to trade in the Shares in accordance with the Rules for Foreign Investment in Securities, provided that the Capital Market Institution has been appointed on conditions that enable it to make all investment decisions on the client behalf without obtaining prior approval from the client.

Investment in the Offer Shares involves certain risks and uncertainties. For a discussion of certain factors to be carefully considered before determining whether to invest in the Offer Shares, the "*Important Notice*" section on page (i) and Section 2 (*Risk Factors*) of this Prospectus should be considered.

Financial Advisor, Lead Manager, Bookrunner and Underwriter

الراجحي المالية
alrajhi capital

Receiving Agents

الراجحي المالية alrajhi capital · الأول للاستثمار SAB Invest · BSF Capital · الإنماء المالية alinma capital · الرياض المالية Riyad Capital · الجزيرة كابيتال ALJAZIRA CAPITAL · الاستثمار كابيتال Alistithmar Capital · البلاد المالية Albilad Capital · anb capital · SNB كابيتال · دراية derayah · يقين Yaqeen · الخبير المالية Alkhabeer Capital · Sahm · GIB CAPITAL

This Prospectus includes information provided as part of the application for the registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom and the application for listing of securities in compliance with the requirements of the Listing Rules of the Saudi Stock Exchange Company. The Directors, whose names appear on page (vii) in this Prospectus, collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and the Exchange do not take any responsibility for the contents of this Prospectus, do not make any representations as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two language versions.

This Prospectus is dated 15 Jumada al-Akhirah 1446H (corresponding to 16 December 2024G).

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Important Notice

This Prospectus contains detailed and accurate information related to the Company and its Subsidiaries (the "**Group**") as well as the Offer Shares. When submitting an application for the Offer Shares, institutional and individual investors will be treated as applying solely on the basis of the information contained in this Prospectus, which is available at the websites of the Company (www.ucic.com.sa), the CMA (www.cma.org.sa), Saudi Exchange (www.saudiexchange.sa), or the Financial Advisor (www.alrajhi-capital.com).

With respect to the Offering, Al Rajhi Capital has been appointed by the Company as financial advisor (the "**Financial Advisor**"), lead manager (the "**Lead Manager**"), bookrunner (the "**Bookrunner**") and underwriter (the "**Underwriter**"). For further details, see Section 12 (*Underwriting*).

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA. The Directors (as defined below), whose names appear on page (vii), collectively and individually, accept full responsibility for the accuracy of the information contained in this Prospectus, and they confirm that according to their knowledge and belief, after undertaking all reasonable enquiries, there are no other facts the omission of which would make any statement contained herein misleading.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as of the date hereof, a substantial portion of the information in this Prospectus relevant to the markets and industry in which the Company operates is derived from external sources. While neither the Company, the Financial Advisor, nor any of the Company's other advisors, whose names appear on pages (x) and (xi) of this Prospectus (together with the Financial Advisor, the "**Advisors**"), has any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information. Neither the Advisors nor any of their affiliates bear any responsibility for any inaccuracies, errors or incompleteness of any data or information contained in this Prospectus.

The information contained in this Prospectus as of the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments, such as inflation, interest rates, taxation or other economic, political or other factors, over which the Company has no control (for further details, see Section 2 (*Risk Factors*)). Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer Shares is intended to be, or should be construed as, or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

This Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Receiving Agents or the Advisors to participate in the Offering. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without considering individual investment objectives, the financial situation or the particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a CMA licenced financial advisor in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity and such investor's individual circumstances.

The Offering is directed at, and may only be accepted by:

Tranche (A): Participating Parties comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions issued by the CMA, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other foreign investors pursuant to swap agreements (for further details, see Section 1 (*Definitions and Abbreviations*)); and

Tranche (B): Individual Subscribers comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have an investment account and an active portfolio with one of the Receiving Agents. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. For further details, see Section 16 (*Subscription Terms and Conditions*).

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except for certain GCC investors, Qualified Foreign Investors, and/or certain other foreign investors through swap agreements. The Offering does not constitute an offer to sell, securities or induce the purchase of securities in any jurisdiction in which such offer or solicitation would be unlawful or prohibited. All of the recipients of this Prospectus must inform themselves of any legal restrictions relevant to the Offering and the sale of Offer Shares and observe all such restrictions. Both eligible Individual Subscribers and Participating Parties must read this Prospectus in full and seek advice from their legal advisors, financial advisors, and any professional advisors regarding statutory, tax, regulatory, and economic considerations related to their investment in the Offer Shares, and they will personally bear the fees associated with that advice derived from their legal advisors, accountants, and other advisors regarding all matters related to investing in the Offer Shares. There is no guarantee that any profits will be realised from an investment in the Offer Shares.

Market and Industry Data

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus represent the Company's estimates, using underlying data from independent third parties. Statistics, data and other information related to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets in this Prospectus are based on published and publicly available data obtained from multiple independent third-party sources.

In particular, unless otherwise specifically stated, the information in Section 3 (*Market Overview*) is derived from public sources and the market study report dated February 2024G (the "**Market Study** Report") by Frost & Sullivan (the "**Market Consultant**") exclusively for the Company. The Market Consultant is an independent third-party provider of strategic consulting services. For further details about the Market Consultant, visit its website (www.frost.com).

The Market Consultant has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. Research has been conducted with an overall industry perspective, and it may not necessarily reflect the performance of individual companies in the industry.

Neither the Market Consultant nor does any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives own any shares or any interest of any kind in the Company or its Subsidiaries. As of the date of this Prospectus, the Market Consultant has given, and not withdrawn, its written consent for the use of its name, logo, statement and the market information and data supplied by it to the Company in the manner and format set out in this Prospectus.

The information provided in Section 3 (*Market Overview*) by the Market Consultant is based on primary and secondary information available internally or in the public domain and should be read in conjunction with the same. Quantitative market information was sourced from interviews by way of primary research, and therefore, the information is subject to change due to possible changes in the business and industry climate. Market estimates and assumptions are based on varying levels of quantitative and qualitative analyses, and actual results and future events could differ materially from such estimates, predictions or statements.

In its role as market consultant, the Market Consultant is only providing market research and the information provided by the Market Consultant derived from public data sources is not to be construed as investment, legal or any other type of advice about the Company.

Whilst the Directors believe that the information and data from third party sources contained in Section 3 (*Market Overview*), including those derived from public sources or provided by the Market Consultant, are reliable, such information and data have not been independently verified by the Company, the Directors, or the Advisors, and thus none of them bears any liability for the accuracy or completeness of such information or data.

Financial and Statistical Information

The Company's audited financial statements for the financial year ended 31 December 2021G and the Group's audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") that are endorsed in the Kingdom and other standards and pronouncements that are issued by the Saudi Organisation for Chartered and Professional Accountants ("**SOCPA**"). The unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G, has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in the Kingdom and other standards and pronouncements that are issued by SOCPA.

The Company's financial statements for the financial year ended 31 December 2021G were audited by Ernst & Young Professional Services (Professional LLC) and the consolidated financial statements for the financial years ended 31 December 2022G and 2023G were audited by PricewaterhouseCoopers - Public Accountants and the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G were reviewed by PricewaterhouseCoopers - Public Accountants (both are hereafter referred to as the "**Auditors**"). Such financial statements are contained in Section 19 (*Financial Statements and Independent Auditors' Reports*).

The financial information contained in this Prospectus for the financial years ended 31 December 2023G and 2022G is derived from the consolidated financial statements for the financial year ended 31 December 2023G and 2022G, and the audited and restated comparatives for the financial year ended 31 December 2022G as presented in the consolidated financial statements for the financial year ended 31 December 2023G. The financial information for the financial year ended 31 December 2021G is derived from the audited financial statements for the Company for the financial year ended 31 December 2021G. The financial information for the six-month periods ended 30 June 2024G and 2023G has been extracted from the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G.

The terms "Group" and "consolidated" have been used on several occasions in this Prospectus for certain financial information for the financial year ended 31 December 2021G for consistency with the presentation of the financial information for the financial years ended 31 December 2022G and 2023G. This is because the financial information for 2021G represents standalone financial information of the Company, while the financial information for 2022G and 2023G represents consolidated financial information of the Company and its Subsidiaries. Accordingly, the financial information for the financial year ended 31 December 2021G may not be comparable to the financial information for the financial years ended 31 December 2022G and 2023G in this Prospectus.

Certain comparative financial information for the financial year ended 31 December 2022G has been reclassified and restated, as applicable, to conform to the presentation adopted in the audited consolidated financial statements for the financial year ended 31 December 2023G and hence differs from the financial information included in the audited financial statements for the financial year ended 31 December 2021G. Such reclassification did not impact the profit or loss and total equity for the financial years ended 31 December 2022G and 2023G.

See further Section 6.5 (*Restatement of Financial Information*) and Note 31 "Amendment of corresponding amounts" of the consolidated financial statements for the financial year ended 31 December 2023G to understand the financial impact of the restatement.

The unaudited pro forma consolidated financial information for the financial years ended 31 December 2021G, 2022G and 2023G were prepared for illustrative purposes only. The unaudited pro forma consolidated financial information addresses a hypothetical situation and therefore does not represent the actual consolidated statement of financial position of the Company and its consolidated financial performance.

The unaudited pro forma consolidated financial information for the financial year ended 31 December 2021G was issued by PKF Al Bassam Chartered Accountants, and for the financial years ended 31 December 2022G and 2023G were issued by PricewaterhouseCoopers – Public Accountants and are prepared for illustrative purposes only. The unaudited pro forma consolidated financial information addresses a hypothetical situation and therefore does not represent the actual consolidated statement of financial position of the Company and its consolidated financial performance.

Management has compiled the unaudited pro forma consolidated financial information to illustrate the impact of the acquisition of Integrated Packaging Industries Company and United Paper Industries Company FZCO by the Company (the "**Transactions**"), on the Company's financial position as of 31 December 2022G as if the Transactions had taken place on that date, and on the Company's financial performance for the two financial years ended 31 December 2022G and 31 December 2023G as if the Transactions had taken place on 1 January 2022G.

The unaudited pro forma consolidated statement of financial position as of 31 December 2023G is not presented, as the Company has prepared the consolidated financial statements for the year ended 31 December 2023G, and the statements of financial position of Integrated Packaging Industries Company and United Paper Industries Company FZCO have been consolidated by the Company as of 31 December 2023G. The purpose of the unaudited pro forma consolidated financial information referred to above is to reflect the significant effects that the Transactions would have had on the Company's historical consolidated statement of financial position as of 31 December 2022G and the Company's historical consolidated statement of profit or loss and other comprehensive income for the financial years ended 31 December 2022G and 2023G, as if the Company had actually carried out the Transactions as of the dates specified above. See further Section 19 (*Financial Statements and Independent Auditors' Reports*) for more information on the unaudited descriptive consolidated financial information.

The presentation of financial information and line items used in this Prospectus are consistent with the audited consolidated financial statements for the financial year ending 31 December 2023G. Accordingly, some differences may appear in the presentation and names of some accounts compared to the audited financial statements for the financial year ended 31 December 2021G. This includes the following line items:

- Cost of sales: The term "cost of sales", as used in this Prospectus, has been used since 2022G, while the term "cost of revenue" was used for the same line item in previous years;
- Method of presentation of "other income" line item: Starting from 2022G, the Company presented the "other income-net" line item as part of operating profit, while the "other income" line item was presented as part of the items after operating profit in the previous years;
- From 2022G, the Company presented the provision for impairment of trade receivables separately in the statement of profit or loss as "allowance for impairment of trade receivables", while it was part of general and administrative expenses in 2021G;
- Profit before Zakat and income tax: The term "profit before Zakat and income tax", as used in this Prospectus, has been used since 2022G, while the term "profit for the year before Zakat and income tax" was used for the same line item in the previous years;
- The term "zakat expenses", as used in this Prospectus, has been used since 2022G, while the term "Zakat charge" was used for the same line item in previous years;
- The term "Income Tax", as used in this Prospectus, has been used since 2022G, while the term "Tax credit/(charge), net" was used for the same line item in previous years;
- The term "net profit for the year", as used in this Prospectus, has been used since 2022G, while the term "profit for the year" was used for the same line item in previous years;
- Trade receivables and advances, prepayments and other receivables: The term "trade receivables" and "advances, prepayments and other receivables" have been presented separately as used in this Prospectus starting from 2022G, while the term "accounts receivable and prepayments" was used for the same line items in the previous years;
- Trade payables and accrued and other liabilities: The term "trade payables" and "accrued and other liabilities" have been presented separately as used in this Prospectus starting from 2022G, while the term "accounts payable and accruals" was used for the same line item in the previous year;
- The term "employee benefit obligations" has been used in this Prospectus starting from 2022G, whereas the term "employee benefits" was used for the same account in previous years;
- The term "remeasurement (loss)/gain on employee benefit obligations" has been used in this Prospectus starting from 2022G, whereas the term "re-measurement gain/(losses) on defined benefit obligation" was used for the same account in previous years;
- The term "deferred tax related to remeasurement gain/loss" has been used in this Prospectus starting from 2022G, whereas the term "deferred tax relating to actuarial (gain)/losses" was used for the same account in previous years;
- The term "advance for acquisition of a subsidiary" has been used in this Prospectus starting from 2022G, whereas the term "advance for investment" was used for the same account in previous years;
- The term "employee benefit obligations incurred" has been used in this Prospectus starting from 2022G, whereas the term "provision for employee benefits" was used for the same account in previous years;
- The term "net cash inflow from operating activities" has been used in this Prospectus starting from 2022G, whereas the term "net cash flows from operating activities" was used for the same account in previous years;
- The term "net cash outflow from investing activities" has been used in this Prospectus starting from 2022G, whereas the term "net cash flows used in investing activities" was used for the same account in previous years;
- The term "net cash (outflow)/inflow from financing activities" has been used in this Prospectus starting from 2022G, whereas the term "net cash flows from/(used in) investing activities" was used for the same account in previous years; and
- Due to the reclassification in the above line items, the figures in the statement of cash flows have been reclassified accordingly, and as such, they will not match the 2021G audited financial statements.

The financial and statistical information contained in this Prospectus is rounded off to the nearest integer or the first decimal point or the second decimal point, where applicable. Accordingly, where numbers have been rounded up or down, there may be differences between the figures set out in this Prospectus and the Financial Statements and in the related variance and summation computations. In instances where the variances and percentages thereof have been calculated based on whole numbers as opposed to the rounded numbers, these are subject to rounding differences when compared with such calculations performed using rounded numbers presented in the Prospectus. In respect of period-on-period movements where one or both periods contain nil balance or N/A, the resulting variation has been shown as "+/-100%" or "N/A" or "-".

Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on the Company's information according to its market experience, as well as on publicly available market information. Since future operating conditions may differ from the assumptions used, no affirmation, representation, or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus constitute, or may be deemed to constitute, "**forward-looking statements**". Such statements can generally be identified by their use of forward-looking words and terms, such as "**intends**", "**plans**", "**estimates**", "**believes**", "**expects**", "**anticipates**", "**may**", "**will**", "**should**", "**expected**", "**would be**" or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the views of the Company as of the date of this Prospectus with respect to future events but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail (for further details, see Section 2 (*Risk Factors*)). Should any of these risks or uncertainties materialise or any underlying assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described as estimated, believed, expected or planned in this Prospectus.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before the completion of the Offering it becomes aware of the following (i) a material change in the information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations; or (ii) the occurrence of additional material matters which would have been required to be included in this Prospectus. Except for the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, prospective investors should consider and review all forward-looking statements in light of these explanations and should not place undue reliance on them.

Corporate Directory

Company's Board of Directors

In accordance with the Company's Bylaws, the Company is managed by a Board of Directors comprised of nine (9) members, elected by the Ordinary General Assembly for a period not exceeding four (4) years, which began on 17 Rajab 1446H (corresponding to 17 January 2025G) and will end on 1 Ramadan 1450H (corresponding to 16 January 2029G). The following table shows the details of the Board of Directors:

Table 1: Company's Board of Directors

Name	Position	Nationality	Capacity (1)	Direct Share Ownership (%)		Indirect Share Ownership (%) (2)		Date of Appointment (3)
				Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Adib Abdullah Hamad AlZamil (4)	Chairman	Saudi	Non-Executive	-	-	2.84%	1.988%	20 Rajab 1446H (corresponding to 20 January 2025G).
Saeed Omar Kassem Alesayi (5)	Vice Chairman	Saudi	Non-Executive	-	-	3.31%	2.317%	20 Rajab 1446H (corresponding to 20 January 2025G).
Ibrahim Hayel Saeed Anam (6)	Director	Yemeni	Non-Executive	-	-	1.2%	0.84%	20 Rajab 1446H (corresponding to 20 January 2025G).
Aidroos Hassan Omar Alesayi (7)	Director	Saudi	Non-Executive	-	-	2.85%	1.995%	20 Rajab 1446H (corresponding to 20 January 2025G).
Sattam Abdulaziz Abdullah AlZamil (8)	Director	Saudi	Non-Executive	-	-	0.41%	0.287%	20 Rajab 1446H (corresponding to 20 January 2025G).
Shawki Ahmed Hayel Saeed (9)	Director	Yemeni	Non-Executive	-	-	1.29%	0.903%	20 Rajab 1446H (corresponding to 20 January 2025G).
Khaled Mohammed Khalil Barahmeh	Director	Jordanian	Independent	-	-	-	-	20 Rajab 1446H (corresponding to 20 January 2025G).
Khalid Ahmed Abubaker Baeshen	Director	Saudi	Independent	-	-	-	-	20 Rajab 1446H (corresponding to 20 January 2025G).
Abdullah Ali Mohammed AlSanea	Director	Saudi	Independent	-	-	-	-	20 Rajab 1446H (corresponding to 20 January 2025G).

Source: The Company.

(1) An independent member is a non-executive member of the Board of Directors having complete independence in their position and decisions, and who is free of any of the obstacles to independence set out in the Corporate Governance Regulations, which are as follows:

- Owning five per cent. (5%) or more of the Company's shares or shares in any of its subsidiaries or being related to someone who owns such percentage.
- Being related to any member of the Company's Board of Directors or the board of directors of any of its subsidiaries.
- Being related to any senior executive of the Company or any of its subsidiaries.
- Being a board member of another company within the group of which the company seeking a board member is a part.
- Having been employed by the Company or any of its subsidiaries within the past two years or owning controlling interests in the Company or any party dealing with the Company or any of its subsidiaries, such as auditors or major suppliers, within the past two years.
- Having a direct or indirect interest in the business and contracts carried out on behalf of the Company.
- Receiving payments from the Company, in addition to their Board or committee membership fee, exceeding SAR 200,000 or 50 per cent. of their previous year's fee for board or committee membership, whichever is less.
- Engaging in any activity that competes with the Company or trading in any of the Company's lines of business.
- Having served more than nine consecutive or non-consecutive years on the Company's Board.

(2) Ownership percentages are rounded to the nearest two decimal place or three decimal place. For further details on the Company's ultimate individual owners and their indirect ownership stake in the Company, see Section 4.3.1 (*Current Shareholding Structure*).

(3) Dates listed in this table are the dates of appointment to the current positions in the Board of Directors. Their respective biographies in Section 5.2.4 (*Biographies of the Directors and the Secretary*) describe the dates of their appointment, whether in the Board of Directors or in any other position.

(4) Adib Abdullah AlZamil directly owns 37,218 shares in Al Jadarah Investment Company (representing 7.1 per cent. of its share capital). Al Jadarah Investment Company owns in aggregate 16,000,000 Shares in the Company before the Offering (representing 40 per cent. of the Company's share capital before the Offering): (a) through its ownership of 100 per cent. of Zamil Group Holding Company's share capital via its: (i) direct 99 per cent. ownership in Zamil

Group Holding Company's share capital; and (ii) direct ownership of 100 per cent. of the share capital of Eastern Industrial Investment Company Limited which in turn directly owns the remaining one per cent. in Zamil Group Holding Company's share capital; (b) Zamil Group Holding Company directly owns 30 per cent. of the Company's share capital before the Offering; (c) Zamil Group Holding Company directly owns 100 per cent. of Zamil Group Investment Company's share capital which in turn owns five per cent. of the Company's share capital before the Offering; and (d) Al Jadarah Investment Company directly owns 100 per cent. of Eastern Industrial Investment Company Limited's share capital which in turn owns five per cent. of the Company's share capital before the Offering. As a result, Adib Abdullah AlZamil indirectly owns approximately 1,136,000 Shares in the Company prior to the Offering, which represents approximately 2.84 per cent. of the Company's share capital before the Offering.

(5) Saeed Omar Kassem Alesayi directly owns 70 per cent. of the share capital of Masila Company, which in turn directly owns 14.3 per cent. of the share capital of Omar Kassem Alesayi and Company, which in turn directly owns 12,000,000 shares in the Company before the Offering (representing 30 per cent. of the Company's total shares). Additionally, Saeed Omar Kassem Alesayi directly owns 33.3 per cent. of the share capital of Al Falah United Development Company Limited, which in turn directly owns 3.1 per cent. of Omar Kassem Alesayi and Company, which in turn directly owns 12,000,000 Shares in the Company before the Offering (representing 30 per cent. of the Company's share capital). As a result, Saeed Omar Kassem Alesayi indirectly owns approximately 1,324,000 Shares in the Company prior to the Offering, which represents approximately 3.31 per cent. of the Company's share capital before the Offering.

(6) Ibrahim Hayel Saeed Anam directly owns: (a) four per cent. of the share capital of Capital House Investments Limited, which in turn indirectly owns all of the share capital in Frimex Investment LLC (via its 100 per cent. direct ownership in the share capital of Babylon Investment Limited and Oriental Gulf Limited, the parent companies of Frimex Investment LLC). Frimex Investment LLC in turn directly owns 12,000,000 Shares in the Company prior to the Offering, which represents approximately 30 per cent. of the Company's share capital before the Offering; and (b) 16.5 per cent. of the share capital of Anam Holdings Limited, which in turn directly owns 4.6 per cent. of Capital House Investment Limited. Capital House Investments Limited indirectly owns all of the share capital of Frimex Investment LLC (via its 100 per cent. direct ownership in the share capital of Babylon Investment Limited and Oriental Gulf Limited, the parent companies of Frimex Investment LLC), and Frimex Investment LLC in turn owns 12,000,000 Shares in the Company prior to the Offering, which represents approximately 30 per cent. of the Company's share capital before the Offering. As a result, Ibrahim Hayel Saeed Anam indirectly owns approximately 480,000 Shares in the Company prior to the Offering, which represents approximately 1.2 per cent. of the Company's share capital before the Offering.

(7) Aidroos Hassan Omar Alesayi directly owns 76 per cent. of the share capital of Alesayi General Contracting Holding Co., which in turn directly owns 12.5 per cent. of the share capital of Omar Kassem Alesayi and Company, which in turn directly owns 12,000,000 Shares in the Company before the Offering (representing 30 per cent. of the Company's share capital before the Offering). As a result, Aidroos Hassan Omar Alesayi indirectly owns approximately 1,140,000 Shares in the Company prior to the Offering, which represents approximately 2.85 per cent. of the Company's share capital before the Offering.

(8) Sattam Abdulaziz Abdullah AlZamil directly owns 0.95 per cent of the share capital of Al Jadarah Investment Company and indirectly owns 0.24 per cent. of Al Jadarah Investment Company through his 17.5 per cent. ownership of Abdulaziz Abdullah AlZamil & Sons Co., which in turn owns 1.36 per cent. of the share capital of Al Jadarah Investment Company (which is a company that directly owns 99 per cent. and indirectly owns 1 per cent. of the share capital of Al Zamil Holding Group). Accordingly, Sattam Abdulaziz Abdullah AlZamil owns in aggregate of 1.19 per cent. of the share capital of Al Jadarah Investment Company. Al Jadarah Investment Company owns in aggregate 16,000,000 Shares in the Company indirectly before the Offering (representing 40 per cent. of the Company's share capital before the Offering): (a) through its ownership of 100 per cent. of Zamil Group Holding Company's share capital via its: (i) direct 99 per cent. ownership in Zamil Group Holding Company's share capital; and (ii) direct ownership of 100 per cent. of the share capital of Eastern Industrial Investment Company Limited which in turn directly owns the remaining one per cent. in Zamil Group Holding Company's share capital; (b) Zamil Group Holding Company directly owns 30 per cent. of the Company's share capital before the Offering; (c) Zamil Group Holding Company directly owns 100 per cent. of Zamil Group Investment Company's share capital which in turn owns five per cent. of the Company's share capital before the Offering; and (d) Al Jadarah Investment Company directly owns 100 per cent. of Eastern Industrial Investment Company Limited's share capital which in turn owns 5 per cent. of the Company's share capital before the Offering. As a result, Sattam Abdulaziz Abdullah AlZamil indirectly owns approximately 164,000 Shares in the Company prior to the Offering, which represents approximately 0.41 per cent of the Company's share capital before the Offering.

(9) Shawki Ahmed Hayel Saeed directly owns 4.3 per cent. of the share capital of Capital House Investments Limited, which in turn indirectly owns all of the share capital in Frimex Investment LLC (via its 100 per cent. direct ownership in the share capital of Babylon Investment Limited and Oriental Gulf Limited, the parent companies of Frimex Investment LLC). Frimex Investment LLC in turn directly owns 12,000,000 Shares in the Company prior to the Offering, which represents approximately 30 per cent. of the Company's share capital before the Offering. As a result, Shawki Ahmed Hayel Saeed indirectly owns approximately 516,000 Shares in the Company prior to the Offering, which represents approximately 1.29 per cent. of the Company's share capital before the Offering.

The Secretary of the Board of Directors is Bandar Malik Hammad Alshammari who was appointed pursuant to a resolution of the Board of Directors dated 20 Rajab 1446H (corresponding to 20 January 2025G), he does not own any shares in the Company. See Section 5.2.4.10 (*Bandar Malik Hammad Alshammari, Board Secretary*) for his biography.

Company's Registered Address, Representatives, Board Secretary

Company
United Carton Industries Company Industrial Area, Phase 5 P.O. Box 31503, Jeddah 21418 Kingdom of Saudi Arabia Tel: +966 (12) 224 4100 Fax: +966 (12) 636 8789 Website: www.ucic.com.sa Email: info@ucic.com.sa

Company's Representatives	
Sattam Abdulaziz Abdullah AlZamil Director Industrial Area, Phase 5 P.O. Box 31503, Jeddah 21418 Kingdom of Saudi Arabia Tel: +966 (12) 224 4100 ext. 4200 Fax: +966 (12) 636 8789 Website: www.ucic.com.sa Email: sattam@zamil.com	**Mohnish Rikhy** Chief Executive Officer Industrial Area, Phase 5 P.O. Box 31503, Jeddah 21418 Kingdom of Saudi Arabia Tel: +966 (12) 2244100 ext. 4105 Fax: +966 (12) 636 8789 Website: www.ucic.com.sa Email: rikhy@ucic.com.sa

Secretary of the Board of Directors
Bandar Malik Hammad Alshammari Secretary of the Board of Directors Industrial Area, Phase 5 P.O. Box 31503, Jeddah 21418 Kingdom of Saudi Arabia Tel: +966 (12) 2244243 Fax: +966 (12) 636 8789 Website: www.ucic.com.sa Email: b.alshammari@ucic.com.sa

Stock Exchange
Saudi Exchange (Tadawul) Tawuniya Towers, Northern Tower King Fahad Road, Al Olaya 6897 Unit No 15 Riyadh 12211-3388 Kingdom of Saudi Arabia Tel: + 966 (11) 92000 1919 Fax: + 966 (11) 218 9133 Website: www.saudiexchange.sa E-mail: csc@saudiexchange.sa

Share Registrar
Securities Depository Center Company (Edaa) Tawuniya Towers King Fahad Road, Al Olaya 6897 Unit No 11 Riyadh 12211- 3388 Kingdom of Saudi Arabia Tel: + 966 920026000 Website: www.edaa.com.sa E-mail: cc@edaa.com.sa

Advisors

Financial Advisor, Lead Manager, Bookrunner and Underwriter
Al Rajhi Capital King Fahad Road P.O. Box 5561, Riyadh 11432 Kingdom of Saudi Arabia Tel: + 966 (11) 920005856 Fax: +966 (11) 4600625 Website: www.alrajhi-capital.com E-mail: ucicipo@alrajhi-capital.com
Legal Advisor of the Issuer
STAT Law Firm Buildings 7 and 8, Tuwaiq Gate 7894 King Fahad Road, Ar Rahmaniyah District Postal Code 12343 Riyadh, Kingdom of Saudi Arabia Tel: +966 (11) 272 0003 Fax: +966 (11) 237 0005 Website: www.statlawksa.com E-mail: capitalmarkets@statlawksa.com
Legal Advisor of the Financial Advisor, Lead Manager, Bookrunner and Underwriter
Gibson, Dunn and Crutcher Law Firm King Abdullah Financial District Area 4, Building 4.07, Level 7 Riyadh 13519 Kingdom of Saudi Arabia Tel: + 966 (11) 827 4046 Website: www.gibsondunn.com E-mail: GDC-SaudiCapitalMarkets@gibsondunn.com
Financial Due Diligence Advisor
Ernst & Young Professional Services (Professional LLC) Al Faisaliah Office Tower, 14th Floor King Fahad Road P.O. Box 2732 Riyadh 11461 Kingdom of Saudi Arabia Tel: +966 (11) 215 9898 Fax: +966 (11) 273 4730 Website: www.ey.com E-mail: ey.ksa@sa.ey.com

Market Consultant	
Frost & Sullivan Localizer Mall, First Floor, Prince Mohammed Ibn Abdulaziz Road P.O Box 2803 Riyadh 12222 Kingdom of Saudi Arabia Tel: +966 (11) 4868463 Fax: +966 (11) 4868465 Website: www.frost.com Email: Corp.Ksa@frost.com	FROST & SULLIVAN
Company's Auditor for the Financial Year Ended 31 December 2021G	
Ernst & Young Professional Services (Professional LLC) King's Road Tower, 13th Floor King Abdul Aziz Road (Malek Road) P.O. Box 1994 Jeddah 21441 Kingdom of Saudi Arabia Tel: +966 (11) 215 9898 Fax: +966 (11) 273 4730 Website: www.ey.com E-mail: ey.ksa@sa.ey.com	EY Building a better working world
Company's Auditor for the Financial Years Ended 31 December 2022G and 2023G and the Six-Month Period Ended 30 June 2024G and Independent Practitioner for the Unaudited Pro forma Consolidated Financial Information for the Financial Years Ended 31 December 2022G and 2023G	
PricewaterhouseCoopers - Public Accountants Jameel Square P.O. Box 16415 Jeddah 21464 Kingdom of Saudi Arabia Tel: +966 (12) 610 4400 Fax: +966 (12) 610 4411 Website: www.pwc.com E-mail: info@sa.pwc	pwc
Independent Practitioner for the Unaudited Pro forma Consolidated Financial Information for the Financial Year Ended 31 December 2021G	
PFK Al Bassam Chartered Accountants Al Tahliah Street – Building No 4217 P.O. Box: 69658 Riyadh 11557 Kingdom of Saudi Arabia Tel: +966 (11) 206 5333 Fax: +966 (12) 206 5444 Website: www.pkfalbassam.com E-mail: info.sa@pkf.com	PKF Al Bassam Chartered Accountants

Note: All of the above-mentioned Advisors and Auditors have given and, as of the date of this Prospectus, have not withdrawn their written consent to the inclusion of their respective names, logos and statements/reports (as applicable) attributed to each of them in the context in which they appear in this Prospectus, and neither they, nor their employees (forming part of the engagement team serving the Company), or any of their relatives have any shareholding or interest of any kind in the Company or its Subsidiaries as of the date of this Prospectus which would impair their independence, with the exception of Ernst & Young Professional Services (Professional LLC), which have declared their independence as Auditors until 13 January 2022G, which is the date of the audit report on the financial statements for the financial year ended 31 December 2021G.

Receiving Agents

Alrajhi Capital (ARC) Headquarters, King Fahad Road, Al Murooj District P.O. Box 5561 Riyadh 12263 Kingdom of Saudi Arabia Tel. No: +966 (92) 000 5856 Fax No: +966 (11) 460 0625 Website: www.alrajhi-capital.com E-mail: arcipo@alrajhibank.com.sa	
SNB Capital King Saud Road P.O. Box 2575 Riyadh 12624 Kingdom of Saudi Arabia Tel. No: +966 (92) 0000232 Website: www.alahlicapital.com E-mail: snbc.cm@alahlicapital.com	
Saudi Fransi Capital Company King Fahad Road 8092 P.O. Box 23454 Riyadh 3735 - 12313 Kingdom of Saudi Arabia Tel. No: +966 (11) 282 6666 Fax No: +966 (11) 282 6823 Website: www.bsfcapital.sa E-mail: sfc-supportcenter@FransiCapital.com.sa	
Riyad Capital 2414 - Al Shuhada district, Unit No 69 P.O. Box 13241 Riyadh 7279 Kingdom of Saudi Arabia Tel. No: +966 (11) 486 5649 Fax No: +966 (11) 486 5908 Website: www.riyadcapital.com E-mail: ask@riyadcapital.com	
Albilad Investment Company King Fahad Road - Al Olaya Riyadh 12313 - 3701 Kingdom of Saudi Arabia Tel. No: +966 (92) 000 3636 Fax No: +966 (11) 290 6299 Website: www.albilad-capital.com E-mail: investmentbanking@albilad-capital.com	
Aljazira Capital Company King Fahad Sub-Road, Al Rahmaniyah P.O. Box 20438 Riyadh 11455 Kingdom of Saudi Arabia Tel. No: + 966 (11) 225 6000 Fax No: + 966 (11) 225 6182 Website: www.aljaziracapital.com.sa E-mail: contactus@aljaziracapital.com.sa	

Alistithmar Capital
King Fahad Road
P.O. Box: 6888- 11452
Riyadh
Kingdom of Saudi Arabia
Tel. No: + 966 (11) 254 7666
Fax No: + 966 (11) 489 6253
Website: www.icap.com.sa
E-mail: WebEcare@icap.com.sa

Derayah Financial
Al Takhassusi Street - Prestige Centre - Third Floor
Riyadh
Kingdom of Saudi Arabia
Tel. No: + 966 (11) 299 8000
Fax No: + 966 (11) 419 5498
Website: www.derayah.com
E-mail: support@derayah.com

Alinma Capital
Al Anoud Tower 2, King Fahad Road
P.O. Box 55560
Riyadh 11544
Kingdom of Saudi Arabia
Tel. No: + 966 (11) 218 5999
Fax No: + 966 (11) 218 5970
Website: www.alinmacapital.com
E-mail: info@alinmacapital.com

ANB Capital
ANB Capital Building, King Faisal Street
3851 New Al Moayed - Al Murabba District
P.O. Box 220009
Riyadh 11311
Kingdom of Saudi Arabia
Tel: +966 (11) 406 2500
Fax: +966 (11) 406 2548
Website: anbcapital.com.sa
Email: investment.banking@anbcapital.com.sa

Yaqeen Capital
Al Wurood District - Al Olaya Street
P.O. Box 884
Riyadh 11421
Kingdom of Saudi Arabia
Tel. No: 800 429 8888
Fax No: + 966 (11) 205 4827
Website: www.yaqeen.sa
E-mail: addingvalue@yaqeen.sa

Alkhabeer Capital
Al Madinah Road
P.O. Box 128289
Jeddah 21362
Kingdom of Saudi Arabia
Tel. No: + 966 (12) 612 29345
Fax No: + 966 (12) 685 6663
Website: www.alkhabeer.com
E-mail: info@alkhabeer.com

Alawwal Invest (SAB Invest) Al Olaya Street P.O. Box No 1467, Riyadh 11431 Kingdom of Saudi Arabia Tel.: 8001242442 Fax No: + 966 (12) 216 9102 Website: www.sabinvest.com E-mail: customercare@sabinvest.com	الأول للاستثمار SAB Invest
Sahm Capital King Abdullah Financial District, Tower 305 Riyadh 13519 Kingdom of Saudi Arabia Tel. No: + 966 (11) 414 5260 Website: www.sahmcapital.com E-mail: Info@sahmcapital.com	Sahm
GIB Capital Low Rise Building 1, Granada Business & Residential Park Eastern Ring Road P.O Box 89589 Riyadh 11692 Kingdom of Saudi Arabia Tel: +966 (11) 511 2200 Fax: +966 (11) 511 2201 Website: www.gibcapital.com E-mail: GIBC.IB@gibcapital.com	GIB جي آي بي كابيتال CAPITAL

Offering Summary

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole and not be based solely on this summary.

In particular, it is important to carefully consider the "*Important Notice*" section on page (i) and Section 2 (*Risk Factors*) prior to making any investment decision with respect to the Offer Shares.

Company Name, Description and Establishment Information	United Carton Industries Company (hereinafter referred to as the "**Company**" or "**Issuer**") is a Saudi closed joint stock company pursuant to the Ministerial Resolution No G/137 dated 12 Jumada al-Ula 1438H (corresponding to 9 February 2017G) with Commercial Registration No. 4030065231 issued in Jeddah, Kingdom of Saudi Arabia. The Company's head and registered office is located at Industrial Area Phase 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia. The current share capital of the Company is four hundred million Saudi Arabian Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (the "**Shares**"). The Company was originally incorporated on 13 Safar 1409H (corresponding to 24 September 1988G) as a limited liability company with a paid-up share capital of nine million and six hundred thousand Saudi Arabian Riyals (SAR 9,600,000), divided into nine thousand and six hundred (9,600) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share and registered under Commercial Registration No. 4030065231 dated 18 Ramadan 1409H (corresponding to 24 April 1989G). At the time of incorporation, Zamil Group Holding Company (formerly Hamad Abdullah AlZamil & Brothers Company) contributed to 40.0 per cent. of the share capital (representing 3,840 shares), Omar Kassem Alesayi and Company contributed 30 per cent. of the share capital (representing 2,880 shares) and Abdulrahman Hayel Saeed Anam contributed 30 per cent. of the share capital (representing 2,880 shares). Pursuant to the shareholders resolution dated 20 Rabi' al-Awwal 1411H (corresponding to 10 October 1990G), the Company's share capital increased from nine million and six hundred thousand Saudi Arabian Riyals (SAR 9,600,000) to fourteen million Saudi Arabian Riyals (SAR 14,000,000), divided into fourteen thousand (14,000) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of four million and four hundred thousand Saudi Arabian Riyals (SAR 4,400,000) from retained earnings. Pursuant to the shareholders resolution dated 14 Shawwal 1411H (corresponding to 29 April 1991G), the Company's share capital increased from fourteen million Saudi Arabian Riyals (SAR 14,000,000) to nineteen million Saudi Arabian Riyals (SAR 19,000,000), divided into nineteen thousand (19,000) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through a cash contribution for an amount of five million Saudi Arabian Riyals (SAR 5,000,000) by the shareholders. Pursuant to the shareholders resolution dated 12 Jumada al-Akhirah 1413H (corresponding to 6 December 1992G), the Company's share capital increased from nineteen million Saudi Arabian Riyals (SAR 19,000,000) to twenty-four million Saudi Arabian Riyals (SAR 24,000,000), divided into twenty-four thousand (24,000) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of five million Saudi Arabian Riyals (SAR 5,000,000) from retained earnings. Pursuant to the shareholders resolution dated 30 Rajab 1415H (corresponding to 1 January 1995G), the Company's share capital increased from twenty-four million Saudi Arabian Riyals (SAR 24,000,000) to thirty million and five hundred thousand Saudi Arabian Riyals (SAR 30,500,000), divided into thirty thousand and five hundred (30,500) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of six million and five hundred thousand Saudi Arabian Riyals (SAR 6,500,000) from retained earnings. Pursuant to the shareholders resolution dated 15 Muharram 1417H (corresponding to 1 June 1996G), the Company's share capital increased from thirty million and five hundred thousand Saudi Arabian Riyals (SAR 30,500,000) to thirty-one million and six hundred thousand (SAR 31,600,000), divided into thirty-one thousand and six hundred (31,600) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of one million and one hundred thousand Saudi Arabian Riyals (SAR 1,100,000) from retained earnings. On the same date, Abdulrahman Hayel Saeed Anam transferred all his shares amounting to nine thousand and one hundred and fifty (9,150) Shares representing 30.0 per cent. of the Company's share capital to Frimex Investment LLC (formerly Frimex Trading Company LLC) without consideration. Pursuant to the shareholders resolution dated 23 Shawwal 1424H (corresponding to 17 December 2003G), the Company's share capital was increased from thirty-one million and six hundred thousand Saudi Arabian Riyals (SAR 31,600,000) to fifty million Saudi Arabian Riyals (SAR 50,000,000) divided into fifty thousand (50,000) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share through the capitalisation of an amount of eighteen million and one four hundred thousand Saudi Arabian Riyals (SAR 18,400,000) from the shareholders account. In 2001G, the entire share capital of Saudi Carton Factory Company Limited was acquired by the Company for a cash consideration of SAR 73.2 million. Pursuant to the shareholders resolution dated 9 Muharram 1430H (corresponding to 6 January 2009G), Saudi Carton Factory Company was merged with the Company along with all its rights and liabilities, without consideration, and Saudi Carton Factory Company was converted into a branch of the Company while retaining the name, number and date of its Commercial Registration, and the Company's share capital was increased from fifty million Saudi Arabian Riyals (SAR 50,000,000) to fifty-six million and seven hundred and fifty thousand Saudi Arabian Riyals (SAR 56,750,000), divided into fifty-six thousand and seven hundred and fifty (56,750) Shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per Share, as the shareholders agreed to add the share capital of Saudi Carton Factory Company to the share capital of the Company. Pursuant to the shareholders resolution dated 18 Rabi' al-Awwal 1437H (corresponding to 29 December 2015G), the Company's share capital increased from fifty-six million and seven hundred and fifty thousand Saudi Arabian Riyals (SAR 56,750,000) to two hundred million Saudi Arabian Riyals (SAR 200,000,000), divided into twenty million (20,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through the capitalisation of an amount of one hundred and forty-three million and two hundred and fifty thousand Saudi Arabian Riyals (SAR 143,250,000) from retained earnings account. Pursuant to the shareholders resolution dated 6 Rabi' al-Thani 1438H (corresponding to 4 January 2017G), the shareholders agreed to convert the Company from a limited liability company to a closed joint stock company. On the same date, Zamil Group Holding Company (formerly Hamad Abdullah AlZamil & Brothers Company) transferred one million (1,000,000) shares, representing 5.0 per cent. of the share capital, to Zamil Group Investment Company without consideration and also transferred one million (1,000,000) shares, representing 5.0 per cent. of the share capital, to Eastern Industrial Investment Company without consideration. Pursuant to the Extraordinary General Assembly dated 19 Shawwal 1445H (corresponding to 28 April 2024G), the Company's share capital was increased from two hundred million Saudi Arabian Riyals (SAR 200,000,000) to four hundred million Saudi Arabian Riyals (SAR 400,000,000), divided into forty million (40,000,000) Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, through the capitalisation of an amount of sixty million Saudi Arabian Riyals (SAR 60,000,000) from statutory reserve and an amount of one hundred forty million Saudi Arabian Riyals (SAR 140,000,000) from retained earnings. For further details, see Section 4.10 (*Evolution of Capital*).

Company's Activities	In accordance with the Bylaws, the Company's activities consist of the following: – manufacturing pulp, paper, and cardboard; – manufacturing corrugated paper, cardboard, and paper-based containers; – manufacturing various types of paper and cardboard products; – manufacturing paints, varnishes, similar coatings, printing inks, and mastic pastes; – repairing machines; – collection of non-hazardous waste; – wholesale of other household goods; – wholesale of other machinery and equipment; – wholesale of solid, liquid, gaseous fuels and related products; – wholesale of waste, scrap, and other uncategorised products; – retail sale of textiles in specialised stores; – retail sale of metal tools, paint, and glass in specialised stores; – retail sale of carpets, rugs, floor and wall coverings in specialised stores; – retail sale of books, newspapers, and office supplies in specialised stores; – retail sale of new goods in specialised stores; – retail sale of used goods; and – storage. According to its main commercial register, the Company's activities are as follows: – manufacturing paper pulp from fibres; – manufacturing pulp, paper and cardboard; – manufacturing transparent and glazed paper; – manufacturing corrugated paper and cardboard; – manufacturing cardboard boxes, bags and cartons made of paper or corrugated cardboard; – manufacturing paper bags; – manufacturing paper file folders; – manufacturing paper cylinder covers; – manufacturing tissue paper, napkins, cleaning wipes and towels; – manufacturing paper products for household use, including plates and cups; – manufacturing egg cartons and similar products; – manufacturing ready-to-use printing, writing and computer paper; – manufacturing varnishes and polishing materials; – repair and maintenance of paper manufacturing machinery; – collecting materials for recycling; – wholesale of stationery; – wholesale of electrical wires, switches and connection equipment; – wholesale of generators and electrical transformers; – wholesale of fire protection equipment, devices and materials; – wholesale of industrial machinery, including the sale of saws and cutters; – wholesale of packaging equipment and tools; – wholesale of paints and varnishes; – wholesale of paper and paper rolls; – wholesale of waste, scrap and recyclable materials, including collection, sorting, detailing, stripping, storage, delivery and transportation; – retail of basic materials for carpets, embroidery and decoration; – retail of paints, varnishes, adhesives and sealants; – retail of office furniture; – retail of fire protection equipment, devices and materials; and – retail of packaging equipment and tools. As of the date of this Prospectus, the Group's principal business segments consist of the following key segments (for further details, see Section 4.6 (*Overview of the Group's Business*)):

Company's Activities

- **Corrugated Carton Products**: The Group manufactures corrugated cartons that are essential in secondary packaging solutions across various industries. These cartons, made from a corrugated cardboard material, typically consist of three layers: an outer liner, an inner liner and a corrugated medium sandwiched between them known as fluting. They can be extended to five or more layers. These cartons are versatile packaging solutions widely used for shipping, storage and retail packaging across various industries. They provide excellent protection to goods during transit, are lightweight yet sturdy, and can be customised in size, shape and design to meet specific packaging requirements. With advanced printing options, they offer both functional and aesthetic benefits. The Group's range includes various products like regular slotted containers, half slotted containers, wrap around cases, die cut containers, high graphics Flexographic printing, stitched boxes and digitally printed corrugated stands and boxes, each catering to specific packaging needs. They are produced by the Company and its fully owned subsidiary, Ras Al Khaimah Packaging LLC (RAKP CO.) Over 85.0 per cent. of the paper utilised is recycled, emphasising the Group's commitment to sustainability;
- **Folding Carton (Duplex)**: The Group manufactures a comprehensive range of folding cartons. Folding carton boxes are packaging containers made either from a food-grade virgin board or a recycled paperboard such as duplex (grey-back), which have been die-cut, scored for folding and glued into desired shapes. These boxes are known for their sturdiness, providing an ideal balance between strength and printability. The high-quality offset printing capability on coated paperboard enhances branding for brand owners. Duplex boxes are commonly used in various industries such as food, beverages, pharmaceuticals, hardware, etc., and are used for both primary and secondary packaging. These are produced by the Group's fully owned subsidiary, Integrated Packaging Industries Company (IPIC);
- **Pulp Products Segment**: The Group's commitment to environmental sustainability and circular economy is reflected in its pulp products segment, where recycled paper pulp is moulded into various shapes and configurations using heat and pressure. Presently two and four cup carriers are manufactured to cater to the food service segment. The Group's moulded pulp products is a cornerstone of its diverse operations, focusing on environmental protection and sustainability. This innovative approach underpins the production of high-quality products while minimising ecological impact. Pulp products are manufactured by IPIC; and
- **Containerboard (Paper)**: Specialising in test liner and fluting made from recycled fibres, the Group produces essential materials for corrugated packaging. Test liner is a type of paper with a smooth surface used for the outer / inner layer of corrugated boxes, providing strength, printability and surface finish, while fluting provides cushioning and structural integrity. This segment underlines the Group's focus on durable, sustainable packaging solutions. These are manufactured by the Group's fully owned subsidiary, United Paper Industries Company FZCO (UPIC).

Substantial Shareholders

The following table sets out the names of the Substantial Shareholders and their ownership in the Company pre- and post-Offering:

Table 2: Substantial Shareholders and Their Ownership in the Company Pre- and Post-Offering

Shareholder	Pre-Offering						Post-Offering					
	Direct Ownership			Indirect Ownership			Direct Ownership			Indirect Ownership		
	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Zamil Group Holding Company (1)	12,000,000	30.0%	120,000,000	2,000,000	5.0%	20,000,000	8,400,000	21.0%	84,000,000	1,400,000	3.5%	14,000,000
Omar Kassem Alesayi and Company	12,000,000	30.0%	120,000,000	-	-	-	8,400,000	21.0%	84,000,000	-	-	-
Frimex Investment LLC	12,000,000	30.0%	120,000,000	-	-	-	8,400,000	21.0%	84,000,000	-	-	-
Zamil Group Investment Company	2,000,000	5.0%	20,000,000	-	-	-	1,400,000	3.5%	14,000,000	-	-	-
Eastern Industrial Investment Company (2)	2,000,000	5.0%	20,000,000	120,000	0.3%	1,200,000	1,400,000	3.5%	14,000,000	84,000	0.21%	840,000
Total	**40,000,000**	**100%**	**400,000,000**	**2,120,000**	**5.3%**	**21,200,000**	**28,000,000**	**70.0%**	**280,000,000**	**1,484,000**	**3.71%**	**14,840,000**

Source: The Company.

(1) Zamil Group Holding Company owns 100 per cent. of the capital of Zamil Group Investment Company.

(2) Eastern Industrial Investment Company owns 1 per cent. of the capital of Zamil Group Holding Company.

Company's Share Capital	Four hundred million Saudi Arabian Riyals (SAR 400,000,000).
Total Number of Issued Shares	Forty million (40,000,000) fully paid Shares.
Nominal Value per Share	Ten Saudi Arabian Riyals (SAR 10) per Share.
Offering	The initial public offering of the Company's Shares will consist of twelve million (12,000,000) ordinary Shares, representing thirty per cent. (30%) of the Company's capital at an Offer Price of fifty Saudi Arabian Riyals (SAR 50) per Offer Share.
Total Number of Offer Shares	Twelve million (12,000,000) Shares.

Percentage of Offer Shares to the Total Number of Issued Shares	The Offer Shares represent thirty per cent. (30%) of the Company's share capital.
Offer Price	Fifty Saudi Arabian Riyals (SAR 50) per Offer Share.
Total Value of Offer Shares	Six hundred million Saudi Arabian Riyals (SAR 600,000,000).
Use of Proceeds	The Net Offering Proceeds amounting to approximately SAR five hundred seventy-six million Saudi Arabian Riyals (SAR 576,000,000) (after deducting the Offering expenses estimated at twenty-four million Saudi Arabian Riyals (SAR 24,000,000) will be paid to the Selling Shareholders. The Company will not receive any part of the Offering Proceeds (for further details, see Section 8 (*Use of Proceeds*)).
Total Number of Shares Underwritten	Twelve million (12,000,000) ordinary Shares.
Total Offering Amount Underwritten	Six hundred million Saudi Arabian Riyals (SAR 600,000,000).
Categories of Targeted Investors	Subscription to the Offer Shares is restricted to two groups of Investors, namely: – **Tranche (A) Participating Parties**: This tranche includes parties entitled to participate in the book-building process in accordance with the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other foreign investors pursuant to swap agreements (for further details, see Section 1 (*Definitions and Abbreviations*); and – **Tranche (B) Individual Subscribers**: This tranche includes Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case, who have an investment account and an active portfolio with a Receiving Agent. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.
The Total Number of Shares Offered for Each Category of Targeted Investors	
The Number of Shares Offered for the Participating Parties	Twelve million (12,000,000) Shares, representing one hundred per cent. (100%) of the Offer Shares. If there is sufficient demand from Individual Subscribers and the Participating Entities subscribe to all of the Offer Shares allocated to them, the Financial Advisor in coordination with the Company, have the right to reduce the number of Shares allocated to the Participating Entities to nine million and six hundred thousand (9,600,000) Offer Shares, representing eighty per cent. (80%) of the Offer Shares. Initially, three million six hundred thousand (3,600,000) ordinary Shares will be allocated to public funds, representing thirty per cent. (30%) of the total number of Offer Shares, provided there is sufficient demand from public funds. If there is sufficient demand from Individual Subscribers for the Offer Shares, the Financial Advisor has the right to reduce the number of shares allocated to public funds to a minimum of two million eight hundred eighty thousand (2,880,000) ordinary Shares, representing twenty-four per cent. (%24) of the total number of Offer Shares, after completion of the individual subscription process.
Number of Offer Shares Available to Individual Subscribers	A maximum of two million and four hundred thousand (2,400,000) ordinary Shares from the Offer Shares will be allocated to Individual Subscribers, representing twenty per cent. (20%) of the total Offer Shares.
Subscription Method for Each of the Targeted Investors' Categories	
Subscription Method for Participating Parties	The Participating Parties as identified in Section 1 (*Definitions and Abbreviations*) may apply for participation in the book-building process by completing a Bidding Participation Application that will be provided by the Bookrunner for the Participating Parties during the book-building process period. After the provisional allocation, the Participating Entities shall complete the Subscription Application Forms that will be made available to them by the Bookrunner in accordance with the instructions mentioned in Section 16 (*Subscription Terms and Conditions*).
Subscription Method for Individual Subscribers	Subscription Application Forms will be provided during the Offering Period by the Receiving Agents. Subscription Application Forms shall be completed in accordance with the instructions mentioned in Section 16 (*Subscription Terms and Conditions*). Individual Subscribers can also subscribe through the websites and electronic platforms of the Receiving Agents that offer any or all such services to Individual Subscribers, provided that: (i) the Individual Subscriber has an investment account and an active portfolio at a Receiving Agent which offers such services; (ii) there have been no changes in the personal information or data of the Individual Subscriber since his subscription in a recent initial public offering; and (iii) the non-Saudi or GCC citizen Individual Subscriber has an investment account at one of the Capital Market Institutions which offer such services.
Minimum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories	
Minimum Number of Offer Shares to be Applied for by Participating Entities	One hundred thousand (100,000) Offer Shares.
Minimum Number of Offer Shares to be Applied for by Individual Subscribers	Ten (10) Offer Shares.

Minimum Subscription Amount for Each of the Targeted Investors' Categories	
Minimum Subscription Amount for Participating Entities	Five million Saudi Arabian Riyals (SAR 5,000,000).
Minimum Subscription Amount for Individual Subscribers	Five hundred Saudi Arabian Riyals (SAR 500).
Maximum Number of Offer Shares to be Applied for by Each of the Targeted Investors' Categories	
Maximum Number of Offer Shares to be Applied for by Participating Entities	One million nine hundred ninety-nine thousand nine hundred and ninety-nine (1,999,999) Offer Shares, and in respect of public funds, no more than the maximum number of Offer Shares to be calculated for each participating public fund pursuant to the Book-Building Instructions.
Maximum Number of Offer Shares to be Applied for by Individual Subscribers	Four hundred thousand (400,000) Offer Shares.
Maximum Subscription Amount for Each of the Targeted Investors' Categories	
Maximum Subscription Amount for Participating Entities	Ninety-nine million nine hundred ninety-nine thousand nine hundred fifty Saudi Arabian Riyals (SAR 99,999,950).
Maximum Subscription Amount for Individual Subscribers	Twenty million Saudi Arabian Riyals (SAR 20,000,000).
Allocation and Refund of Excess Subscription Monies Method for Each of the Targeted Investors' Categories	
Allocation of Offer Shares to Participating Entities	The initial allocation of the Offer Shares will be made as the Financial Advisor deem appropriate, in coordination with the Company, using the discretionary share allocation mechanism. It is possible that certain Participating Parties will not be allocated any shares, as deemed appropriate by the Company and the Financial Advisor. The number of Offer Shares to be provisionally allocated to Participating Entities is twelve million (12,000,000) Shares, representing one hundred per cent. (100%) of the Offer Shares. If there is sufficient demand by Individual Subscribers for the Offer Shares, the Financial Advisor, in coordination with the Company, shall have the right to reduce the number of Offer Shares allocated to Participating Entities to nine million six hundred thousand (9,600,000) Offer Shares as a minimum, representing eighty per cent. (80%) of the Offer Shares. Initially, three million six hundred thousand (3,600,000) ordinary Shares will be allocated to public funds, representing thirty per cent. (30%) of the total number of Offer Shares, provided there is sufficient demand from public funds. If there is sufficient demand from Individual Subscribers for the Offer Shares, the Financial Advisor has the right to reduce the number of shares allocated to public funds to a minimum of two million eight hundred eighty thousand (2,880,000) ordinary Shares, representing twenty-four per cent. (%24) of the total number of Offer Shares, after completion of the individual subscription process.
Allocation of Offer Shares to Individual Subscribers	The allocation of the Offer Shares to Individual Subscribers is expected to be completed no later than 20 Thul-Qi'dah 1446H (corresponding to 18 May 2025G). The minimum allocation per Individual Subscriber is ten (10) Offer Shares, and the maximum allocation per Individual Subscriber is four hundred thousand (400,000) Offer Shares, with the remaining Offer Shares, if any, being allocated on a pro-rata basis of the number of Offer Shares applied for by that Individual Subscriber to the total Offer Shares. If the number of Individual Subscribers exceeds two hundred forty thousand (240,000) Individual Subscribers, the Company will not guarantee the minimum allocation of ten (10) Offer Shares for each Individual Subscriber. In this case, the Offer Shares will be allocated at the discretion of the Financial Advisor in coordination with the Company.
Refund of Excess Subscription Monies	The Underwriter or the Receiving Agents (as the case may be) will notify the Subscribers of the final number of Offer Shares allocated to each of them, along with the amounts to be refunded. Excess subscription monies, if any, will be refunded to the Subscribers without withholding any charge or commission by the Lead Manager or the Receiving Agents, as applicable. The announcement of the final allocation will be made no later than on 20 Thul-Qi'dah 1446H (corresponding to 18 May 2025G). For further details, see "*Key Dates and Subscription Procedures*" on page (xxi) and Section 16 (*Subscription Terms and Conditions*).
Offering Period for Individual Subscribers	The Offering will commence on Monday, 14 Thul-Qi'dah 1446H (corresponding to 12 May 2025G) and will remain open for a period of two days up to and including the Offering closing date which is Tuesday, 15 Thul-Qi'dah 1446H (corresponding to 13 May 2025G). For further details, see "*Key Dates and Subscription Procedures*" on page (xxi).
Entitlement to Dividends	The Offer Shares will entitle their holders to receive any dividends declared by the Company starting from the date of this Prospectus and for the subsequent financial years (for further details, see Section 7 (*Dividend Distribution Policy*)).
Voting Rights	The Company has one class of Shares only. None of the Shares carries any preferential voting rights. Each Share entitles its holder to one vote and each Shareholder has the right to attend and vote at the meetings of the General Assembly. A Shareholder has the right to delegate another person, but not a Director of the Company, to attend the General Assembly meetings (for further details, see Section 11.14 (*Summary of Bylaws*).

Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders are subject to a Lock-up Period of six (6) months from the date on which trading of the Offer Shares on the Exchange commences. They may not dispose of any of their Shares during such period. Following the end of the Lock-up Period, the Substantial Shareholders may dispose of their Shares without obtaining the CMA's prior approval (for further details regarding Substantial Shareholders, see Table 2 (*Substantial Shareholders and Their Ownership in the Company Pre- and Post-Offering*)).
Listing of Shares	Prior to the Offering, the Shares have not been listed in the Kingdom or elsewhere. An application has been made by the Company to the CMA for the registration and offer of the Shares in accordance with the Rules on the Offer of Securities and Continuing Obligations. The Company has also submitted an application to the Exchange for the listing of its Shares on the Exchange in accordance with the Listing Rules. All of the relevant approvals required to conduct the Offering have been granted, and all of the supporting documents requested by the CMA and Tadawul have been submitted. It is expected that the trading of the Shares on the Exchange will commence after the final allocation of the Offer Shares (for further details, see "*Key Dates and Subscription Procedures*" on page (xxi)).
Risk Factors	There are certain risks related to the investment in the Offer Shares. These risks can be categorised into: (i) risks related to the activities and operations of the Company; (ii) risks related to the market, industry and regulatory environment; and (iii) risks related to the Offer Shares. These risks are described in Section 2 (*Risk Factors*) and should be considered carefully prior to making an investment decision with respect to the Offer Shares.
Offering Expenses	The expenses and costs associated with the Offering are estimated at approximately twenty-four Saudi Arabian Riyals (SAR 24,000,000) and include the fees of the Financial Advisor, the Lead Manager, the Bookrunner, the Underwriter, the Legal Advisors, the Financial Due Diligence Advisor, the Receiving Agents, the Market Consultant and the Exchange, as well as regulatory fees, marketing, printing and distribution fees and other costs and expenses related to the Offering. They will be deducted from the Offering Proceeds.
Underwriter	**Al Rajhi Capital** King Fahad Road P.O. Box 5561, Riyadh 11432 Kingdom of Saudi Arabia Tel: + 966 (11) 920005856 Fax: +966 (11) 4600625 Website: www.alrajhi-capital.com E-mail: ucicipo@alrajhi-capital.com

Note: The "*Important Notice*" section on page (i) and Section 2 (*Risk Factors*) should be read thoroughly prior to making an investment decision with respect to the Offer Shares under this Prospectus.

Key Dates and Subscription Procedures

Table 3: Expected Offering Timetable

Event	Date
Bidding and Book-Building Period for Participating Parties	Commencing on Tuesday, 24 Shawwal 1446H (corresponding to 22 April 2025G), until the end of Monday, 30 Shawwal 1446H (corresponding to 28 April 2025G).
Deadline for Submission of Subscription Application Forms Based on the Number of the Offer Shares Provisionally Allocated for the Participating Entities	On Wednesday, 9 Thul-Qi'dah 1446H (corresponding to 7 May 2025G).
Subscription Period for Individual Subscribers	Commencing on Monday, 14 Thul-Qi'dah 1446H (corresponding to 12 May 2025G) until the end of Tuesday, 15 Thul-Qi'dah 1446H (corresponding to 13 May 2025G).
Deadline for Payment of the Subscription Amount by Participating Entities Based on their Provisionally Allocated Offer Shares	On Sunday, 13 Thul-Qi'dah 1446H (corresponding to 11 May 2025G).
Deadline for Submission of Subscription Application Forms and Payment of the Subscription Amount by Individual Subscribers	On Tuesday, 15 Thul-Qi'dah 1446H (corresponding to 13 May 2025G).
Announcement of the Final Allocation of the Offer Shares	On Sunday, 20 Thul-Qi'dah 1446H (corresponding to 18 May 2025G).
Refund of Excess Subscription Monies (if any)	On Sunday, 20 Thul-Qi'dah 1446H (corresponding to 18 May 2025G).
Expected Commencement Date for Trading the Shares on the Exchange	Trading of the Company's Shares on the Exchange is expected to commence after the completion of all of the relevant legal requirements and procedures. The trading commencement date of the Shares will be announced in local newspapers and Tadawul's website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative and subject to change. Actual dates will be communicated on the websites of Tadawul (www.saudiexchange.sa), the Financial Advisor (www.alrajhi-capital.com) and the Company (www.ucic.com.sa).

How to Apply for the Offer Shares

Subscription to the Offer Shares is restricted to the following two groups of Investors:

- **Tranche (A): Participating Parties**: comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other foreign investors pursuant to swap agreements (for further details, see Section 1 (*Definitions and Abbreviations*) and Section 16 (*Subscription Terms and Conditions*)).
- **Tranche (B): Individual Subscribers**: comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have an investment account and an active portfolio with a Receiving Agent. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

(a) Participating Parties

Participating Parties may apply for participation in the book-building process by completing the Bidding Participation Application that will be provided by the Bookrunner during the book-building process period and obtain the Subscription Application Forms from the Bookrunner after provisional allocation. The Bookrunner shall, after the approval of the CMA, offer the Offer Shares to the Participating Parties only during the book building period. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Subscribers, according to the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form must be submitted to the Bookrunner representing a legally binding agreement between the Company and the relevant Participating Entity submitting the same.

(b) Individual Subscribers

Subscription Application Forms for Individual Subscribers will be provided during the Offering Period by the Receiving Agents. Individual Subscribers can also subscribe through the websites and electronic platforms of the Receiving Agents that provide some or all of these channels to Individual Subscribers or any of the Receiving Agent's branches that offer any or all such services to their clients, provided that:

a. the Individual Subscriber has an investment account and an active portfolio at a Receiving Agent which offers such services;

b. there have been no changes in the personal information or data of the Individual Subscriber since his subscription in a recent initial public offering; and

c. the non-Saudi or GCC citizen Individual Subscriber has an investment account at one of the Capital Market Institutions which offer such services.

Subscription Application Forms must be filled out by each applicant according to the instructions mentioned in Section 16 (*Subscription Terms and Conditions*). An applicant must complete all of the relevant sections in the Subscription Application Form. The Company reserves the right to reject any Subscription Application Form, in part or in whole, if any of the subscription terms and conditions is not met. After being submitted, the Subscription Application Form cannot be amended or withdrawn. If the Subscription Application Form is submitted twice, the second submission shall be considered null and void, and only the first submission shall be considered. Upon submission, the Subscription Application Form shall be considered to be a legally binding agreement by the relevant Subscriber and the Company (for further details, see Section 16 (*Subscription Terms and Conditions*)).

Excess subscription monies, if any, will be refunded to the Individual Subscriber's investment account held with the Receiving Agent from which the subscription amount has been debited in the first place, without withholding any charge or commission. Excess subscription monies will not be refunded in cash or to third party accounts. For further details regarding subscription by Individual Subscribers and the Participating Entities, see Section 16 (*Subscription Terms and Conditions*).

Summary of Key Information

This summary of key information is intended to give an overview of the information contained in this Prospectus. However, it does not contain all of the information that may be important to prospective investors. Therefore, a subscriber's decision should not be based solely on this summary. It must be treated as an introduction to this Prospectus, and persons wishing to subscribe for the Offer Shares are advised to read the entire Prospectus in full to ensure that any decision to invest in the Offer Shares by prospective investors is based on the consideration of this Prospectus as a whole. In particular, it is important for an investor to carefully consider the "*Important Notice*" section on page (i) and Section 2 (*Risk Factors*) prior to making an investment decision with respect to the Offer Shares and should not base his/her decision solely on this summary.

Overview of the Company

Overview of the Company's Business

United Carton Industries Company is a Saudi closed joint stock company pursuant to Ministerial Resolution No G/137 dated 12 Jumada al-Ula 1438H (corresponding to 9 February 2017G) with Commercial Registration No 4030065231 dated 18 Ramadan 1409H (corresponding to 24 April 1989G). It was originally incorporated in 1988G as a limited liability company. The Company's registered head office is located at the Industrial Area – Phase No. 5, P.O. Box 31503, 21418 Jeddah, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of the Company is four hundred million Saudi Arabian Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share.

The Group, renowned for its commitment to excellence, manufactures a diverse array of paper-based packaging solutions, catering to the needs of top domestic and multinational clients. This ensures their products are delivered to consumers safely, sustainably and in an eco-friendly manner. With a portfolio that includes corrugated boxes, folding cartons (duplex), recycled containerboard (paper, such as test liner and fluting recycled paper) and moulded pulp-based products, the Group operates across eight plants in the Kingdom and UAE. In the retail world, paper packaging serves not just protective purposes but also significantly contributes to branding and merchandising, meeting the dynamic needs of customers.

The Group, a leader in corrugated packaging within the Kingdom (with a 37.0 to 40.0 per cent. market share in 2023G), GCC and MENA regions, expanded its horizons into the folding carton (duplex) and containerboard (paper) manufacturing segments in 2022G and 2023G, respectively. This expansion signifies the beginning of lateral, backward integration and geographical growth. The Group aspires to be a comprehensive packaging solution provider in the region, offering a variety of printing options like Flexographic, digital and offset printing. Servicing high-profile domestic and international brands, such as Almarai, Savola, Procter & Gamble, Unilever, Pepsi, McDonald's, Nadec, Nova, Berain, Safi Danone, Nestle, Mars and more, the Group has built long-standing relationships with its clients by consistently delivering top-quality products and embracing technological advancements to meet their evolving needs. With a focus on digitalisation, automation and the development in the integration of AI and virtualisation, it is clear that the Group aligns its growth with Saudi Vision 2030.

Over 85.0 per cent. of the paper used or manufactured by the Group in 2023G was recycled paper, emphasising its commitment to environmental sustainability. As per the Market Research Report, the Group holds a dominant position in the corrugated market within the Kingdom and GCC, with a commanding 37.0 to 40.0 per cent. market share in the Saudi corrugated sector as of 2023G, outperforming the next four competitors combined. As the largest corrugated manufacturer in the MENA Region, it acquired IPIC in 2022G, gaining an 8.0 to 10.0 per cent. share in the folding carton segment in 2022G, and the Group expanded its operations by acquiring UPIC in 2023G, gaining about a robust 15.0 to 20.0 per cent. market share in the UAE's containerboard (paper) market in 2023G.

These steps illustrate the Group's strategic approach to growth, both domestically and regionally, its resilience in mitigating supply chain risks and its dedication to global best practices and human capital development, solidifying its role as a prominent player in the paper and packaging industry.

The Group's four principal business segments are as follows:

- **Corrugated Carton Products**: The Group manufactures corrugated cartons that are essential in secondary packaging solutions across various industries. These cartons, made from a corrugated cardboard material (containerboard), typically consist of three layers: an outer liner, an inner liner and a corrugated medium sandwiched between them known as fluting. They can even be extended to five or more layers. These cartons are versatile packaging solutions widely used for shipping, storage and retail packaging across various industries. They provide excellent protection to goods during transit, are lightweight yet sturdy, and can be customised in size, shape and design to meet specific packaging requirements. With the advanced printing options, they offer both functional and aesthetic benefits. The Group's range includes various products like regular slotted containers, half slotted containers, wrap around cases, die cut containers, high graphics Flexographic printing, stitched boxes and digitally printed corrugated stands and boxes each catering to the client's specific packaging needs. They are produced by the Company and its fully owned subsidiary, RAKP CO. Over 85.0 per cent. of the paper utilised is recycled, emphasising the Group's commitment to sustainability;
- **Folding Carton (Duplex)**: The Group manufactures a comprehensive range of folding cartons. Folding carton boxes are packaging containers made either from a food-grade virgin board or a recycled paperboard such as duplex (grey-back), which have been die-cut, scored for folding and glued into desired shapes. These boxes are known for their sturdiness, providing an ideal balance between strength and printability. The high-quality offset printing capability on coated paperboard enhances branding for the brand owners. Duplex boxes are commonly used in various industries such as food, beverages, pharmaceuticals, hardware, etc. and are used for both primary and secondary packaging. These are produced by the Group's fully owned subsidiary, IPIC;

- **Pulp Products Segment**: The Group's commitment to environmental sustainability and circular economy is reflected in its pulp products segment, where recycled paper pulp is moulded into various shapes and configurations using heat and pressure. Presently two and four cup carriers are manufactured to cater to the food service segment. The Group's moulded pulp products production is a cornerstone of its diverse operations, focusing on environmental protection and sustainability. This innovative approach underpins the production of high-quality products while minimising ecological impact. Pulp products are manufactured by IPIC; and
- **Containerboard (Paper)**: Specialising in test liner and fluting made from recycled fibres, the Group produces essential materials for corrugated packaging. Test liner is a type of paper with a smooth surface used for the outer / inner layer of corrugated boxes, providing strength, printability and surface finish, while fluting provides cushioning and structural integrity. This segment underlines the Group's focus on durable, sustainable packaging solutions. These products are manufactured by the Group's fully owned subsidiary, UPIC.

This product diversity reflects the Group's commitment to innovation and sustainability, establishing it as a leader in the corrugated carton products and paper packaging sector with high-quality and environmentally responsible solutions.

Ownership Structure

As of the date of this Prospectus, the share capital of the Company is four hundred million Saudi Arabian Riyals (SAR 400,000,000), consisting of forty million (40,000,000) ordinary shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The following table sets out the direct ownership structure of the Company pre- and post-Offering:

Table 4: Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%)	Overall Nominal Value (SAR)
Zamil Group Holding Company	12,000,000	30.0%	120,000,000	8,400,000	21.0%	84,000,000
Omar Kassem Alesayi & Company	12,000,000	30.0%	120,000,000	8,400,000	21.0%	84,000,000
Frimex Investment LLC	12,000,000	30.0%	120,000,000	8,400,000	21.0%	84,000,000
Zamil Group Investment Company	2,000,000	5.0%	20,000,000	1,400,000	3.5%	14,000,000
Eastern Industrial Investment Company	2,000,000	5.0%	20,000,000	1,400,000	3.5%	14,000,000
Public	-	-	-	12,000,000	30.0%	120,000,000
Total	**40,000,000**	**100.0%**	**400,000,000**	**40,000,000**	**100.0%**	**400,000,000**

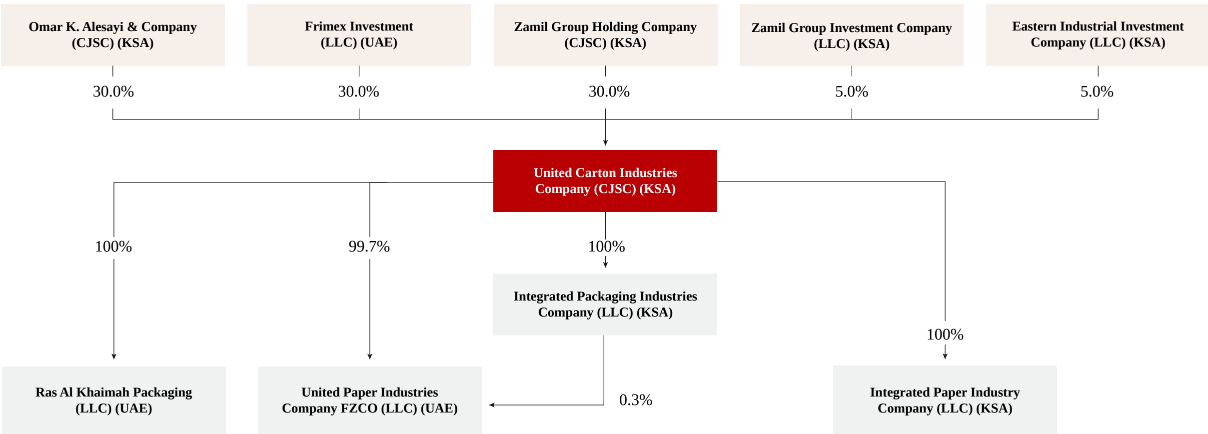
Source: The Company.

Overview of Subsidiaries

The Group has four fully owned subsidiaries: IPIC in the Kingdom, specialising in folding cartons (duplex) and pulp-based products, and UPIC in the UAE, focusing on recycled containerboard such as test liner and fluting papers, recycling a substantial 70,000 tonnes of recovered paper annually, RAKP CO. in the UAE, which specialises in the manufacture of corrugated carton products, and Integrated Paper Industry Company in the Kingdom.

The following chart illustrates the structure of the Group as of the date of this Prospectus:

Exhibit 1: The Structure of the Group as of the Date of this Prospectus



Source: The Company.

The following table sets out the ownership structure of the Subsidiaries as of the date of this Prospectus:

Table 5: Details of the Ownership Structure of the Subsidiaries as of the Date of this Prospectus

Name of Subsidiary	Country of Incorporation	Direct Interest (%)	Indirect Interest (%)	Remaining Direct Ownership
Integrated Packaging Industries Company	Kingdom of Saudi Arabia	100%	-	-
United Paper Industries Company FZCO	United Arab Emirates	99.7%	0.3% (through IPIC)	-
Ras Al Khaimah Packaging LLC	United Arab Emirates	100%	-	-
Integrated Paper Industry Company	Kingdom of Saudi Arabia	100%	-	-

Source: The Company.

Vision, Mission and Strategy

Vision

To be the number one packaging solution provider in the GCC and clients' first choice.

Mission

To exceed clients' expectations with innovative and environmentally friendly packaging solutions through continuous investment in technology, while creating an environment that empowers employees to develop and share in the Group's success.

Strategy

The Group's strategy underscores a comprehensive approach to fortifying its market standing and driving growth. The core components are market expansion, product expansion, innovation and technology, integration, and localisation-driven procurement.

Market Expansion

With a market share of 37.0 to 40.0 per cent. in the Saudi corrugated sector in 2023G, the Group prioritises market expansion, both in terms of products and geographies:

- **Geographical Expansion in Corrugated Carton Manufacture in Addition to Organic Growth in the Kingdom**: The Group strategically targets geographic areas within the GCC where its innovative, sustainable packaging solutions meet high demand or address market gaps;
- **Domestic and Geographical Expansion in Folding Carton**: The Group aims to increase its market share from 8.0 to 10.0 per cent. to 25.0 per cent. domestically through organic and inorganic growth;
- **Backward Integration**: The Group evaluates opportunities for further backward integration in the Kingdom, having achieved partial backward integration through the acquisition of UPIC in the UAE; and
- **From Corrugated to a Packaging Leader**: The Group intends to further leverage customer and supplier synergies to become a packaging leader in the region by supplying a diverse range of packaging material, which started with entry into the folding cartons segment and containerboard manufacturing in 2022G and 2023G respectively.

Products Expansion

The Group is focused on enhancing its product line to meet emerging market needs and reinforce its industry position:

- **Innovative Product Introductions**: Launching new products such as digitally printed stands and boxes, POS materials, shelf-ready boxes, pulp-based products, and advanced window patching solutions;
- **Flexible Packaging**: Entering the flexible packaging sector through acquisitions in the Kingdom and other parts of the GCC with the objective of providing packaging solutions that are logistics efficient;
- **Sustainability and Technology**: Emphasising eco-friendly packaging options and smart packaging solutions equipped with IoT technology;
- **Specialised Market Focus**: Developing specialised products for niche markets like industrial sector, fast moving consumer goods (FMCG), pharmaceuticals, cosmetics, and food and beverage;
- **Research and Development**: Enhancing in-house R&D capabilities to ensure that new product developments;
- **Product Development Services**: Leverage in-house capabilities and strengths in product development to launch separate product development services for its clients to further solidify their partnerships; and
- **Market Position and Growth**: This expansion strategy is aimed at strengthening the Group’s market position.

Innovation and Technology

The Group’s strategic focus on integrating innovation and technology underscores its commitment to future growth and operational excellence:

- **Emerging Technologies**: Harnessing automation and machine learning to further streamline processes, enhance product quality and elevate client engagement;
- **Advanced Manufacturing Technologies**: Optimising high-speed corrugators and conversion machines to further enhance production line efficiency;
- **Robotics Adoption**: Expanding the use of robotics across manufacturing operations;
- **Digital Printing Innovation**: Enhancing digital printing capabilities across plants;
- **Automated Reel Transport Systems**: Investing in advanced automated reel transport systems; and
- **Industry Leadership**: Offering advanced, efficient and client-centric solutions to maintain industry leadership.

Integration

The Group’s operational strategy is effectively structured through a robust integrated model:

- **Value Chain Integration**: Incorporating partial paper integration and tool making;
- **Technological Advancements**: Staying ahead with advancements in digitalisation and virtualisation;
- **Quality Control**: Utilising state-of-the-art testing facilities;

- **ERP System Implementation**: Adopting SAP as its ERP system to enhance business process uniformity; and
- **Supply Chain Resilience**: Maintaining diversified manufacturing base and advanced client and supplier portals round the clock access.

Localisation-Driven Procurement

The Group's procurement strategy focuses on localisation and supplier concentration:

- **Local Sourcing**: Prioritising sourcing materials from within the Kingdom;
- **Diversified Sourcing**: Sourcing internationally for materials not available locally, cost effectiveness and avoiding supplier concentration;
- **Quality and Cost Management**: Ensuring materials meet stringent quality standards while managing costs;
- **Sustainability and Reliability**: Selected suppliers based on their adherence to sustainable practices and reliability;
- **Supplier Relationships**: Maintaining strategic long-term relationships with both local and global suppliers; and
- **Integrated Operations and Risk Mitigation**: Managing spare parts and engineering effectively through integrated operations.

Strengths and Competitive Advantages of the Company

The Group's competitive strengths and advantages are fundamental to its sustained growth and leadership in the paper and packaging industry.

Market Leadership and Brand Value

The Group has established itself as the market leader in the MENA region, distinguishing itself not only by the significant market shares it holds across various segments but also by its dedication to high standards of service and quality. Key elements include:

- **Market Position and Share**: The Group is the largest corrugated and paper packaging company in the MENA region, holding a 37.0 to 40.0 per cent. market share in the Saudi corrugated sector in 2023G. The Group's market share significantly exceeds the combined total of the next four competitors. It has also secured an 8.0 to 10.0 per cent. share in folding cartons within the Kingdom and a robust 15.0 to 20.0 per cent. in the UAE's paper market. Since its inception in 1990G, the Group has led the corrugated packaging sector within the Kingdom;
- **Strategic Expansion and Integration**: The Group's strategic expansion into folding carton and paper manufacturing supports its ambition to become a comprehensive packaging solutions provider across the GCC region;
- **Diverse Product Portfolio**: The Group offers diverse product range, including corrugated cartons, folding cartons (duplex), moulded pulp products and containerboards. It serves a diverse array of industries, reinforcing its market dominance;
- **Service and Quality Standards**: The Group leads the digital transformation in the packaging sector with a pioneering customer portal among global corrugated players. The Group adheres to high standards validated by various certifications like ISO and BRC;
- **Customer Satisfaction and Engagement**: An internal survey among 166 participants, covering 84.0 per cent. of sales in 2023G, showed a high customer satisfaction rate of over 95.0 per cent. The Group had a high client retention rate of 98.0 per cent. within its top 50 customers as of 30 June 2024G; and
- **Supply Chain Resilience**: The Group's strategic multi-plant operation ensures supply security and competitive edge.

These factors contribute to the Group's strong brand equity and affirm its market leadership.

Technology, Automation and In-house Production Capabilities

The Group leverages technology and automation to enhance operational efficiency and production capabilities. Key aspects include:

- **Technological Infrastructure**: Advanced digitalisation and virtualisation capabilities distinguish the Group from competitors;
- **Automation and Machinery**: The Group's facilities include high-speed machinery like a digital printer, automatic conveyors, robotic arms and automated reel transport system;
- **Quality Assurance Measures**: Rigorous quality controls include box compression tests, calliper equipment for board thickness verification edge crush tester and bursting strength testers; and
- **Automation in Client and Supplier Interactions**: The customer portal facilitates order management, artwork approvals, financial reporting and feedback.

This focus on technology and automation optimises operations and ensures product excellence.

Printing Capability

The Group consolidates advanced printing technologies, demonstrating strong capabilities in offset, Flexographic and digital printing operations. Key aspects include:

- **Comprehensive Printing Operations**: The Group integrates offset, Flexographic and digital printing capabilities;
- **In-House Toolmaking**: The Group's in-house toolmaking facility enhances flexibility and responsiveness;
- **Ink Customisation**: In-house ink dispensing allows for precise customisation of ink formulations; and
- **Online Artwork Development**: The customer portal facilitates seamless interactions with clients for artwork submission, review and approval.

These capabilities reinforce the Group's market position in printing services.

Industry Growth

The Group is poised to benefit from the projected global growth in the corrugated industry. Key factors include:

- **Projected Growth Rates**: The industry is expected to grow at a CAGR of 4.0 to 5.0 per cent. from 2026G to 2030G;
- **E-Commerce Influence**: The surge in e-commerce drives demand for sustainable packaging solutions;
- **Commitment to Sustainability**: The Group aligns with trends favouring the circular economy;
- **Innovation in Packaging**: The Group invests in advanced manufacturing technologies to meet evolving market needs;
- **Geographical Advantage in the MENA/GCC**: Strategic positioning in the region offers substantial growth opportunities;
- **Advanced Manufacturing Processes**: The Group's facilities are capable of producing a wide array of products; and
- **Local Resource Emphasis**: Enhancing use of local resources supporting national policies and builds strong relationships.

These factors enhance the Group's ability to harness industry growth.

Sustainability

The Group is committed to advancing sustainable practices. Key points include:

- **Recycled Material Usage**: In 2023G, over 85.0 per cent. of the paper sourced for corrugated plants was from recycled materials. Additionally, 100.0 per cent. of the paper produced at the Group's UAE paper plant and over 70.0 per cent. at the folding cartons plant were sourced from recycled paper in 2023G;
- **Waste Management and Recycling**: In 2023G, over 98.0 per cent. of the Group's manufacturing waste was recycled and the installation of an industrial wastewater treatment plant in 2023G saves over 30,000 litres of water daily;
- **Renewable Energy Initiatives**: Introduction of solar panels and gas-operated plant reduce reliance on non-renewable energy sources; and
- **Certifications and Industry Leadership**: The Group holds ISO 14001 and FSC certifications.

These initiatives underscore the Group's commitment to sustainability.

Customer Portal

The Group's digital customer portal revolutionises client interactions. Key features include:

- **Comprehensive Features**: Order management, design approvals, financial reports and feedback mechanisms;
- **Operational Efficiency and Client Feedback**: Positive feedback highlights the portal's role in enhancing customer relations; and
- **Client Supply Chain Resilience**: Features for supply chain status updates and risk management.

Over 100 customers actively use the portal, generating more than 30,000 hits monthly in 2024G.

Operational Footprint

The Group's expansive manufacturing network reinforces its leadership. Key points include:

- **Manufacturing Locations and Facilities**: The Group operates plants in Jeddah, Riyadh, Al Kharj, Al Ahsa, Dubai and Ras Al Khaimah; and
- **Strategic Benefits**: The strategic placement of facilities enhances supply security and business continuity.

This operational framework ensures agility and resilience.

Financial Stability

The Group's financial stability is evident through its strong financial performance. Key highlights include:

- **Revenue Growth**: Revenue increased from SAR 1,049.6 million in 2021G to SAR 1,414.7 million in 2022G with a slight decrease to SAR 1,361.8 million in 2023G due to fluctuation in paper prices which in turn impacted the selling prices;
- **EBITDA Margin Improvement**: The EBITDA margin improved from 6.5 per cent. in 2021G to 9.9 per cent. in 2022G to 18.0 per cent. in 2023G;
- **Capacity Utilisation**: Utilisation capacity for corrugated carton products stood between 77.0 to 81.0 percent for 2021G to 2023G. Similarly, the average utilisation of the folding carton (duplex) products was between 70.0 to 77.0 per cent., for the containerboard between 93.0 to 95.0 per cent. and for the moulded pulp products plant between 69.0 to 77.0 per cent.;
- **Recurring Customers**: About 98.0 per cent. of the top 50 customers are recurring customers, ensuring strong base revenue; and
- **Capital Structure Flexibility**: A low debt to equity ratio ensures financial stability.

These indicators reflect consistent financial growth and operational efficiency.

Client Reach

The Group's extensive reach and robust penetration across diverse sectors highlight its industry strength. Key points include:

- **Diverse Clientele**: The Group serves large multinational corporations and domestic users across vital sectors;
- **Extensive Market Coverage**: Long-term relationships with significant players enhance reliability; and
- **Engagement with SMEs**: The sales team extends reach to smaller towns and engages with SMEs.

This client base reinforces the Group's status as a leader in the industry.

Human Capital and Value Systems

The Group's investment in human capital and adherence to strong value systems support its leadership. Key aspects include:

- **Employee Development**: Over 35 per cent. of the employees collectively completed over 3,000 training hours in 2023G;
- **Diversity and Inclusion**: Initiatives like the Saudisation programme promote inclusive growth;
- **Employee Well-being**: Activities support work-life balance;
- **Corporate Values**: Prioritises collaboration, integrity, and excellence; and
- **Workforce Stability**: Low turnover rates suggest high employee satisfaction.

These efforts establish the Group as a caring employer.

Service Excellence

The Group's commitment to service excellence is evident through high client satisfaction. Key components include:

- **Client Satisfaction Scores**: Achieved over 98.0 per cent. satisfaction for delivery lead times and 95.0 per cent. for product quality in 2023G;
- **Dedicated Service Department**: 20 specialised employees focus on client service standards;
- **Quality Control Measures**: Rigorous checks ensure products meet industry standards;
- **Advanced Technological Integration**: The customer portal supports order management and service access; and
- **Innovation in Product Development**: Continuously develops new products.

These strategies ensure the Group remains a leader in the industry.

Diverse Clientele

The Group's financial stability is reinforced by its diverse client base. Key aspects include:

- **Market Diversification**: Diversifies across various regions, cities and industries within the Kingdom and internationally;
- **Sector Diversification**: Serves a wide array of sectors, including food, beverage, agriculture, durables and industrial goods;
- **Client Diversification**: The revenue distribution is balanced, with the top ten clients accounting for only 28.0 per cent., 27.5 per cent., 25.5 per cent. and 24.3 per cent. of the Group's revenues in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively;
- **Profitability Diversification**: Profitability is well-distributed across the client base; and
- **Wide Product Range**: Offers diverse products, including sustainable solutions, allowing it to efficiently react to market demand based on actual client needs.

This diversification supports long-term growth and adaptability.

Risk Management

The Group's robust risk management framework enhances its competitive advantage by ensuring operational stability and safeguarding market position. Key components include:

- **Geographical Diversification**: Distributes production across multiple plants;
- **Safety Protocols**: Prioritises safety with rigorous protocols;
- **Supplier Diversification**: Maintains relationships with diverse local and global suppliers;
- **Advanced Cybersecurity Measures**: Protects data and operational technology; and
- **Customer Base Diversification**: Spreads revenue streams across various sectors.

These practices strengthen the Group's ability to operate effectively in periods of market volatility.

Market Overview

The data and information related to the paper and packaging industry as included in this Prospectus are derived from the Market Study Report prepared by the Market Consultant. The Market Consultant is an independent third-party provider of consulting services in multiple sectors, including food and beverage, healthcare, chemicals, automotive, energy, metals and digital transformation, among others. The Market Consultant was established in 1961G and is headquartered in San Antonio, United States. For more information about the Market Consultant, visit (www.frost.com). Industry and market data are subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size. External sources have been used for some of the information about the competitors, who have not been contacted to verify the accuracy or the completeness of the information included herein. Market estimates and assumptions are based on varying levels of quantitative and qualitative analyses and actual results and future events could differ materially from such estimates, predictions or statements.

Macroeconomics Overview of the Kingdom

The Kingdom's GDP is projected to increase by 4.4 per cent. in 2024G, driven by strong growth in non-oil sectors due to economic diversification efforts, which will counterbalance the effects of a weak oil market. Additionally, oil markets are expected to recover in the latter half of 2024G, supported by a reduction in oil production cuts and a resurgence in demand from major economies like China.

With vast oil reserves, the Kingdom has traditionally relied on oil for 40.0 per cent. of its GDP (at constant prices). To reduce this dependence, the government launched Vision 2030, focusing on diversifying the economy into manufacturing, tourism, technology and renewable energy. As a result, non-oil sectors have seen substantial growth since 2021G, averaging 4.8 per cent. in 2022G. With a non-oil GDP growth of around 6.0 per cent. in 2023G, the Kingdom targets to increase the share of the non-oil GDP to 50.0 per cent by 2030G from 2.1 per cent. in 2018G, as part of its Vision 2030 initiatives. Building a transformative and sustainable non-oil economy will be crucial for the Kingdom in the years ahead as the world shifts away from fossil fuels.

Despite around 5.0 per cent. decline in the GDP per capita in 2023G, largely due to a sluggish oil market, the Kingdom's GDP per capita is anticipated to steadily increase until 2030G. Increased income levels are expected to drive demand for premium consumer goods like electronics, automobiles, home appliances, furnishings and luxury items, consequently boosting the need for containerboard packaging.

At constant 2015G USD prices (adjusted for inflation to reflect 2015G USD values), the Kingdom's household final consumption expenditure per capita has increased from eight thousand six hundred U.S. Dollars (USD 8,600) (corresponding to approximately thirty two thousand and two hundred and fifty five Saudi Arabian Riyals and six Halalas (SAR 32,255.6) in 2018G to nine thousand three hundred U.S. Dollars (USD 9,300) (corresponding to approximately thirty four thousand eight hundred and eighty one Saudi Arabian Riyals and one Halala (SAR 34,881.1) in 2022G, reflecting an 8.1 per cent. increase, as per the World Bank. Going forward, inflation is expected to gradually decrease, averaging around 2.0 per cent. in the long term. As household budgets rise, demand across various industries, such as food and beverage, manufacturing, FMCG, e-commerce, electronics, agriculture and others, is expected to gradually rebound. This uptick in demand will consequently increase the need for corrugated packaging.

Corrugated Cartons Market Overview in the Kingdom

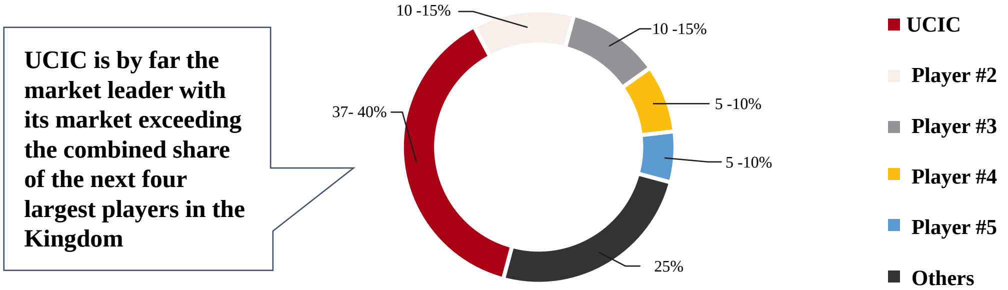
In the Kingdom, corrugated cartons are essential in the packaging industry, prized for their versatility, strength and eco-friendliness. They provide sturdy protection for various products during storage, transportation and display. With the focus on contributing a direct non-oil GDP of SAR 34.9 billion to the Kingdom by 2030G, there has been a significant investment across sectors including, food and beverage, industrial, FMCG, edible oil, electronics, automotive, electric vehicles, and e-commerce, among others, leading to a burgeoning growth of corrugated cartons.

As the manufacturing hub of the Middle East and a key player in regional trade, the Kingdom stands as the largest consumer of corrugated cartons in the region. Notably, the Kingdom boasts a net exporter status for corrugated cartons, with imports accounting for less than 1.0 per cent. of domestic demand.

While there are five major manufacturers of corrugated cartons in the Kingdom, the Group stands as an undisputed market leader with a significant share of 37.0 to 40.0 per cent. in 2023G, higher than the combined market share of the next four largest local manufacturers. The Group has been able to maintain its leadership through a multi-factory setup, advanced printing capabilities and robust distribution network. The Group has evolved with the changing industry landscape by being the first to implement Digital Single Pass technology and boasts in-house tool capabilities.

The following exhibit shows the Group's market share in the Kingdom's corrugated cartons market in 2023G:

Exhibit 2: The Group's Market Share in the Kingdom's Corrugated Cartons Market in 2023G

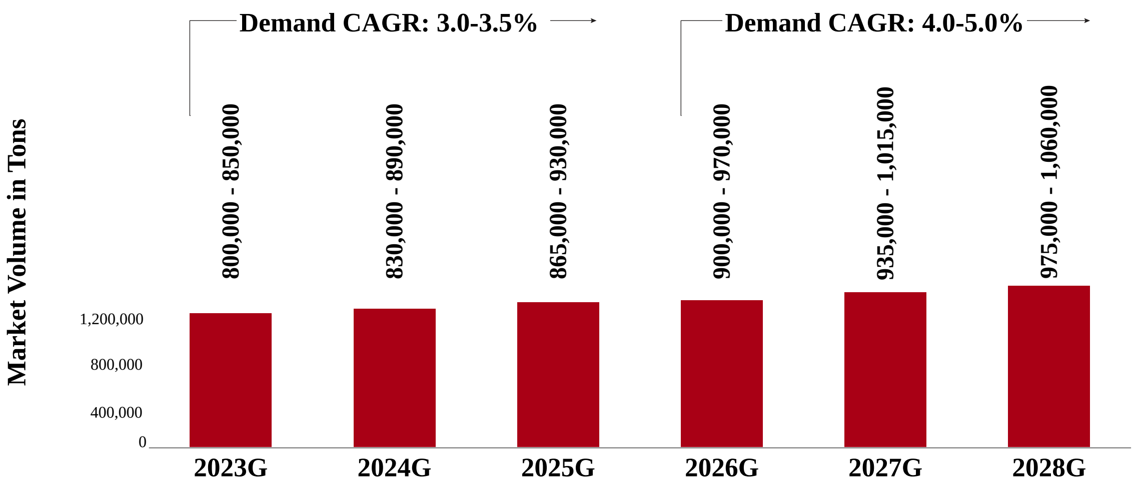


Source: Market Consultant's analysis.

In 2023G, demand for corrugated cartons in the Kingdom is estimated to be 800,000 to 850,000 tonnes. Local producers also tap into the export market, particularly within the GCC and the broader Middle East region. The market is expected to grow at a CAGR of 3.0 to 3.5 per cent. between 2023G and 2026G and at a CAGR of 4.0 to 5.0 per cent. between 2026G and 2030G with the market volume reaching 975,000 to 1,060,000 tonnes by 2028G.

The following exhibit highlights the demand for corrugated cartons in the Kingdom between 2023G and 2028G:

Exhibit 3: The Kingdom's Corrugated Cartons Market Overview from 2023G to 2028G



Source: Market Consultant's analysis.

The growth of the corrugated packaging industry in the Kingdom is driven by several factors including Saudi Vision 2030 that will provide impetus to localisation across several industries including food and beverage, pharmaceuticals and automotive among others. The growing emphasis on food self-sufficiency and significant investments in the food and beverage sector, projected to exceed SAR 75.0 billion by 2035G will increase demand across meat products, cereals, edible oils and snacks. Further, an increased focus on tourism with an aim to welcome 100.0 million tourists by 2030G will boost demand to meet the packaging needs of associated products including snacks, juices, carbonated drinks, bottled water, fresh fruits and FMCG products, among others.

Corrugated cartons are also expected to witness a higher update aligning with the Kingdom's aim to embrace sustainability as a core pillar of development since it is majorly reliant on recycled raw materials and is biodegradable. When coupled with the exponential growth of the e-commerce industry, corrugated cartons are expected to witness significant growth.

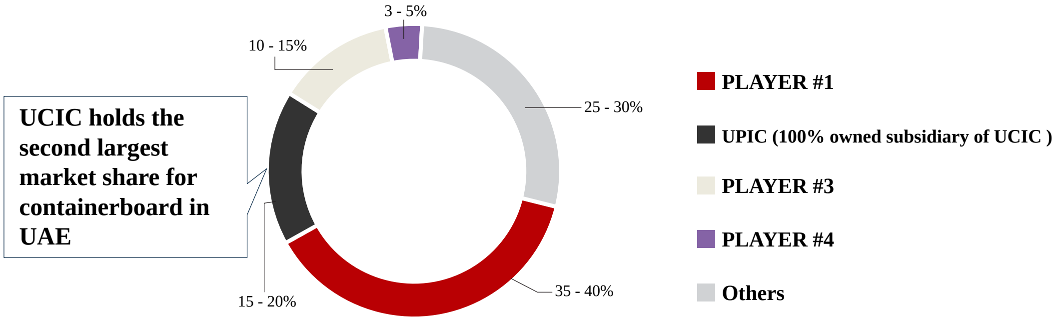
Containerboard Market Overview in the UAE

Containerboard, also known as paper for corrugated packaging, is a type of paperboard used to make packaging materials like corrugated cartons. It is used to produce packaging boxes and bags for a wide range of products, including food and beverages, consumer goods, industrial items, and shipping and storage boxes. The UAE has a well-established packaging industry with manufacturers producing both corrugated boxes and containerboard. However, a significant portion of domestically produced containerboard is exported to countries within and outside the GCC.

UPIC (100.0 per cent. subsidiary of the Company) plays a significant role in the UAE, holding the second largest market share of 15.0 to 20.0 per cent. for containerboard.

The following exhibit shows the Group's market share in the UAE's containerboard market in 2023G:

Exhibit 4: The Group's Market Share in the UAE's Containerboard Market in 2023G

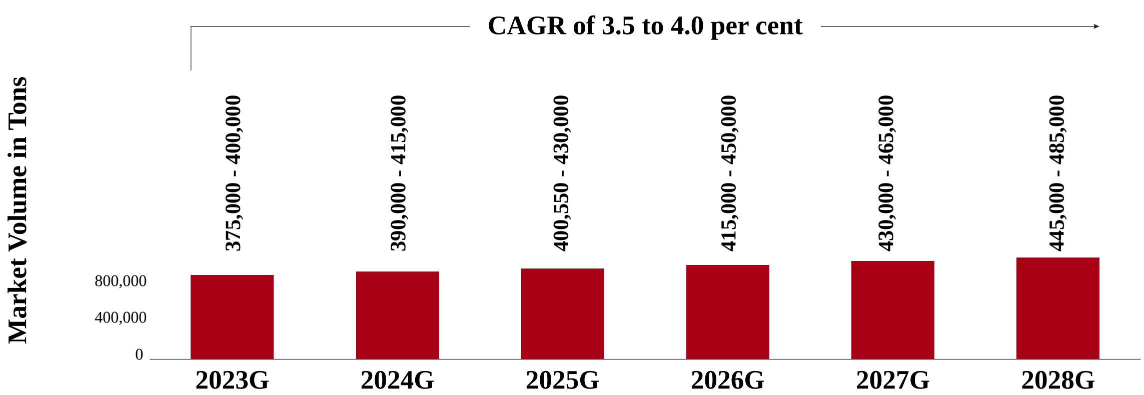


Source: Market Consultant's analysis.

The demand for containerboard in the UAE is estimated to be 375,000 to 400,000 tonnes in 2023G. The market anticipates a CAGR of 3.5 to 4.0 per cent. between 2023G and 2028G propelling demand to 445,000 to 485,000 tonnes by 2028G.

The following exhibit shows the total demand for containerboard in the UAE between 2023G and 2028G:

Exhibit 5: The UAE's Containerboard Market Overview from 2023G to 2028G



Source: Market Consultant's analysis.

The growth trajectory is fuelled by factors such as population growth and increased disposable income, leading to higher consumption of packaged and fresh foods, beverages, and consumer products. Additionally, the UAE's goal to secure 50.0 per cent. of basic food needs from local sources by 2024G and achieving full self-sufficiency by 2030G will boost demand for packaging, including containerboard.

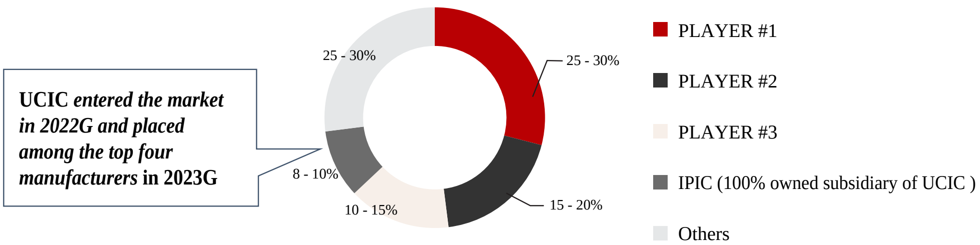
Folding Cartons Market Overview in the Kingdom

The folding carton market in the Kingdom serves key sectors such as food and beverage, pharmaceuticals and consumer goods. They are used for packaging various products, including food, pharmaceuticals and cosmetics. Common applications include cereals, snacks, frozen foods, confectionery, beverages, personal care items, and in sectors like FMCG, restaurants, cloud kitchens, food delivery and bakeries.

Imports accounted for a marginal share with domestic manufacturers catering to 95.0 to 98.0 per cent. Of the demand. IPIC (100.0 per cent. owned subsidiary of the Company) entered the domestic market in 2022G and has already garnered a market share of 8.0 to 10.0 per cent., thereby finding a place amongst the top four manufacturers in the Kingdom.

The following exhibit shows the Group's market share in the Kingdom's folding cartons market in 2023G:

Exhibit 6: The Group's Market Share in the Kingdom's Folding Cartons Market in 2023G

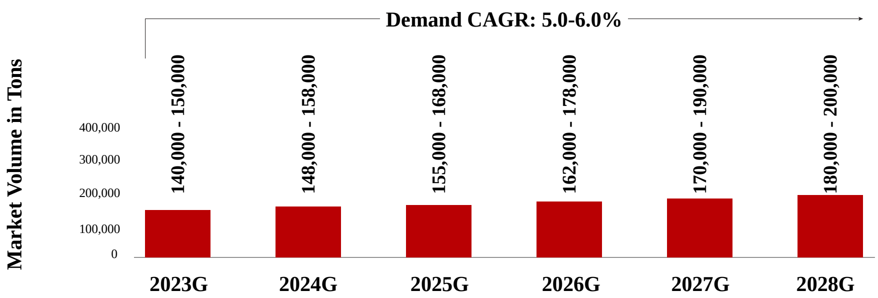


Source: Market Consultant's analysis.

In 2023G, the Kingdom's demand for folding cartons is estimated to be between 140,000 to 150,000 tonnes, while the total installed capacity stands at 240,000 to 250,000 tonnes. A substantial portion of the local production is dedicated to meeting domestic demand, with a smaller volume allocated for exports to countries such as the UAE, Bahrain and Oman.

The following exhibit shows the demand for folding cartons in the Kingdom between 2023G and 2028G:

Exhibit 7: The Kingdom's Folding Cartons Market Overview from 2023G to 2028G



Source: Market Consultant's analysis.

Between 2023G and 2028G, the folding carton market is projected to witness a CAGR of 5.0 to 6.0 per cent. with demand expected to reach 180,000 to 200,000 tonnes by 2028G. This growth trajectory is primarily propelled by the expanding food and beverage, FMCG, pharmaceutical and food servicing sectors, encompassing restaurants, cafes and artisanal bakeries, among others.

Pulp-Based Products Market Overview in the Kingdom

The Kingdom's pulp-based products market is growing notably, especially fuelled by the food and beverage sector. Increased demand for cup carriers for takeaway and food delivery services is driving a surge in moulded pulp-based cup holders, disposable plates, and food packaging boxes. Further, an increasing focus on sustainability is expected to increase the preference for these eco-friendly products over alternatives such as Styrofoam and plastic.

The segment highlights the commitment of the Group to sustainability and circular economy. This dedication resonates with environmentally conscious brands such as McDonald's, Starbucks, PepsiCo and Barn Café, that are some of the Group's major customers.

Summary of Financial Information and Key Performance Indicators

The Company's financial information set out below for the financial year ended 31 December 2021G, is extracted from the audited financial statements for the financial year ended 31 December 2021G, and for the financial years ended 31 December 2022G and 31 December 2023G, is derived from the audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G, each prepared in accordance with the International Financing Reporting Standards (IFRS) that are endorsed in the Kingdom and other standards and pronouncements that are issued by the Saudi Organisation for Chartered and Professional Accountants ("**SOCPA**"). The financial information for the Company listed below for the six-month periods ended 30 June 2024G and 2023G, has been extracted from the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G, prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted in the Kingdom and other standards and pronouncements that are issued by SOCPA.

The financial information for 2021G is derived from the financial statements for 2021G, and the financial information for 2022G and 2023G is derived from the consolidated financial statements for 2022G and 2023G. The Group's selected financial information and key performance indicators set out below should be read together with the information provided in Section 2 (*Risk Factors*) and Section 6 (*Management Discussion and Analysis of Financial Condition and Results of Operations*) of this Prospectus and the audited financial statements for the Company for the financial year ended 31 December 2021G and the audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G and the Group's unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G as included in Section 19 (*Financial Statements and Independent Auditors' Reports*), as well as the financial information set out in any other part of this Prospectus.

The following table presents the summary of financial information of the Group for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023 and 30 June 2024G:

Table 6: Summary of the Group's Statement of Profit or Loss and Other Comprehensive Income for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G

Currency: SAR millions	Financial Years Ended 31 December					Six-Month Period Ended 30 June		
	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	2023G	2024G	Variance as of 30 June (2023G-2024G)
Revenue	1,049.6	1,414.7	1,361.8	34.8%	(3.7%)	689.1	670.7	(2.7%)
Cost of sales	(941.6)	(1,261.0)	(1,077.5)	33.9%	(14.6%)	(540.5)	(536.9)	(0.7%)
Gross profit	**108.0**	**153.7**	**284.3**	**42.3%**	**85.0%**	**148.6**	**133.8**	**(10.0%)**
Selling and distribution expenses	(43.1)	(19.3)	(23.4)	(55.2%)	21.2%	(10.8)	(13.2)	22.2%
General and administrative expenses	(59.6)	(68.1)	(85.7)	14.3%	25.8%	(41.7)	(45.1)	8.2%
Allowance for impairment of trade receivables	(0.7)	(1.5)	(0.8)	114.3%	(46.7%)	(0.4)	(0.7)	75.0%
Fair value losses on financial assets	-	(1.9)	(2.8)	(100.0%)	47.4%	(1.4)	(1.3)	6.9%
Bargain purchase gain on acquisition of a subsidiary	-	14.8	-	100.0%	(100.0%)	-	-	-
Other income – net (1)	4.3	0.2	3.0	(95.3%)	1.400%	0.7	0.5	(28.6%)
Operating profit	**8.9**	**78.0**	**174.7**	**776.4%**	**124.0%**	**94.9**	**74.1**	**(21.9%)**
Finance costs	(2.3)	(3.6)	(7.7)	56.5%	113.9%	(4.2)	(1.8)	(57.1%)
Profit before Zakat and income tax	**6.6**	**74.4**	**166.9**	**1,027.3%**	**124.3%**	**90.8**	**72.2**	**(20.5%)**
Zakat expense	(1.6)	(2.3)	(3.8)	43.8%	65.2%	(1.9)	(2.1)	10.53%
Income tax	2.1	(2.6)	(6.4)	(223.8%)	146.2%	(5.2)	(7.4)	42.3%
Net profit for the year	**7.0**	**69.5**	**156.7**	**892.9%**	**125.5%**	**83.6**	**62.7**	**(25.0%)**
Other comprehensive income								
Net profit for the year	**7.0**	**69.5**	**156.7**	**892.9%**	**125.5%**	**83.6**	**62.7**	**(25.0%)**

Currency: SAR millions	Financial Years Ended 31 December					Six-Month Period Ended 30 June		
	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	2023G	2024G	Variance as of 30 June (2023G-2024G)
Items that will be reclassified to profit or loss:								
Exchange differences on conversion of foreign operations (2)	-	-	(0.5)	-	(100.0%)	-	(0.0)	0.0%
Items that will not be reclassified to profit or loss:								
Re-measurement (loss)/gain on employee benefit obligations	2.7	6.8	(2.0)	151.9%	(129.4%)	-	-	-
Deferred tax relating to re-measurement gain/(loss)	(0.2)	(0.4)	0.1	100.0%	(125.0%)	-	-	-
Total other comprehensive income/(loss) for the year	2.6	6.4	2.4	-	-	-	-	-
Total comprehensive income for the year	**9.6**	**75.9**	**154.3**	**690.6%**	**103.3%**	**83.6**	**62.7**	**(25.0%)**

Source: Audited financial statements for the financial year ended 31 December 2021G, audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G, and unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G and Group information.

(1) Other income-net has been reclassified within operating profit for the year 2022G due to its alignment with the Group's core activities.

(2) Exchange differences on the conversion of foreign operations amounted to approximately SAR 8,000 for the period ended 30 June 2024G.

Table 7: Breakdown of Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G

Currency: SAR millions	Financial Year Ended 31 December					Six-Month Period Ended 30 June		
	2021G	2022G	2023G	Variation (2021G-2022G)	Variation (2022G-2023G)	2023G	2024G	Variance as of 30 June (2023G-2024G)
Net profit for the year	**7.0**	**69.5**	**156.7**	**892.9%**	**125.5%**	**83.6**	**62.7**	**(25.0%)**
Plus:								
Finance costs	2.3	3.6	7.7	56.5%	113.9%	4.2	1.8	(57.1%)
Zakat expense	1.6	2.3	3.8	43.8%	65.2%	1.9	2.1	10.5%
Income tax	(2.1)	2.6	6.4	(223.8%)	146.2%	5.2	7.4	42.3%
Depreciation	57.5	60.7	70.3	5.6%	15.8%	33.8	36.5	8.0%
Amortisation	2.3	2.0	0.4	(13%)	(80.0%)	0.1	0.3	200.0%
Earnings before interest, taxes, depreciation, and amortisation	**68.7**	**140.7**	**245.4**	**104.8%**	**74.4%**	**128.8**	**110.9**	**(14.0%)**

Source: Audited financial statements for the financial year ended 31 December 2021G, audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G, and unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G and Group information.

Table 8: Summary of the Group's Consolidated Statement of Financial Position as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Currency: SAR millions	As of 31 December					As of 30 June	
	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	2024G	Variance (30 June 2024G-31 December 2023G)
Total equity	**376.5**	**427.4**	**482.1**	**13.5%**	**12.8%**	**544.8**	**13.0%**
Total non-current assets	385.8	403.8	478.7	4.6%	18.6%	455.4	(4.8%)
Total current assets	389.2	487.9	447.1	25.4%	(8.4%)	501.8	12.2%
Total assets	**775.0**	**891.7**	**925.8**	**15.1%**	**3.8%**	**957.2**	**3.4%**
Total non-current liabilities	58.6	63.2	106.3	7.9%	68.3%	104.3	(1.9%)
Total current liabilities	340.0	401.2	337.3	18.0%	(15.9%)	308.1	(8.7%)
Total liabilities	**398.5**	**464.3**	**443.7**	**16.5%**	**(4.4%)**	**412.4**	**(7.0%)**
Total equity and liabilities	**775.0**	**891.7**	**925.8**	**15.1%**	**3.8%**	**957.2**	**3.4%**

*Source:*Audited financial statements for the financial year ended 31 December 2021G, audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G, and unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G and Management information.

Table 9: Summary of the Financial Information from the Group's Consolidated Statement of Cash Flows for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 30 June 2024G

Currency: SAR millions	Financial Years Ended 31 December					Six-Month Period Ended 30 June		
	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	2023G	2024G	Variance as of 30 June (2023G-2024G)
Net cash inflow from operating activities	17.9	13.6	323.8	(24.1%)	2,280.9%	162.4	81.0	(50.1%)
Net cash outflow from investing activities	(27.5)	(54.8)	(84.3)	99.3%	53.8%	(67.8)	(48.0)	(29.1%)
Net cash (outflow) /inflow from financing activities	11.6	37.8	(218.8)	225.9%	(678.8%)	(96.9)	(34.1)	(64.8%)
Cash and cash equivalents at the beginning of the year	10.8	12.8	10.1	18.5%	(21.1%)	10.1	30.6	203.0%
Cash and cash equivalents of an acquired subsidiary	-	0.6	-	100.0%	(100.0%)	-	-	-
Effect of exchange rate change on cash and cash equivalent	-	-	(0.1)	-	(100%)	-	-	-
Cash and cash equivalents at the end of the year	**12.8**	**10.1**	**30.6**	**(21.1%)**	**203.0%**	**7.8**	**29.5**	**278.2%**

*Source:*Audited financial statements for the financial year ended 31 December 2021G, audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G, and unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G and Management information.

Table 10: The Group's Key Performance Indicators for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 30 June 2024G

	As of and for the Year Ended 31 December					As of and for the Period Ended 30 June	
	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	2023G	2024G
Corrugated cartons capacity (thousand tonnes per annum)	381	381	381	-	-	190.6	190.6
Corrugated average utilisation	78.2%	76.9%	80.1%	(1.3%)	3.2%	77.8%	84.2%
Folding cartons capacity (thousand tonnes per annum)	20.2	20.2	20.2	-	-	10.2	10.2
Folding cartons average utilisation	N/A	70.2%	77.7%	N/A	7.5%	75.9%	50.9%
Pulp capacity (thousand tonnes per annum)	2.2	2.2	2.2	-	-	1.2	1.2
Pulp cartons average utilisation	N/A	77.4%	69.7%	N/A	(7.7%)	N/A	N/A
Containerboard cartons capacity (thousand tonnes per annum)	70	70	70	-	-	35.0	35.0
Containerboard average utilisation	94.7%	93.4%	94.3%	(1.3%)	1.1%	92.5%	98.1%
Gross profit margin	10.3%	10.9%	20.9%	0.6%	10.0%	21.6%	20.0%
Operating profit margin	0.8%	5.5%	12.8%	4.7%	7.3%	13.8%	11.0%
EBITDA margin	6.5%	9.9%	18.0%	3.4%	8.1%	18.7%	16.5%
Net profit margin	0.7%	4.9%	11.5%	4.2%	6.6%	12.1%	9.4%
Return on average capital employed (ROACE) (1)	1.6%	13.7%	29.0%	12.1%	15.3%	N/A	23.7%
Current ratio (8)	1.1	1.2	1.3	9.1%	8.3%	N/A	1.6
Total assets to total liabilities (2)	1.9	1.9	2.1	(0.0%)	10.5%	N/A	2.3
Cash conversion cycle (CCC) (3)	50	71	43	42.0%	(39.4%)	N/A	51
Adjusted total debt to total equity (4)	0.19	0.33	0.06	50%	(100%)	N/A	-
Net debt to EBITDA (5)	1.06	1.03	0.20	(3.0%)	(83.0%)	N/A	0.16
Return on assets (6)	0.9%	7.8%	16.9%	6.9%	9.1%	N/A	6.6%
Return on equity (7)	1.9%	16.3%	32.5%	14.4%	16.2%	N/A	11.5%

Source: Management information.

(1) ROACE for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G is calculated as net profit for the year / (average net debt (calculated as: net debt at the end of the current financial year + net debt at the end of the previous financial year) / 2 + average total equity (calculated as: total equity at the end of the current financial year + total equity at the end of the previous financial year) / 2).

(2) Total Assets to Total Liabilities: This ratio is calculated by dividing the total assets at the end of the financial year by the total liabilities at the end of the financial year.

(3) Cash conversion cycle is defined as DSO + DIO – DPO.

(4) Adjusted total debt to total equity is calculated as adjusted total debt (comprising total current and non-current borrowings) at the end of the financial year divided by total equity at the end of the financial year.

(5) Net debt to EBITDA is calculated as net debt (comprising total current and non-current borrowings and the current and non-current portion of lease liabilities minus cash and cash equivalents) at the end of the financial year divided by EBITDA for the financial year.

(6) Return on assets is calculated based on net profit for the year divided by total assets at the end of the financial year.

(7) Return on equity is calculated based on net profit for the year divided by total equity at the end of the financial year.

(8) Current ratio is calculated based on total current assets divided by total current liabilities at the end of the financial year.

Please also refer to Table 6.7 and Table 6.8 in Section 6 (*Management Discussion and Analysis of Financial Condition and Results of Operations*) for how the remaining performance indicators disclosed in the table above are calculated.

Summary of Risk Factors

Prior to making an investment decision with respect to the Offer Shares, prospective investors should carefully consider all the information contained in this Prospectus, particularly the risks stated below, which are described in detail in Section 2 (*Risk Factors*).

Risks Related to the Activities and Operations of the Group

- Risks Related to Fluctuations in the Raw Materials Prices or Inadequate Availability;
- Risks Related to Production Costs and Their Impact on Gross Profit Margin;
- Risks Related to Dependency on Sales Volume and EBITDA Fluctuation;
- Risks Related to Capacity at the Group's Manufacturing Facilities;
- Risks Related to Inventory Management;
- Risks Related to Changes in End Consumer Preferences and Related Need for Innovation;
- Risks Related to Technology and Machinery;
- Risks Related to Malfunctions in the Group's Plants;
- Risks Related to Product Quality and Manufacturing Defects in the Group's Products;
- Risks Related to Potential Future Acquisitions;
- Risks Related to the Group's Challenges in Implementing its Growth and Expansion Strategy in the Future;
- Risks Related to Backward Integration Strategy;
- Risks Related to the Development of a New Facility and the Replacement of Assets;
- Risks Related to Competition and Antitrust Laws;
- Risks Related to the Delivery of Products;
- Risks Related to Concentration of Sales to Major Clients;
- Risks Related to the Concentration of Sales in the Group's Product Line;
- Risks Related to Supplier Concentration;
- Risks Related to Reliance on Key Suppliers Outside the Kingdom;
- Risks Related to Operations Outside the Kingdom;
- Risks Related to Asset Depreciation Rate;
- Risks Related to Collecting Accounts Receivable from the Group's Clients;
- Risks Related to Accounts Payables;
- Risks Related to Infectious Diseases;
- Risks Related to the Group's Material Agreements;
- Risks Related to Related Party Transactions and Agreements;
- Risks Related to Engagement of Board Directors or Senior Executives in Business Competing with the Group's Business;
- Risks Related to Failure to Adequately Maintain the Confidentiality and Integrity of Client's and Employee Data;
- Risks Related to Financing;
- Risks Related to Adverse Changes in Interest Rate;
- Risks Related to Liability for Replacement of Defective Products;
- Risks Related to Reliance on Senior Executives and Key Personnel;
- Risks Related to Inability to Attract and Retain Qualified Employees;
- Risks Related to Employee Misconduct or Errors;
- Risks Related to Reliance on Information Technology Infrastructure;
- Risks Related to Licences and Approvals;
- Risks Related to the Adequacy and Availability of Insurance Coverage;

- Risks Related to Reliance on Leased Real Estate Properties;
- Risks Related to Health, Safety and Environment;
- Risks Related to Employing and Sponsoring Non-Saudi Employees;
- Risks Related to Litigation;
- Risks Related to Developing and Maintaining Favourable Brand Recognition;
- Risks Related to Protection of Intellectual Property Rights;
- Risks Related to Potential Zakat and Tax Liabilities;
- Risks Related to an Increase in the Company's Tax Burden;
- Risks Related to the Company's Capital Gains Tax;
- Risks Related to Newly Adopted Corporate Governance Manual;
- Risks Related to Failure by the Audit Committee and the Nomination and Remuneration Committee to Perform their Duties as Required;
- Risks Related to Lack of Experience in Managing a Publicly Listed Company; and
- Risks Related to the Company's Implementation of International Accounting Standards.

Risks Related to the Market, Industry and Regulatory Environment

- Risks Related to General Economic Conditions;
- Risks Related to Industry Cyclicality;
- Risks Related to Geopolitical Instability and Security Concerns in the Middle East Region;
- Risks Related to Competition and Market Share of the Group;
- Risks Related to Changes in Energy Prices;
- Risks Related to Exchange Rates;
- Risks Related to Force Majeure, Natural Disasters and Climate Change;
- Risks Related to Changes in the Regulatory Environment;
- Risks Related to Customs Duty Exemption;
- Risks Related to Increases in Value Added Tax, New Taxes or Additional Fees;
- Risks Related to Change in the Mechanism of Calculating Zakat and Income Tax;
- Risks Related to the New Civil Transactions Law and its Application; and
- Risks Related to Non-Compliance with the Saudisation Requirements.

Risks Related to Offer Shares

- Risks Related to Effective Control Post–Offering by the Selling Shareholders;
- Risks Related to Absence of a Prior Market for the Shares;
- Risks Related to Selling a Large Number of Shares in the Market;
- Risks Related to Issuance of New Shares Post–Offering;
- Risks Related to Fluctuation in the Market Price of the Shares; and
- Risks Related to Distribution of Dividends and Restrictions Imposed on Distribution of Dividends by Financers.

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LIST OF EXHIBITS

Definitions and Abbreviations

1. Definitions and Abbreviations

Admission	Admission of the Shares to full listing on the Exchange in accordance with the Listing Rules and, where the context requires, an application to the Exchange for listing of securities.
Advisors	The Advisors of the Company in relation to the Offering, whose names appear on pages (x) and (xi) of this Prospectus.
Affiliate	A person who controls another person, or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
Annual Financial Statements	The Company's financial statements for the financial year ended 31 December 2021G and the Group's consolidated financial statements for the financial years ended 31 December 2022G and 2023G, and the accompanying notes thereto that have been prepared in accordance with IFRS that are endorsed in the Kingdom and other standards and pronouncements that are issued by SOCPA and audited by the Auditors in accordance with the audit report issued by them. Such financial statements are contained in Section 19 (*Financial Statements and Independent Auditors' Reports*).
Audit Committee	The Audit Committee of the Company.
Auditors	1. Ernst & Young Professional Services (Professional LLC), for the Company's financial statements for the financial year ended 31 December 2021G; and 2. PricewaterhouseCoopers - Public Accountants, for the Company's audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G and the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G.
Bidding Participation Application	The application submitted by the Participating Entities to the Bookrunner for participation in the book-building process, to be submitted no later than the last day of the book-building process period. This term includes, when applicable, the appended applications when and if the price range is changed.
Board of Directors or Board	The Board of Directors of the Company who were appointed by the General Assembly of the Company whose names are mentioned in Table 1 (*Company's Board of Directors*).
Book-Building Instructions	The Instructions for Book-Building Process and Allocation Method in Initial Public Offerings, issued pursuant to CMA Board Resolution No 2-94-2016, dated 15 Shawwal 1437H (corresponding to 20 July 2016G), as amended by CMA Board Resolution No 1-103-2022, dated 2 Rabi al-Awwal 1444H (corresponding to 28 September 2022G), and as further amended from time to time.
Bookrunner	Al Rajhi Capital.
Business Day	Any day (other than Fridays, Saturdays and official holidays) on which the Receiving Agents are open for business in the Kingdom.
Bylaws	The Bylaws of the Company, which are summarised in Section 11.14 (*Summary of Bylaws*).
Capital Market Institution	A Person authorised by the CMA to practice securities business.
Chairman	The Chairman of the Board of Directors.
Chief Executive Officer	The Chief Executive Officer of the Company.
Chief Financial Officer	The Chief Financial Officer of the Company.
CMA	The Capital Market Authority of the Kingdom.
CML	The Capital Market Law issued pursuant to Royal Decree M/30 dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), as amended.
Committees	The Audit Committee and the Nomination and Remuneration Committee of the Company.
Companies Law	The Companies Law issued pursuant to Royal Decree No M/132 dated 1 Thul-Hijjah 1443H (corresponding to 30 June 2022G), as amended.
Company or Issuer	United Carton Industries Company.
Control	The ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (i) holding thirty per cent. or more of the voting rights in the Company; or (ii) the right to appoint thirty per cent. or more of the administrative staff. The word "**controller**" shall be construed accordingly.
Corporate Governance Regulations	The Corporate Governance Regulations, issued pursuant to CMA Board Resolution No 8-16-2017, dated 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G), and amended pursuant to CMA Board Resolution No 8-5-2023, dated 25 Jumada al-Akhirah 1444H (corresponding to 18 January 2023G), as amended.
Directors (and each a Director)	The members of the Company's Board of Directors appointed by the General Assembly and whose names appear in Table 1 (*Company's Board of Directors*).
Exchange or Tadawul	The Saudi Exchange (Tadawul).

Extraordinary General Assembly	An Extraordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Financial Advisor	Al Rajhi Capital.
Financial Due Diligence Advisor	Ernst & Young Professional Services (Professional LLC).
Financial Statements	Annual Financial Statements and Interim Financial Information.
Financial Year	The Company's financial year starting from 1 January to 31 December of each calendar year.
Foreign Strategic Investors	A foreign legal person aiming to acquire a direct interest in the share of a listed company for a period of no less than two years for the purpose of contributing to enhancing the financial or operational performance of such listed company.
G	The Gregorian calendar.
GASTAT	The General Authority for Statistics, a Government agency in the Kingdom responsible for the implementation of statistical works, including conducting national surveys.
GCC	The Cooperation Council for the Arab States of the Gulf, consisting of the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.
GCC Corporate Investors	Any company with the majority of its share capital being owned by GCC natural persons or governments and having the nationality of a GCC State according to the definition mentioned in the Resolution of the Supreme Council of GCC issued in the 15th session and approved by the Council of Ministers' Resolution No 16 dated 20 Muharram 1418H (corresponding to 26 May 1997G), as well as GCC funds with the majority of its capital being owned by GCC citizens or governments.
GCC Countries	The Gulf Cooperation Council countries.
GDP	Gross Domestic Product (the broadest quantitative measure of a nation's total economic activity, which represents the monetary value of all goods and services produced within a nation's geographical borders over a specified period of time).
GDP per Capita	GDP per capita is a measure of average income per person in a country (it divides the GDP by the population).
General Assembly	An Extraordinary General Assembly and/or an Ordinary General Assembly of the Company's Shareholders.
GOSI	The General Organisation for Social Insurance in the Kingdom.
Government	The Government of the Kingdom (and "Governmental" shall be interpreted accordingly).
Group	The Company and its Subsidiaries.
H	The Hijri calendar.
IFRS endorsed in the Kingdom	The International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA).
Implementing Regulation of the Companies Law	The Implementing Regulation of the Companies Law for Listed Joint Stock Companies issued by CMA Board Resolution No 8-127-2016 dated 16 Muharram 1438H (corresponding to 17 October 2016G) pursuant to the Companies Law issued by Royal Decree M/132 dated 1 Thul-Hijjah 1443H (corresponding to 30 June 2022G), as amended pursuant to CMA Board Resolution No 8-5-2023 dated 25 Jumada al-Akhirah 1444H (corresponding to 18 January 2023G), as amended.
Individual Subscribers	Individuals holding Saudi Arabian nationality, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have an investment account and an active portfolio with one of the Receiving Agents.
Interim Financial Information	The unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G, and the accompanying notes thereto, prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in the Kingdom and other standards and pronouncements that are issued by SOCPA. This financial information has been included in Section 19 (*Financial Statements and Independent Auditors' Reports*).
Investment Funds Regulations	The Investment Funds Regulations issued pursuant to CMA Board Resolution No 1-219-2006, dated 3 Thul-Hijjah 1427H (corresponding to 24 December 2006G), based on the Capital Market Law promulgated by Royal Decree No M/30, dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), as amended by CMA Board Resolution No 2-22-2021 on 12 Rajab 1442H (corresponding to 24 February 2021G), as amended.
Investors	The Participating Parties and Individual Subscribers.
IPIC	Integrated Packaging Industries Company.
Kingdom	The Kingdom of Saudi Arabia.
Labour Law	The Labour Law issued pursuant to Royal Decree No M/51, dated 23 Sha'ban 1426H (corresponding to 27 September 2005G), as amended.
Lead Manager	Al Rajhi Capital.
Legal Advisors	STAT Law Firm.

Listing Rules	The Listing Rules approved by CMA Board Resolution No 3-123-2017, dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G), as amended by CMA Board Resolution No 1-108-2022 dated 23 Rabi' al-Awwal 1444H (corresponding to 19 October 2022G), as amended by CMA Board Resolution No 4-114-2024 dated 4 Rabi' al-Thani 1446H (corresponding to 7 October 2024G), and any amendments thereto.
Lock-up Period	The six-month period from the date on which trading of the Shares commences on the Exchange during which the Substantial Shareholders may not dispose of any of their Shares.
Main Market	The market in which the registered and offered shares are traded under Part IV of the Rules on the Offer of Securities and Continuing Obligations.
Market Consultant	Frost & Sullivan.
Market Study Report	The market study report prepared by the Market Consultant exclusively for the Company in February 2024G.
MHRSD	The Saudi Arabian Ministry of Human Resources and Social Development.
MISA	The Saudi Arabian Ministry of Investment.
MoC	The Saudi Arabian Ministry of Commerce.
MIMR	The Saudi Arabian Ministry of Industry and Mineral Resources.
Net Offering Proceeds	The Offering Proceeds net of expenses related to the Offering.
Nominal Value	SAR 10 per Share.
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company emanating from the Board of Directors.
Offer Price	Fifty Saudi Arabian Riyals (SAR 50) per Share.
Offer Shares	Twelve million (12,000,000) Shares, representing thirty per cent. (30%) of the Company's share capital.
Offering	The initial public offering of twelve million (12,000,000) ordinary Shares with a value of ten Saudi Arabian Riyals (SAR 10) per Share, representing thirty per cent. (30%) of the Company's share capital at an Offer Price of fifty Saudi Arabian Riyals (SAR 50) per Share.
Offering Period	A period of two days starting from Monday, 14 Thul-Qi'dah 1446H (corresponding to 12 May 2025G), until the end of Offering on Tuesday, 15 Thul-Qi'dah 1446H (corresponding to 13 May 2025G).
Offering Proceeds	The total value of the Shares subscribed for in the Offering.
Ordinary General Assembly	An Ordinary General Assembly of the Company's Shareholders convened in accordance with the Bylaws.
Participating Entities	Entities involved in the book-building process from amongst the Participating Parties.
Participating Parties	In accordance with the Book-Building Instructions, parties entitled to participate in the Book-Building Process, as follows: (1) public and private funds that invest in securities listed on the Exchange, if permissible under the terms and conditions of such funds, in compliance with the provisions and restrictions set forth in the Investment Funds Regulations and the Book-Building Instructions; (2) Capital Market Institutions authorised by the CMA to trade in securities as principals, in compliance with the provisions of the Prudential Rules upon the submission of a Subscription Application Form; (3) clients of a Capital Market Institution authorised by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book-Building Instructions; (4) legal persons allowed to open an investment account in the Kingdom, and an account with the Securities Depository Center, including foreign legal persons who are allowed to invest on the Exchange, in accordance with the Controls on Investment by Listed Companies in Exchange-Listed Securities set forth in CMA Circular No 6/05158, dated 11 Sha'ban 1435H (corresponding to 9 June 2014G), issued pursuant to CMA Board Resolution No 9-28-2014 dated 20 Rajab 1435H (corresponding to 19 May 2014G); (5) Governmental entities, any supranational authority recognised by the CMA, the Exchange, or any other stock exchange recognised by the CMA or the Securities Depository Center; (6) Government-owned companies, whether investing directly or through a portfolio manager; and (7) GCC companies, and GCC funds if permissible under the terms and conditions of such funds.
Person	A natural or a legal person under the laws of the Kingdom.
Prospectus	This document prepared by the Company in relation to the Offering.
Prudential Rules	The Prudential Rules issued pursuant to CMA Board Resolution No 1-40-2012 dated 17 Safar 1434H (corresponding to 30 December 2012G), amended pursuant to its Resolution No 1-129-2022 dated 04 Jumada al-Akhirah 1444H (corresponding to 28 December 2022G), and any amendments thereto.

Public	Persons other than the following: (1) affiliates of the Issuer; (2) Substantial Shareholders of the Issuer; (3) Directors and Senior Executives of the Issuer; (4) directors and senior executives of the Issuer's affiliates; (5) directors and senior executives of the Issuer's Substantial Shareholders; (6) any relatives of the persons referred to in paragraphs 1, 2, 3, 4, or 5 above; (7) any company controlled by any person referred to in paragraphs 1, 2, 3, 4, 5 or 6 above; or (8) Persons acting in concert, with a collective shareholding of five per cent. or more of the class of shares to be listed.
Qualified Foreign Investors (QFIs)	A foreign investor qualified in accordance with the provisions of Part 3 of the Rules for Foreign Investment in Securities to invest in shares listed on the Main Market.
RAKP CO.	Ras Al Khaimah Packaging LLC.
Receiving Agents	The entities whose names are mentioned on page (xii) of this Prospectus.
Related Party	It includes, in this Prospectus, the term "**Related Party**" or "**Related Parties**" in accordance with the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority issued by CMA Board Resolution No 4-11-2004 dated 20 Sha'ban 1425H (corresponding to 4 October 2004G), as amended by CMA Board Resolution No 3-6-2024 dated 5 Rajab 1445H (corresponding to 17 January 2024G) as further amended from time to time, being: (1) affiliates of the Issuer except for wholly owned companies; (2) Substantial Shareholders of the Issuer; (3) Directors and Senior Executives of the Issuer; (4) directors of an affiliate of the Issuer; (5) directors and senior executives of the Issuer's Substantial Shareholders; (6) any relatives of the persons described in paragraphs 1, 2, 3 or 5 above; or (7) any company controlled by any person described in paragraphs 1, 2, 3, 5 or 6 above.
Relatives	Husbands, wives and minor children. For the purposes of the Corporate Governance Regulations: (1) fathers, mothers, grandfathers and grandmothers (and their ancestors); (2) children and grandchildren and their descendants; (3) siblings, maternal and paternal half-siblings; and (4) husbands and wives.
Risk Factors	A group of potential risks that should be understood and considered prior to making an investment decision in relation to the Offer Shares.
Rules for Foreign Investment in Securities	The Rules for Foreign Investment in Securities issued pursuant to CMA Board Resolution No 2-26-2023, dated 5 Ramadan 1444H (corresponding to 27 March 2023G), and any amendments thereto.
Rules on the Offer of Securities and Continuing Obligations	The Rules on the Offer of Securities and Continuing Obligations issued by CMA Board Resolution No 3-123-2017 dated 9 Rabi' al-Thani 1439H (corresponding to 27 December 2017G) in accordance with the Capital Market Law promulgated by Royal Decree No M/30 dated 2 Jumada al-Akhirah 1424H (corresponding to 31 July 2003G), as amended by the CMA Board Resolution No 3-114-2024 dated 4 Rabi' al-Thani 1446H (corresponding to 7 October 2024G), and any amendments thereto.
SAIBOR	The Saudi Arabian Interbank Offered Rate.
SAR	The Saudi Arabian Riyal, which is the lawful currency of the Kingdom.
SAMA	The Saudi Central Bank (SAMA).
Saudisation	Nationalisation requirements applicable in the Kingdom in relation to the labour market.
Secretary	The Secretary of the Board of Directors.
Senior Executives	The members of the Company's senior management whose names appear in Table 5.5 (*Details of Senior Executives*).
Shareholder	Any holder of Shares in the Company.
Shares	Ordinary shares of the Company with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share in the Company's capital issued from time to time.
SOCPA	The Saudi Organisation for Chartered and Professional Accountants.
Subscribers	The Participating Entities and Individual Subscribers participating in the Offering.
Subscription Application Form	The subscription application form to be used by Participating Entities and Individual Subscribers (as the case may be) to subscribe for the Offer Shares.

Subsidiaries	The Company's subsidiaries, namely: (1) Integrated Packaging Industries Company; (2) United Paper Industries Company FZCO; (3) Ras Al Khaimah Packaging LLC; and (4) Integrated Paper Industry Company.
Substantial Shareholder	Each Shareholder who individually owns five per cent. (5%) or more of the Issuer's shares.
Swap Agreements	Non-GCC nationals who are not residents in the Kingdom and non-GCC institutions incorporated outside the Kingdom are permitted to acquire an economic interest in the shares by entering into swap agreements with Capital Market Institutions authorised by the CMA. Under such swap agreements, the Capital Market Institutions will be registered as the legal owner of such shares.
UAE	The United Arab Emirates.
Underwriter	Al Rajhi Capital.
Underwriting Agreement	The Underwriting Agreement entered into between the Company and the Underwriter in connection with the Offering.
UPIC	United Paper Industries Company FZCO.
Value Added Tax (VAT)	The Council of Ministers of the Kingdom resolved on 2 Jumada al-Ula 1438H (corresponding to 30 January 2017G) to approve the Unified GCC Value Added Tax Agreement, which came into effect on 1 January 2018G, as a new tax to be added to the system of taxes and other duties to be applied by specific sectors in the Kingdom and in the other GCC Countries. The amount of this tax was initially five per cent. and a number of products (such as basic food, health care and education services) are exempted from such tax. As of 1 July 2020G, VAT was further increased to fifteen per cent. by the Ministry of Finance of the Kingdom.
Zakat	Zakat imposed on Muslims as the third pillar of Islam under applicable Saudi laws.
ZATCA	The Zakat, Tax and Customs Authority in the Kingdom.

Risk Factors

2. Risk Factors

Prior to making an investment decision with respect to the Offer Shares, all prospective investors should carefully consider the following risk factors and the other information contained in this Prospectus. The risks and uncertainties described below are those that the Company currently believes could affect the Group and any investment in the Offer Shares. However, the risks listed below do not necessarily comprise all those affecting the Group or associated with an investment in the Offer Shares. There may be additional risks and uncertainties that the Company is currently not aware of, or that the Company currently believes are immaterial. The occurrence of any such risks and uncertainties may materially and adversely affect the Group's business, financial position, results of operations and/or prospects. As a result, the price of the Company's Shares may decline, the Company's ability to pay dividends could be impaired and/or investors may lose all or part of their investments.

The Company's Directors also confirm that, to the best of their knowledge and belief, there are no other material risks as of the date of this Prospectus than those mentioned in this Section that may affect investors' decisions to invest in the Offer Shares. All prospective investors willing to subscribe to the Offer Shares should assess the risks related to the Offer Shares and the Offering in general, and the economic and regulatory environment in which the Group operates.

An investment in the Offer Shares is only suitable for investors who can evaluate the risks and benefits of such investment and who have sufficient resources to bear any loss resulting from such investment. Prospective investors who have doubts about which actions to take should refer to a financial adviser duly licensed by the CMA for advice about investing in the Offer Shares.

The risks described below are not presented in any assumed order of priority that reflect their expected impact on the Group.

2.1 Risks Related to the Activities and Operations of the Group

2.1.1 Risks Related to Fluctuations in the Raw Materials Prices or Inadequate Availability

The Group's revenues and profitability are significantly affected by fluctuations in the prices of raw materials used in its manufacturing processes, including but not limited to paper, recycled paper, starch, inks, borax, caustic soda and glue. These materials accounted for a major portion of the Group's total purchases, at 74.8 per cent., 80.0 per cent. and 72.2 per cent. and 72.2 per cent of the Group's total purchases in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. In the financial year ended 31 December 2023G, the Group experienced a net decline in consolidated revenue of SAR 52.9 million, representing 3.7 per cent. of its total revenue, primarily due to an SAR 116.5 million, representing 8.7 per cent. reduction in corrugated carton products revenue. This decline was driven by a 12.5 per cent. drop in average sales prices, following a 30.5 per cent. decrease in average paper costs after the second quarter of 2023G, reflecting a global downturn in paper prices. Similarly, in the six-month period ended 30 June 2024G, the Group's consolidated revenues fell by SAR 18.4 million, representing negative 2.7 per cent., due to a SAR 57.5 million, representing negative 9.1 per cent. decline in revenues from corrugated carton products. This was attributed to a negative 16.0 per cent. reduction in sales prices per tonne, mirroring a negative 20.2 per cent. decrease in the average cost of paper per tonne, which may lead to a decrease in revenues and net profit for the Group. Additionally, the decrease in paper costs led to an increase in the gross profit margin from 10.3 per cent. in the financial year ended 31 December 2021G to 10.9 per cent. in the financial year ended 31 December 2022G, to 20.9 per cent. in the financial year ended 31 December 2023G and to 19.9 per cent. in the six-month period ended 30 June 2024G.

The prices of these essential raw materials are influenced by various factors, including domestic and global market conditions, geopolitical factors and commodity price indices. Particularly, the cost of fibre - vital component in paper manufacturing - is subject to price variability due to market and industry conditions. Demand for fibre has fluctuated in the past and may increase due to, among other factors, increased consumption resulting from increasing demand for products made with paper that are manufactured from fibre. The market price of fibre varies depending on availability and the source and, among other factors, weather conditions and the state of the market. In addition, costs for key chemicals used in the Group's manufacturing operations fluctuate which in turn impacts its manufacturing costs. Certain published indices contribute to price setting for some of the Group's raw materials and future changes in how these indices are published or maintained, as well as their performance, could adversely impact the pricing of these raw materials. The Group's purchases from its five largest suppliers overall represented 53.8 per cent., 63.7 per cent., 58.9 per cent. and 67.7 per cent. of the Group's total purchases of raw materials for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively (see also Section 2.1.18 (*Risks Related to Supplier Concentration*) for further details regarding the risks related to supplier concentration). Such concentration can expose the Group to supplier-specific risks, including potential disruptions in supply or changes in terms and conditions, which could adversely affect the Group's operational capabilities and financial performance.

Given these factors, if the price of raw materials increases, sales and profit margins may decrease, which would have a material adverse effect on the Group's business, financial position, results of operations and/or prospects. Commodity prices significantly impact profitability, as increases are sometimes not fully passed on to clients, further squeezing margins. The Group has limited flexibility in adjusting product pricing after accepting client orders, which can lead to profitability pressures if raw material costs increase unexpectedly. These prices are influenced by demand and supply dynamics in the global market, geopolitical factors, production capacities in the region and accessible countries, as well as import, exports and tariffs. Additionally, supply chain disruptions, unexpected increases in raw material costs or delivery due to high demand, regulatory changes, production stoppages or force majeure events, such as wars or natural disasters, could result in production slowdowns or halts.

Moreover, the Group's production and manufacturing processes are highly sensitive to the unavailability of raw materials. Accordingly, the unavailability of any of the raw materials, the Group's failure to obtain them due to high demand by manufacturers, or the inability of the suppliers of raw materials to provide them for any reason, whether temporarily or permanently, will lead to a reduction or suspension of the Group's production operations. Moreover, in the event of any other negative developments related to suppliers or raw materials, including but not limited to, the issuance of new laws or regulations related to the production of raw materials, the extent to which the Group's main suppliers deal with other purchasers and give them preference over the Group, the inability of suppliers to provide the required quantities at the times agreed with the Group, production stoppages for any reason, material accidents arising in the suppliers' production or supply chain, stoppages due to wars, natural disasters, political disturbances and similar events of force majeure, would fundamentally affect the Group's ability to procure raw materials in the form required for its production. This would have a material adverse effect on the Group's business, financial position, results of operations and/or prospects.

2.1.2 Risks Related to Production Costs and Their Impact on Gross Profit Margin

Major cost components in the Group's operations are the costs of raw materials, fuel, electricity and labour. Significant increases in the abovementioned production costs could materially and adversely affect the Group's sales and operating profits. Prices for these production costs have in some cases been subject to significant changes in a short period of time for reasons outside the Group's control. For example, prices for fuel and electrical power, which are significant components of the costs of sale, have increased in recent years and may increase in the future (see further Section 2.2.5 (*Risks Related to Changes in Energy Prices*)). In addition, labour costs may be affected by changes in minimum wages or additional Government fees for the employment of foreign workers (see further Section 2.1.40 (*Risks Related to Employing and Sponsoring Non-Saudi Employees*)). In the event of large or rapid increases in prices, the Group may not be able to pass the increases through to its customers in full, which would have a material adverse effect on its business, financial position, results of operations and/or prospects.

The main components of cost of sales are paper costs which accounted for 79.1 per cent., 75.7 per cent., 63.0 per cent. and 58.0 per cent. of total cost of sales in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively, while other direct costs comprised 20.9 per cent., 24.3 per cent., 37.0 per cent. and 42.0 per cent. of total consolidated cost of sales during the same periods. There was a relative concentration on paper suppliers during the same periods, with the top ten suppliers comprising 74.6 per cent. in the financial year ended 31 December 2021G, 89.7 per cent. in the financial year ended 31 December 2022G and 97.0 per cent. in the financial year ended 31 December 2023G and 98.17 per cent. for the six-month period ended 30 June 2024G, while the top three suppliers accounted for 59.8 per cent. of all paper purchases in the financial year ended 31 December 2023G. Other costs include other materials, inks, pallets and delivery costs.

Gross profit increased from SAR 108.0 million (10.3 per cent. of revenue) in the financial year ended 31 December 2021G to SAR 153.7 million (10.9 per cent. of revenue) in the financial year ended 31 December 2022G, to SAR 284.3 million (20.9 per cent. of revenue) in the financial year ended 31 December 2023G and to SAR 133.8 million (19.9 per cent. of revenue) in the six-month period ended 30 June 2024G.

This was mainly due to a decrease in the cost of corrugated cardboard per tonne in the financial year ended 31 December 2023G compared to the financial year ended 31 December 2022G, resulting from a global decline in paper prices. Other direct costs remained relatively stable (other materials, inks, pallets, delivery and packaging) and indirect costs (rent, depreciation, amortisation and utilities) remained broadly stable between the financial year ended 31 December 2021G and the financial year ended 31 December 2022G, therefore, decreased as a percentage of revenue and led to an increase in gross margin. The decline in paper prices coupled with management's ability to maintain prices at the 2022G level contributed to the growth in gross margin. It generally takes three to six months for the global paper price movement to have an impact on the sales price.

On the other hand, gross margin was slightly impacted by reclassifying delivery costs (SAR 31.5 million) in the financial year ended 31 December 2022G to cost of sales starting from the financial year ended 31 December 2022G onwards. Similarly, IPIC gross margin improved from 13.1 per cent. in the financial year ended 31 December 2022G to 16.9 per cent. in the financial year ended 31 December 2023G benefiting from the decline in paper prices, while maintaining a broadly stable selling price which decreased at a slower pace than cost of sales (from SAR 210 per thousand piece in the financial year ended 31 December 2022G to SAR 180 per thousand piece in the financial year ended 31 December 2023G). UPIC had an adverse impact on gross margin, as it was negatively impacted by the drop in paper prices (as it produces paper only), which resulted in a decrease in gross margin from 13.7 per cent. in the financial year ended 31 December 2022G to 5.4 per cent. in the financial year ended 31 December 2023G.

As a result, the Group's gross margin is at risk if there are unexpected rises in production costs, especially paper prices, which may not be swiftly passed on to customers due to existing contracts or competitive market conditions. Furthermore, the heavy reliance on a concentrated group of suppliers for paper increases the risk of supply disruptions or price increases, potentially resulting in higher costs that cannot be easily mitigated. Such conditions would have a material adverse effect on the Group's business, financial position, results of operations and/or prospects.

2.1.3 Risks Related to Dependency on Sales Volume and EBITDA Fluctuation

The Group's operations depend on sales volumes, which are inherently susceptible to macroeconomic conditions and market-specific supply and demand dynamics. Given the Group's substantial fixed operating costs, fluctuations in sales volumes have a direct impact on its financial performance, particularly affecting its earnings and EBITDA. This relationship introduces several specific risks:

- **Vulnerability to Sales Volume Shifts**: The Group's profitability is closely tied to its sales volumes. For instance, a downturn in market demand in the juice and carbonated beverages sector in 2020G by 20.3 per cent. compared to the market demand in 2019G due to the implementation of a tax which came into effect on 1 December 2019G led to a significant reduction in revenues of the juice and carbonated beverages sector as a result of the increased cost to consumers. Thus, any sudden change in macroeconomic conditions could cause a significant decrease in revenues and have an adverse effect on the Group's profits;
- **EBITDA Sensitivity**: The Group's EBITDA is directly influenced by its sales volumes. EBITDA is a critical measure of the Group's operational profitability and its capacity to generate cash flow from its core business activities;
- **Impact of Macroeconomic Conditions**: Economic fluctuations, sectoral downturns, or broader market instabilities can precipitate a decline in the demand for the Group's offerings, subsequently affecting its sales volumes and financial standing;
- **Influence of Supply and Demand Dynamics**: Variabilities in supply chain efficiencies, raw material availability or consumer preference shifts can lead to changes in sales volumes, thereby impacting the Group's operational and financial outcomes;
- **Proportional Effect of Fixed Operating Costs**: The Group's fixed operating costs mean that any decrease in sales volumes can disproportionately impact its profit margins, leading to significant financial performance variability; and
- **Forecasting Challenges**: The inherent unpredictability in sales volumes complicates the Group's ability to forecast financial results accurately, posing challenges for strategic planning and potentially undermining investor confidence.

Additionally, demand for products, particularly within the Fast-Moving Consumer Goods (FMCG) and durables sectors, is influenced by factors such as inflation, disposable income, consumer sentiment, and geopolitical situations which may impact the packaging demand. These interconnected factors underscore the Group's vulnerability to shifts in sales volumes and their subsequent impact on EBITDA and overall financial position. Such variability can significantly affect the Group's ability to sustain growth, manage its debt and execute strategic initiatives, potentially resulting in a material adverse effect on the Group's business, financial position, results of operations and/or prospects.

2.1.4 Risks Related to Capacity at the Group's Manufacturing Facilities

The Group's future success and earnings growth depend, in part, on its ability to increase sales volumes and respond flexibly to market demands and client needs. The Group's ability to increase the sales volume of its products is limited, at least in part, by the production capacity at its manufacturing facilities. The Group's production capacity for corrugated cardboard was 381 thousand tonnes, 381 thousand tonnes, 381 thousand tonnes and 190.6 thousand tonnes for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. Utilisation rates were 78.2 per cent., 76.9 per cent., 80.1 per cent. and 84.2 per cent. for the same periods. The Group's folding carton production capacity was 20.2 thousand tonnes, 20.2 thousand tonnes, 20.2 thousand tonnes and 10.2 thousand tonnes, with utilisation rates of nil per cent., 70.2 per cent., 77.7 per cent. and 50.9 per cent. for the same periods. The Group's pulp products production capacity was 2.2 thousand tonnes, 2.2 thousand tonnes, 2.2 thousand tonnes and 1.2 thousand tonnes, with utilisation rates of nil per cent., 77.4 per cent., 69.7 per cent. and 69.7 per cent. for the same periods. The Group's production capacity for testliner and fluting paper reached 70 thousand tonnes, 70 thousand tonnes, 70 thousand tonnes and 35 thousand tonnes, with utilisation rates of 94.7 per cent., 93.4 per cent., 94.3 per cent. and 98.1 per cent. for the same periods. For more details on the production capacity of each business segment within the Group, please refer to Section 4.6.2.4(a) (*Manufacturing Facilities and Capacity*).

Although the Group is undertaking initiatives to expand its production capacity for: (i) the corrugated boxes segment by an extra 35,000 tonnes per annum by 2025G to 2026G; (ii) the folding carton (duplex) segment within the next one to two years; and (iii) the corrugated boxes segment in the UAE by 2024G, there can be no assurance that it will be able to do so in the timeframes expected, or that it will be sufficient to meet the growing demand once completed (see further Section 4.7 (*Future Plans and Initiatives*) for a discussion of the Group's expansion plans and initiatives)). Failure to properly calculate the capacity, anticipate demand in the future, or inability to add production capacity (either organically or through acquisition) in a timely manner to meet demand as it arises, would limit the Group's growth and lead to a loss of business opportunities.

Moreover, information relating to the Group's production capacities and historical capacity utilisation of its manufacturing facilities is based on various assumptions and estimates of its management, including proposed operations, assumptions relating to availability and quality of raw materials and assumptions relating to operational efficiencies. Actual production levels and utilisation rates may differ significantly from the estimated production capacities or historical estimated capacity utilisation information. Accordingly, undue reliance should not be placed on the Group's installed capacity or historical estimated capacity utilisation information.

2.1.5 Risks Related to Inventory Management

The Company relies on its expertise in analysing market data and forecasting future demand for its products to manage its inventory. However, unexpected significant changes in product demand may occur. Demand could be negatively affected by the launch of new products by the Company's competitors, changes in product cycles, pricing strategies, shifts in customer spending patterns and purchasing power, the entry of new competitors into the market, and other factors. As a result, customer demand for the Company's products may decrease. Consequently, if the Company fails to accurately estimate the volume of products sought by its customers or manage production quantities appropriately, it may produce more products than its customers require, leading to an increase in inventory levels. The Company's net inventory totalled SAR 165.4 million, SAR 240.6 million, SAR 170.2 million, and SAR 213.7 million as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. These figures represent 42.5 per cent., 49.3 per cent., 38.1 per cent., and 42.6 per cent. of total current assets as of the respective dates (for further details see Section 6.7.14 (*Current Assets*)).

Aging inventory presents a significant risk in the Company's inventory management. When inventory remains in storage for extended periods, its value may diminish due to various factors, such as product obsolescence, shifts in customer preferences or the introduction of new, advanced products into the market. This can make it difficult to sell accumulated inventory at profitable prices, resulting in financial losses. Additionally, aging inventory occupies valuable storage space and increases holding costs, negatively impacting cash flow and overall profitability. If inventories are not closely monitored and managed, the Company may face challenges in selling large quantities of products that have become less in demand or difficult to sell, adversely affecting operational and financial efficiency. Although some inventory items, such as raw materials and spare parts, may not be directly impacted by obsolescence or expiration, holding excessive inventory could lead to obsolescence if alternative materials of higher quality or lower cost emerge. Therefore, maintaining inventory levels that are logical and balanced according to the nature of the business is critical. Poor inventory management could expose the Company to various risks, including obsolescence due to rapid technological advancements, increased storage and transportation costs, and excessive use of storage space. Additionally, the Company may face unforeseen risks, such as fires or natural disasters, could have a material adverse effect on the Company's business, financial position, results of operations and prospects.

The total inventory of raw materials and spare parts amounted to SAR 168.8 million, SAR 10.1 million, and SAR 9.7 million for inventory ages ranging from 0–2 years, 2–5 years and over 5 years, as of 31 December 2021G, representing 114.0 per cent. of net inventory for the same date. Similarly, for the financial year ended 31 December 2022G, the total inventory of raw materials and spare parts amounted to SAR 203.6 million, SAR 23.1 million, and SAR 18.6 million for the same inventory ages, representing 102.0 per cent. of net inventory. For the financial year ended 31 December 2023G, the total inventory of raw materials and spare parts amounted to SAR 141.7 million, SAR 21.2 million, and SAR 22.4 million for the same inventory ages, representing 108.9 per cent. of net inventory. Finally, for the six-month period ended 30 June 2024G, the total inventory of raw materials and spare parts amounted to SAR 165.4 million, SAR 21.4 million, and SAR 22.2 million for the same inventory ages, representing 97.8 per cent. of net inventory for the period.

Regarding inventory ages for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, they were classified as follows:

Table 2.1: Inventories Aging as of 31 December 2021G

Currency: SAR (Million)	0-2 Years	2-5 Years	Over 5 Years	Total	Weighted Percentage
Raw material	136.9	1.4	1.4	139.7	84.5%
Spare parts	31.9	8.7	8.3	48.9	29.6%
Gross inventories (excluding goods in transit, finished goods, and work in progress)	**168.8**	**10.1**	**9.7**	**188.6**	**114.0%**
Goods in transit (1)	-	-	-	17.8	10.8%
Finished goods (2)	-	-	-	1.8	1.1%
Work in progress (3)	-	-	-	1.0	0.6%
Gross inventories	**-**	**-**	**-**	**209.2**	**126.5%**
Less: provision for slow-moving and damaged inventories	-	-	-	(43.8)	(26.5%)
Net inventories	**-**	**-**	**-**	**165.4**	**100.0%**

Source: Management information.

(1) **Goods in transit:** These are goods imported from suppliers but not yet stored. They are not classified by age since the Company's sales are based on customer orders.

(2) **Finished goods:** These are goods ready for delivery or in the process of being delivered to customers. They are not classified by age since the Company's sales are based on customer orders.

(3) **Work in progress:** This refers to the stage where raw materials and spare parts are converted into finished goods. They are not classified by age since the Company's sales are based on customer orders.

Table 2.2: Inventories Aging as of 31 December 2022G

Currency: SAR (Million)	0-2 Years	2-5 Years	Over 5 Years	Total	Weighted Percentage
Raw material	184.2	6.0	2.9	193.1	80.3%
Spare parts	19.4	17.1	15.7	52.2	21.7%
Gross inventories (excluding goods in transit, finished goods, and work in progress)	**203.6**	**23.1**	**18.6**	**245.3**	**102.0%**
Goods in transit (1)	-	-	-	31.7	13.2%
Finished goods (2)	-	-	-	4.4	1.8%
Work in progress (3)	-	-	-	3.0	1.2%
Gross inventories	**-**	**-**	**-**	**284.4**	**118.2%**
Less: provision for slow-moving and damaged inventories	-	-	-	(43.8)	(18.2%)
Net inventories	**-**	**-**	**-**	**240.6**	**100.0%**

Source: Management information.

(1) **Goods in transit:** These are goods imported from suppliers but not yet stored. They are not classified by age since the Company's sales are based on customer orders.

(2) **Finished goods:** These are goods ready for delivery or in the process of being delivered to customers. They are not classified by age since the Company's sales are based on customer orders.

(3) **Work in progress:** This refers to the stage where raw materials and spare parts are converted into finished goods. They are not classified by age since the Company's sales are based on customer orders.

Table 2.3: Inventories Aging as of 31 December 2023G

Currency: SAR (Million)	0-2 Years	2-5 Years	Over 5 Years	Total	Weighted Percentage
Raw material	118.7	7.8	2.9	129.4	76.0%
Spare parts	23.0	13.4	19.5	55.9	32.8%
Gross inventories (excluding goods in transit, finished goods, and work in progress)	**141.7**	**21.2**	**22.4**	**185.3**	**108.9%**
Goods in transit [(1)]	-	-	-	23.2	13.6%
Finished goods [(2)]	-	-	-	4.4	2.6%
Work in progress [(3)]	-	-	-	1.1	0.6%
Gross inventories	**-**	**-**	**-**	**214.0**	**125.7%**
Less: provision for slow-moving and damaged inventories	-	-	-	(43.8)	(25.7%)
Net inventories	**-**	**-**	**-**	**170.2**	**100.0%**

Source: Management information.

(1) **Goods in transit:** These are goods imported from suppliers but not yet stored. They are not classified by age since the Company's sales are based on customer orders.

(2) **Finished goods:** These are goods ready for delivery or in the process of being delivered to customers. They are not classified by age since the Company's sales are based on customer orders.

(3) **Work in progress:** This refers to the stage where raw materials and spare parts are converted into finished goods. They are not classified by age since the Company's sales are based on customer orders.

Table 2.4: Inventories Aging as of 30 June 2024G

Currency: SAR (Million)	0-2 Years	2-5 Years	Over 5 Years	Total	Weighted Percentage
Raw material	140.8	9.7	3.1	153.7	71.9%
Spare parts	24.6	11.7	19.1	55.4	25.9%
Gross inventories (excluding goods in transit, finished goods, and work in progress)	**165.4**	**21.4**	**22.2**	**209.0**	**97.8%**
Goods in transit [(1)]	-	-	-	47.4	22.2%
Finished goods [(2)]	-	-	-	1.0	0.5%
Work in progress [(3)]	-	-	-	2.8	1.3%
Gross inventories	**-**	**-**	**-**	**260.2**	**121.8%**
Less: provision for slow-moving and damaged inventories	-	-	-	(46.5)	(21.8%)
Net inventories	**-**	**-**	**-**	**213.7**	**100.0%**

Source: Management information.

(1) **Goods in transit:** These are goods imported from suppliers but not yet stored. They are not classified by age since the Company's sales are based on customer orders.

(2) **Finished goods:** These are goods ready for delivery or in the process of being delivered to customers. They are not classified by age since the Company's sales are based on customer orders.

(3) **Work in progress:** This refers to the stage where raw materials and spare parts are converted into finished goods. They are not classified by age since the Company's sales are based on customer orders.

2.1.6 Risks Related to Changes in End Consumer Preferences and Related Need for Innovation

The Group may be unable to anticipate or adequately respond to changes in end consumer demand for its products. Demand for its products may change based on many factors, including shifting end consumer purchasing patterns to lower cost options, such as shrink wrap water bottles and preference for local brands over global brands, negative consumer response to pricing actions, consumer shifts in distribution from traditional retailers to e-commerce retailers, changing end consumer preferences with regards to post-consumer waste, packaging material and their environmental impact and other changes in consumer trends or habits. Additional challenges include potential shifts towards alternate packaging, low-cost packaging or trends favouring less or no packaging, which could further influence consumer decisions. If the Group experiences lower sales due to these changes in consumer demand for its products, its earnings could decrease.

The Group's ability to effectively develop new products in response to such changes is affected by its capacity to successfully anticipate end consumer needs and preferences, develop and fund technological innovations, receive and maintain necessary patent and trademark protection. The introduction of new and/or improved products and innovative technologies involves substantial marketing and development costs. The introduction of a new product usually requires substantial expenditures in advertising and marketing to gain recognition in the marketplace. Even if a product were to gain acceptance, it normally requires continued advertising and promotional support to maintain its relative market position. Some of the Group's competitors may spend more aggressively on advertising and promotional activities, introduce competing products more quickly or respond more effectively to changing consumer preferences. Should these factors occur, it could have a material adverse effect on the Group's business, financial position, results of operations and/or prospects.

2.1.7 Risks Related to Technology and Machinery

The Group's operational efficacy and product quality are significantly reliant on the performance and reliability of its technology and machinery. In the paper and packaging industry, the Group faces the risk of its technology becoming obsolete. The failure to regularly upgrade or maintain machinery could lead to operational inefficiencies, increased downtime, and higher maintenance costs, which, in turn, could adversely impact the Group's production capacity and product quality. Additionally, in the domains of manufacturing, printing, handling and quality technology, the Group must continuously evolve to maintain its market position.

Moreover, the Group operates in an industry where technological innovation can be a critical differentiator. If competitors adopt new technologies that significantly enhance productivity or reduce costs, the Group could find itself at a competitive disadvantage if it does not keep pace with such technological advancements. The availability of low-cost alternatives for equipment and technology also presents a challenge, as failing to adopt cost-effective solutions could further impair the Group's competitive standing. Additionally, any significant technological failure or breakdown in the Group's machinery could disrupt production processes, leading to delays in fulfilling client orders, potential breaches of contract, and financial losses.

The integration of new technology also poses risks, as the Group must ensure that new machinery is compatible with existing systems and that staff are adequately trained to operate it. Failure to successfully integrate new technology could result in operational disruptions and additional costs.

These factors could have a material adverse effect on the Group's business, financial position, results of operations and prospects. See also Section 2.1.8 (*Risks Related to Malfunctions in the Group's Plants*) for a discussion of risks associated with malfunctions in the Group's plants.

2.1.8 Risks Related to Malfunctions in the Group's Plants

As of the date of this Prospectus, the Group operates eight plants equipped with complex machinery (for further details, see Section 4.6.2 (*Manufacturing Processes*)). Essential equipment, or any other equipment involved in any of the production operations, may malfunction due to, among other reasons, the Group's failure to perform periodic or emergency maintenance, deterioration or unavailability of parts or other unexpected events, such as fire or extreme weather. Additionally, a significant portion of the machinery is imported, and many spare parts required for maintenance are sourced from overseas suppliers.

The service and maintenance of some vital parts of our machinery are performed exclusively by the original equipment manufacturers. While online assistance for troubleshooting and maintenance is available from these manufacturers, delays in receiving this support are possible, which can further exacerbate production downtime.

The occurrence of any such events would impair the production capability of the Group, leading to a decline in the volume of products that it can produce and sell, as well as an inability to fulfil its contractual obligations. The reliance on imported machinery and parts, coupled with the dependency on original equipment manufacturers for critical maintenance, enhances this risk, potentially causing significant disruptions in the Group's operations. Such disruptions could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.9 Risks Related to Product Quality and Manufacturing Defects in the Group's Products

The Group relies on the quality of its products for the success of its business. The Group's products are required to meet applicable safety and quality standards, which in turn rely on the control and quality assurance systems in place as well as its quality control training programmes. The complexity of product designs and the advanced printing techniques used also increase the possibility of quality defects. As the sophistication of these processes escalates, so does the potential for manufacturing errors that can result in product defects.

In addition, the occurrence of malfunctions or manufacturing accidents may also lead to defects in the Group's products. The Group's failure to meet safety and quality standards may affect the competitiveness of its products, particularly when compared to competing products, and the Group may incur costs in taking corrective action (including recalling products from end-customers) and reimbursing its clients or end-customers for losses they suffer as a result of these failures. This could negatively impact the Group's reputation, which would have a material adverse effect on the Group's business, financial position, results of operations and prospects. Customer rejection rates ranged from 0.82 per cent. to 0.95 per cent. by volume and from 0.94 per cent. to 1.2 per cent. by value as a proportion to the Group's revenue for the years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G. Costs associated with defective products amounted to 1 per cent. of the Group's total revenue. If these costs were to increase in the future, the Group may be required to allocate more of its resources to cover these costs, which could have a material adverse effect on the Group's business.

The occurrence of such events could adversely affect the Group's reputation and have a material adverse effect on the Group's business, financial position, results of operations or prospects.

2.1.10 Risks Related to Potential Future Acquisitions

As part of its growth strategy, the Group has been constantly evaluating various growth opportunities. Depending on the right strategic fit and financial profile, the Company may decide to acquire new businesses, assets, technologies, services and products from time to time, such as its acquisition of IPIC, UPIC and RAKP CO. While these acquisitions are intended to enhance the Group's market position and operational capabilities, they come with inherent risks, including but not limited to:

- **Valuation and Due Diligence Risks**: The Group might face challenges in accurately valuing potential acquisition targets, potentially leading to overpayments or unforeseen integration challenges. Inadequate due diligence can result in a failure to identify material issues related to the target's financials, legal, operations, or liabilities;
- **Integration Challenges**: Successfully integrating an acquired company, its culture, systems, and processes can be complex and resource intensive. There may be difficulties in aligning business practices, which could disrupt the Group's ongoing operations;
- **Synergy Realisation**: The anticipated synergies from an acquisition may not materialise as planned. This could include cost savings, revenue enhancements, or strategic benefits that fail to meet expectations, affecting the Group's financial performance;
- **Financial Implications**: Acquisitions could lead to significant expenditure and potentially strain the Group's financial resources. There might be unanticipated costs associated with the integration process or unforeseen liabilities associated with the acquired entity;
- **Regulatory and Compliance Risks**: Acquiring new businesses, especially in different countries, could introduce complex regulatory compliance challenges, including antitrust reviews, which could delay or prevent the completion of acquisitions;
- **Employee Retention**: Retaining key personnel from the acquired entity can be crucial for the success of the acquisition. There is a risk of losing key talent, which can impact the acquired entity's performance and value;
- **Legal and Contractual Liabilities**: The Group may inherit legal challenges, disputes, or contingent liabilities that could affect its financial stability and reputation;
- **Cultural Integration**: Merging different corporate cultures can pose significant challenges and impact employee morale and productivity in both the acquired and acquiring entities. Cultural and safety norms may vary, requiring capital expenditure and time to meet required standards;
- **Impairment of Assets**: The Group may encounter impairment issues with assets at acquired companies, leading to lower asset performance and financial adjustments; and
- **Challenges Posed by Minority Investors**: The involvement of minority investors in acquired companies can complicate decision-making processes, potentially delaying strategic actions or leading to governance disputes.

These factors, individually or collectively, could divert management's attention, result in increased expenses and disrupt the Group's existing business operations, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.1.11 Risks Related to the Group's Challenges in Implementing its Growth and Expansion Strategy in the Future

The Group regularly evaluates its expansion plans, including the construction of new plants and production facilities, or expansion of its production capacities. Expansion entails certain risks, including, but not limited to:

- the Group's ability to renew or obtain additional financing;
- the potential impact of the expansion on the financial position of the Group;
- accurate assessment of market size and economic feasibility of such expansion;
- obtaining the necessary permits and approvals from governmental entities;
- finding suitable sites to expand the range of operations;
- completion of construction on schedule and on budget;
- finding clients for the additional products generated by the new plant;
- the Group's ability to integrate new or expanded plants and facilities into its existing operations;
- efficient management of the expansion process;
- timely and adequate training for key managers and employees; and
- the ability to continue to efficiently operate the Group's existing plants and facilities during the expansion.

In addition to these challenges, the Group faces risks associated with integration, cultural and knowledge gaps that could arise when new facilities and their personnel are integrated into the broader Group operations. These gaps can result in inefficiencies and misalignments within the Group's operational, cultural, and strategic frameworks, which may necessitate additional resources to bridge. There is no assurance that the Group would be successful in the implementation of its future growth strategy or management of the expansion process. Even if such strategy or expansion is properly implemented or managed, the capital expenditure invested by the Group may not achieve the desired benefits. The occurrence of these factors could have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.12 Risks Related to Backward Integration Strategy

As part of its growth strategy, the Group also undertakes backward integration strategies to fulfil tasks formerly completed by businesses up the supply chain, such as its acquisition of UPIC to containerboard manufacturing capabilities. It is a form of backward integration that allows the Group to control more of its supply chain, from raw materials to production processes. While this strategy can offer advantages, such as reduced dependency on suppliers, cost control and improved supply chain coordination, it also introduces several potential risks:

- **Capital Requirements**: Backward integration often requires significant capital investment to acquire existing businesses or establish new operations. This financial outlay can impact the Group's liquidity and divert funds from other strategic initiatives or necessary operational expenditures;
- **Operational Complexity**: Managing an expanded range of operations can introduce complexity, requiring the Group to develop expertise in areas outside its core competencies. This can strain resources, lead to inefficiencies, and increase operational risks;
- **Market Dynamics**: The Group's foray into upstream activities might expose it to market risks and volatilities different from those in its primary market. Fluctuations in raw material markets could impact profitability, particularly if the Group becomes a net producer in addition to being a consumer;
- **Integration Risks**: Integrating new upstream operations with the Group's existing downstream activities can be challenging. There is a risk of integration failing to deliver the expected cost savings or operational efficiencies, affecting the overall value proposition of the backward integration strategy;
- **Regulatory and Compliance Risks**: Expanding into different stages of the supply chain might subject the Group to additional regulatory requirements, necessitating compliance with a broader set of laws and regulations, which could incur additional costs or lead to operational delays;
- **Focus Dilution**: Venturing into new areas of the supply chain might divert the Group's focus from its core competencies and strategic priorities, potentially undermining its competitive position and market performance; and

- **Availability and Pricing of Resources**: The availability and price of the integrated product or commodity or its raw materials can significantly affect operational decisions and financial outcomes. The Group's capacity, technical know-how and knowledge in managing these integrated operations are crucial for maintaining efficiency and competitiveness.

The success of a backward integration strategy is contingent upon the Group's ability to manage these risks effectively. Failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.13 Risks Related to the Development of a New Facility and the Replacement of Assets

For any new plant that the Group builds, its ability to complete construction in a timely manner and within budget is subject to certain risks and challenges, including the following:

- **Market Assessment and Economic Feasibility**: The process of establishing a new plant requires an accurate assessment of the market size and the economic feasibility of such an establishment;
- **Quality and Purpose of Assets**: The acquisition and deployment of assets must align with the quality standards and operational purposes envisioned;
- **Governmental Permits and Approvals**: Obtaining the necessary permits and approvals from relevant governmental entities, none of which can be guaranteed;
- **Capital Expenditure Overruns**: There is always a risk of running over the budgeted capital expenditures (Capex), which can strain financial resources and impact other strategic initiatives; and
- **Financing Requirements**: The establishment of a new plant also depends on the Group's ability to secure the necessary financing to complete the construction process.

Failure in any of these areas-whether due to economic feasibility miscalculations, permit and approval delays, or Capex overruns-could significantly impair the Group's ability to scale operations and achieve planned productivity. If the Group fails to complete construction on schedule, find suitable sites to expand operations, attract customers for the additional products generated by the new plant, run the plant efficiently, or if the assets acquired do not meet the intended quality and functional requirements, it would adversely affect the Group's ability to increase its revenues and operating income. Such failures could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.14 Risks Related to Competition and Antitrust Laws

The Group is subject to a range of antitrust, competition, and related legal frameworks in the jurisdictions of its operation. There may be constraints on its ability to undertake major acquisitions or to scale its operations further due to regulations aimed at preventing anti-competitive practices. Notably, in markets where the Group holds significant market share, such as the Kingdom (where pursuant to the Market Research Report, it had a 37.0 to 40.0 per cent. share in the corrugated carton market in 2023G).

The Competition Law, promulgated by Royal Decree No M/75, dated 29 Jumada al-Akhirah 1440H (corresponding to 6 March 2019G) and its implementing regulations (the "**Competition Law**") issued by the General Authority for Competition (the "**GAC**") pursuant to Resolution No 337, dated 25 Muharram 1441H (corresponding to 24 Ramadan 2019G), prohibits practices (including agreements or contracts made between entities, irrespective of whether they are written or oral, express or implied) with anti-competitive objectives or effects, including practices such as fixing prices of goods, service fees, or terms of purchase and sale.

Should the GAC decide to lead an investigation into the Group, or otherwise conclude that the Group is in breach of the Competition Law, it may impose a fine of up to 10 per cent. of the total annual sales value which is the subject of the violation or no more than ten million Saudi Arabian Riyals (SAR 10,000,000) where it proves impossible to estimate such value. Moreover, the GAC may, at its discretion, impose a fine of up to three times the revenues made as a result of the breach and order the (partial or full) suspension of the Group's activities temporarily or permanently in case of repeated breach.

Furthermore, the Group's strategic growth in the market, including any forward integration of the paper manufacturing segments, must be carefully managed to comply with these competition laws. Entities intending to participate in economic concentrations, which encompasses various forms of ownership transfers, including forward integration strategies that alter control dynamics, must notify and seek approval from the GAC before completing such transactions.

Given the Group's substantial market share, any transaction, whether domestic or international, may require GAC notification. Non-compliance with this procedure could result in penalties, including fines or unwinding of the whole transaction, impacting the Group's growth plans. Moreover, the Group's potential future acquisitions or strategic partnerships might face regulatory hurdles. Rejections, conditional approvals or procedural delays by the GAC, or analogous bodies abroad, could obstruct the Group's strategic objectives, adversely influencing its business trajectory and, consequently, its Share value.

The Group could also be subject to fines and other penalties, including temporary or permanent closure of businesses, if found to be in a dominant position and exploiting this position to eliminate competition through preventing competitors from accessing the market, selling below production cost or restricting suppliers or customers from dealing with other competitors. Local competition authorities are the regulators which investigate and assess whether a company is in a dominant position in a relevant market and determine whether a company in a dominant position has abused such position. Moreover, defending against such proceedings may be lengthy and costly to the Group.

Any occurrence of these risks could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.15 Risks Related to the Delivery of Products

The Group distributes its products primarily by collaborating with third-party providers who operate a fleet of curtain side and flatbed trailers / trucks. Transportation using third-party logistic companies entails a number of risks. The reduced availability of flatbed trailers / trucks, including as a result of labour shortages in the transportation industry, could adversely impact the Group's ability to distribute its products in a timely or cost-effective manner. Moreover, the cost of transportation is subject to a number of factors including availability, fuel prices and prevailing market conditions. Changes in fuel prices can significantly impact delivery costs and schedules (see also Section 2.2.5 (*Risks Related to Changes in Energy Prices*)). High transportation costs could make the Group's products less competitive when compared to similar or alternative products offered by competitors. Additionally, the performance by third -party logistic companies of their obligations under their respective contracts is beyond the Group's control. Failure by them to perform their services to the agreed service levels and on schedule would adversely affect the ability of the Group to fulfil its obligations to its clients in a timely manner. Transportation of the Group's products may be further disrupted due to changes to local regulations relating to the transportation sector, including new or amended transport regulations that could impose additional compliance costs or operational constraints.

The Group's freight costs and distribution schedule can also be impacted by the actions of its clients. The Group regularly experiences higher freight costs and distribution delays due to trucks having to wait at clients' premises for longer than the scheduled timeslot. This is often the result of clients facing difficulties with offloading products at their warehouse due to space constraints resulting in waiting charges incurred by the Group.

If these factors persist, the Group could experience even higher transportation costs in the future and difficulties with distributing its products in a timely manner. It may not be able to recover higher transportation costs through higher prices, resulting in lower earnings. This would have a material adverse effect on its business, financial position, results of operations and prospects.

2.1.16 Risks Related to Concentration of Sales to Major Clients

The Group had one client accounting for more than 5 per cent. of the Group's revenue in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, where the Group generated revenue of SAR 56.8 million, SAR 81.4 million, SAR 73.1 million and SAR 37.6 million, respectively, representing 5.3 per cent., 5.7 per cent., 5.3 per cent. and 5.6 per cent. of its revenue in the same periods. The Group's top fifteen clients generated revenue of SAR 381.7 million, SAR 499.1 million, SAR 445.7 million and SAR 201.5 million, representing 35.9 per cent., 34.7 per cent., 32.1 per cent. and 29.9 per cent. of the Group's revenue in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024, respectively. The total number of clients in the same periods ranged between 1,114 and 1,136. For further details about the Group's clients, see Section 4.6.6 (*Clients*).

The Group's revenue from its top fifteen clients is sensitive to fluctuations in paper costs which may necessitate adjustments to selling prices. The Group is generally able to pass on paper cost fluctuations to its clients. However, if the Group faces difficulties in implementing these price adjustments with its clients, it will impact revenues and gross profit margin.

The Group's sales and operating profits could be adversely affected if it were to lose one of its major clients or experience a significant decrease in the volume of business contracted with such clients. As of 31 December 2023G, the Group had purchase agreements with 50.2 per cent. of its clients in the corrugated cardboard sector (based on sales volume) but did not impose minimum purchase levels or obligations on these clients. There is no guarantee that the Group will be able to renew these agreements on the same terms. Clients may terminate or fail to renew their agreements if the Group fails to meet its contractual obligations, such as delivering products in the required quantities and quality at the specified time. Furthermore, a high concentration of sales can significantly impact pricing and profitability. If the Group were to lose any of these major clients, it could result in a substantial loss of sales that may not be offset by other clients. The occurrence of such events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.1.17 Risks Related to the Concentration of Sales in the Group's Product Line

Revenues from corrugated carton products represented 100.0 per cent., 94.0 per cent., 89.2 per cent. and 85.7 per cent. of the Group's total revenue for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. Sales from folding cartons (duplex) and pulp products accounted for 6.3 per cent., 8.1 per cent. and 5.9 per cent. of the Group's total revenue in the financial years ended 31 December 2022G and 2023G, and the six-month period ended 30 June 2024G, and there were no sales in the financial year ended 31 December 2021G. Sales from containerboard (paper) products represented 3.1 per cent. and 8.2 per cent. of the Group's total revenue in the financial years ended 31 December 2023G and the six-month period ended 30 June 2024G, and there were no sales in the financial years ended 2021G and 2022G. The Company sells its corrugated products to over 20 sectors in the market, with the majority of the Group's revenue concentrated in the water, food, laundry, healthcare, industrial products and dairy sectors. The Group generated revenues of SAR 674.6 million, SAR 903.0 million, SAR 788.5 million, and SAR 367.1 million from these sectors, representing 63.5 per cent., 66.9 per cent., 63.7 per cent. and 63.5 per cent. of the Group's total revenue for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. If any of the aforementioned sectors were to experience a downturn, it could result in the Group losing its major clients, leading to financial losses. Consequently, this would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

The Group's sales and operating profits could be adversely affected if there is a significant decline in sales from these key product categories. Given the Group's reliance on carton products, any downturn in sales of this category could have a substantial impact. Furthermore, the concentration of sales in a limited range of products may affect pricing strategies, which could negatively impact profitability. If sales in these core categories decline without being offset by other products, it could significantly impact the Group's business, financial condition, results of operations and prospects.

2.1.18 Risks Related to Supplier Concentration

The top ten suppliers of the Group collectively accounted for 52.9 per cent., 70.4 per cent., 61.8 per cent. and 65.5 per cent. of the Group's total purchases for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. As a result of the concentration of key suppliers, the sustainability of the Company's operations depend heavily on the availability of raw material supplied by these key suppliers. In the corrugated segment, the main revenue driver of the Group, the top 10 suppliers comprised 74.6 per cent., 89.7 per cent., 97.0 per cent. and 74.6 per cent. of the Group's paper purchases the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. The top three suppliers accounted for 59.8 per cent. of all paper purchases in the financial year ended 31 December 2023G. For further details regarding the Group's suppliers, see Section 4.6.5 (*Suppliers*).

The number of paper suppliers decreased from 35 in 2021G to 27 in 2022G and further to 20 in 2023G. This reduction was mainly due to the Group having to source paper from multiple suppliers in 2021G and 2022G, as the supply of paper was limited during these periods, following supply chain disruptions caused by the COVID-19 pandemic. The Group switched back to its core suppliers when global paper supply began to stabilise between 2022G and 2023G. The Group has fixed quarterly quantity contracts with local, regional and international paper suppliers which are reviewed every three months. Should challenges related to paper supply continue in the future, this would lead to increased operating costs and production delays, which would have a material adverse effect on the Group's competitive position in the market.

For the folding carton (duplex) sector, the top 10 suppliers accounted for 47.9 per cent., 65.5 per cent., and 75.3 per cent. of the total purchases of IPIC for the financial years ended 31 December 2021G, 2022G and 2023G, while the top three suppliers accounted for 46.0 per cent. of purchases in the financial year ended 31 December 2023G. During the COVID-19 pandemic, the Group was forced to source materials from multiple suppliers due to supply chain disruptions. However, it reverted to its primary suppliers during the financial year ended 31 December 2023G. Reliance on a limited number of primary suppliers poses a significant risk. Any unexpected changes in the availability or performance of these suppliers could lead to production disruptions, increased costs, and fluctuations in material quality, negatively impacting the Group's operational efficiency and future profitability.

2.1.19 Risks Related to Reliance on Key Suppliers Outside the Kingdom

The Group relies on five primary suppliers, of which three suppliers are based outside the Kingdom. The total number of suppliers is 1,433, of which 1,085 are local suppliers and 348 are international suppliers. Supply operations are concentrated in the paper sector, as the main international suppliers accounted for 25.4 per cent., 35.6 per cent., 33.13 per cent., and 36.83 per cent. of the Group's total purchases during the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. This reliance on international suppliers for raw materials exposes the Group to risks associated with the laws, regulations, and policies of the countries in which they are based. Additionally, the political and economic situation in these countries can increase the risks associated with the supply of raw materials. In the event of losing business with these suppliers or if they are unable to deliver materials to the Group on time and to the required specifications due to operational disruptions, supply shortages or geopolitical risks related to maritime shipping lanes, the Group may find it difficult to secure alternative suppliers or enter into new contracts quickly or on favourable terms. This could result in production disruptions, which would have a material adverse effect on the Group's ability to supply its clients. Furthermore, reliance on international suppliers can significantly impact raw material prices, which in turn affects the Group's profitability. Domestic suppliers may exploit any international crisis to increase prices, while international suppliers may change their pricing strategies based on global market conditions and crises, which could significantly affect the Group's cost structure and profitability.

If these events occur, they will have a material adverse effect on the Group's business, financial position, results of operations, and future prospects. For more information on how geopolitical risks and disruptions in global shipping and supply chains can be exacerbated, please refer to Section 2.2.3 (*Risks Related to Geopolitical Instability and Security Concerns in the Middle East Region*).

2.1.20 Risks Related to Operations Outside the Kingdom

The Group manufactures its products in the Kingdom and the United Arab Emirates and sells them to clients in several countries (see Section 4.6.8 (*Geographic Location and Operations*) for more information on the details of the Group's revenues by geographical distribution)). From its commercial operations outside the Kingdom, the Group generated sales of SAR 26.4 million, SAR 20.9 million, SAR 58.2 million and SAR 68.7 million in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, accounting for 2.5 per cent., 1.4 per cent., 4.3 per cent., and 10.2 per cent. of the Group's total sales in the same periods. No revenue were generated from its manufacturing operations in the UAE prior to 2023G. Accordingly, the Group is subject to various foreign market risks related to doing business outside the Kingdom, including:

- **Adverse Tax Consequences**: Potential adverse tax consequences, including taxes resulting from changes in taxation policies or consequences from erroneous enforcement thereof. For example, the UAE introduced a new corporate tax on business profits effective on 12 Thul-Qi'dah 1444H (corresponding to 1 June 2023G). This corporate tax on business profits is generally applied at a rate of nil per cent. to 9 per cent., while different rates are applied to large multinational companies according to regulatory standards set by the relevant authorities. While UPIC, located within the free zone and subject to a special law, is currently exempt, it cannot be excluded that this tax will not be extended in future to apply to UPIC or that a new tax is introduced applicable to UPIC;
- **Compliance with Various Laws and Regulations**: Compliance with different and changing laws, regulations and court systems of jurisdictions in which the Group operates, as well as unforeseen changes in regulatory requirements;
- **Political and Economic Changes**: Changes in governmental policies, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar events;
- **Differences in End Customer Preferences**: End customer preferences that may differ from those within the Kingdom, including as a result of purchasing power differences;
- **Enforceability of Contractual Rights**: Lack of clarity as to whether certain contractual rights and provisions are lawful and enforceable in foreign jurisdictions;
- **Restrictions on the Transfer of Profits**: Local authorities may impose restrictions on the transfer of profits made in local currency outside their borders, which may prevent the Group from receiving profits from its investments outside the Kingdom; and
- **Understanding of Local Markets**: Lack of understanding of the markets, its end customers and specific needs of that market, which could impair the Group's ability to effectively cater to local preferences and requirements.

The Group's failure to effectively manage these foreign market risks associated with the Group's operations outside the Kingdom would impede the future growth of the Group's business, increase operating costs or expose the Group to incur losses as a result thereof, which would have a material adverse effect on its business, financial position, results of operations and/or prospects.

2.1.21 Risk Related to Asset Depreciation Rate

The Group operates with specialised machinery and equipment across its plants, which are subjected to varying rates of depreciation, ranging from 5.0 per cent. to 25.0 per cent. annually depending on the asset type. As of 30 June 2024G, the significant depreciation of these assets necessitates ongoing and increased capital expenditures to ensure operational continuity and adherence to production capacity targets. The plants under the Company, where a considerable portion of the Group's revenue is generated, illustrate the challenges posed by high depreciation rates. The utilisation rates of three factories (Plant 1, Plant 2 and Plant 4) reached more than 85.0 per cent. In spite of their contribution to 74.2 per cent., 69.5 per cent., 66.9 per cent., and 61.9 per cent. of the Group's total revenues for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, these high utilisation rates may expose the Group to the risk of over-reliance on these plants, which may lead to reduced operational flexibility and increased maintenance costs, thereby having a negative impact on the Group's financial performance. As of 30 June 2024G, the Group's plants had an average depreciation rate of 75.3 per cent.

The financial commitment to maintaining, renewing, and replacing these depreciated assets is underscored by the Group's strategic capital expenditure (capex) planning, which is categorised into business upkeep and maintenance to ensure the continuity of the production cycle, strategic enhancements and safety improvements within plants. In the financial year ended 31 December 2023G, the Company allocated substantial funds for repairs, maintenance and capex replacements to manage the aging infrastructure, including SAR 39.3 million for maintenance alongside SAR 20.9 million for replacement capex. This level of expenditure reflects a proactive approach to asset management but also indicates the financial burden of high depreciation rates. The Group has also allocated a capital expenditure budget for its plants in the amount of SAR 26.6 million and SAR 29.7 million for the years 2022G and 2023G, of which SAR 15.4 million and SAR 28.8 million were spent during the years 2022G and 2023G. The Company relies heavily on original equipment manufacturers to conduct periodic inspections and specialised maintenance. Although these operations are considered part of capital expenditure, reliance on these services may have a negative impact on operational continuity. In addition, the Company has stockpiled large quantities of spare parts to reduce downtime resulting from unexpected breakdowns. Though the Company had applied for a technical assessment of the operating efficiency of the plants, the assessment was not possible due to a lack of local expertise required for such specialised assessments, and this may adversely affect the Company's ability to manage its operations effectively.

Further complicating financial management are the strict maintenance schedules and the reliance on internal cash flows to fund these capex needs, without resorting to external financing. This strategy, while preserving financial autonomy, places additional pressure on the Group's liquidity and financial planning. Additionally, the average downtime in the Group's plants, representing 2.0 per cent. of productive hours in 2023G, though minimal, highlights the operational risks associated with aging assets.

In the event of the Group's failure to replace, renew or maintain old assets in a timely manner, the Company's available capacity could create an obstacle in meeting clients' demands on time. This limitation would adversely affect the ability of the Group to increase its sales and operating income, thus materially and adversely affecting its business, financial position, results of operations and prospects.

2.1.22 Risks Related to Collecting Accounts Receivable from the Group's Clients

The Group may face difficulties in collecting accounts receivable from its customers. The following table shows the aging of accounts receivable as of 31 December 2021G, 2022G and 2023G and as of 30 June 2024G (for further details about the aging of accounts receivable, see Section 6.7.14 (*Current Assets*)):

Table 2.5: Aging of Accounts Receivable as of 31 December 2021G, 2022G and 2023G and as of 30 June 2024G

Total book value (SAR)	31 December 2021G		31 December 2022G		31 December 2023G		30 June 2024G	
	Accounts Receivable	Total	Accounts Receivable	Total	Accounts Receivable	Total	Accounts Receivable	Total
Not overdue	135,038,124	135,038,124	159,213,085	159,213,085	173,266,158	173,266,158	171,422,100	171,422,100
Payment overdue from zero to 90 days	49,795,022	49,795,022	38,886,942	38,886,942	43,050,584	43,050,584	40,329,069	40,329,069
Payment overdue from 91 to 180 days	3,450,729	3,450,729	1,692,063	1,692,063	3,251,721	3,251,721	1,567,648	1,567,648
Payment overdue from 181 to 270 days	1,680,615	1,680,615	2,828,078	2,828,078	1,739,473	1,739,473	1,260,119	1,260,119
Payment overdue from 271 to 365 days	766,842	766,842	2,205,816	2,205,816	906,132	906,132	995,202	995,202
Payment overdue for more than 365 days	4,153,904	4,153,904	3,481,644	3,481,644	5,314,016	5,314,016	6,961,922	6,961,922
Total	**194,885,236**	**194,885,236**	**208,307,628**	**208,307,628**	**227,528,084**	**227,528,084**	**222,536,059**	**222,536,059**
Allowance for expected credit losses	**(8,000,889)**	**(8,000,889)**	**(9,450,889)**	**(9,450,889)**	**(10,200,889)**	**(10,200,889)**	**(10,857,389)**	**(10,857,389)**

Source: Audited financial statements for the financial year ended 31 December 2021G, audited consolidated financial statements for the financial year ended 31 December 2022G and 2023G, and Management information.

While the Company has allocated provisions for credit losses amounting to SAR 8.0 million, SAR 9.45 million, SAR 10.2 million and SAR 10.86 million as of 31 December 2021G, 2022G and 2023G and as of 30 June 2024G, respectively, there is no assurance that these provisions are sufficient. If any of the Group's debtors experience financial difficulties, they may fail to pay their debts to the Group when due. For accounts receivable whose due dates are in excess of 365 days, the Group appoints a specialised law firm to collect such accounts receivable from the customer and carry out all necessary legal procedures for its collection. However, the Group cannot provide assurance that it will be able to collect such accounts receivable.

Additional complexities arise as finance costs and liquidity in the markets also impact the timeliness of receivables. Flexible and extended credit terms offered by competition can also affect the Group's cash flows adversely. A failure by the Group's clients to make payment when due, the bankruptcy or insolvency of its customers, especially its major customers, or the inability to collect such debts for any reason could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.23 Risks Related to Accounts Payables

The balance of accounts payables owing by the Group as of 31 December 2021G, 2022G and 2023G and as of 30 June 2024G accounted for 53.1 per cent., 37.9 per cent., 39.1 per cent. and 54.3 per cent. of total liabilities, respectively, which amounted to SAR 211.8 million, SAR 176.1 million, SAR 173.4 million and SAR 224.0 million as of the respective dates, the percentage of accounts payable owing to the Group's five largest suppliers accounted for 77.0 per cent., 63.5 per cent., 66.6 per cent. and 70.9 per cent. of the total accounts payable balance, respectively. The repayment period granted to the Group by its suppliers generally ranges from 30 to 120 days.

A reduction in payment terms by suppliers could significantly affect the liquidity position of the Group, which would in turn negatively affect its working capital. Such changes may impact the operating cycle and cash flow of the Group adversely. Moreover, if the Group is not able to pay in full its accounts payable or settle them during the agreed period, this may prevent the Group from obtaining advance purchase agreements on suitable terms in the future. This could have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.24 Risks Related to Infectious Diseases

The spread of infectious diseases, or any threat or fear related to public health, could have a material adverse effect on the Group's business. For example, in December 2019G, a new strain of the coronavirus (COVID19) was discovered in Wuhan, Hubei Province, China. This disease has spread to most countries of the world, causing many countries, including the Kingdom, to take various measures to limit its spread. These measures included the imposition of temporary restrictions, such as travel bans, curfews, movement bans between cities within the Kingdom and the restriction of activities that do not allow for social distancing. Additionally, individuals coming from other countries were required to stay in quarantine for a certain period of time.

The Group's supply chain was affected by delays in receiving raw materials from both domestic and external suppliers. Furthermore, the availability of manpower necessary to run the plant was significantly impacted due to the pandemic, posing risks to operational continuity. These health issues can restrict employee movement and disrupt daily operations. Additionally, the pandemic increases the risk of delays in collecting debts owed by clients.

As a result, the COVID-19 pandemic and the global volatile economic conditions it caused have exacerbated some of the risk factors mentioned in this section. If there is a resurgence of COVID-19 or any other infectious disease and restrictions are reimposed to limit its spread, this would have a material and adverse impact on the Group's business, financial position, results of operations and prospects.

2.1.25 Risks Related to the Group's Material Agreements

The Group has entered into numerous material agreements, such as agreements with its key customers including, for example, sale and purchase agreements and supply agreements as well as agreements with its key suppliers to provide services to the Group. These agreements are essential to the Group's business operations, as they enable the Group to operate its business segments effectively. For more details on the Group's material agreements, see Section 11.6 (*Material Agreements*).

The terms of a number of these material agreements provide allow the counterparty to terminate the relevant agreement in the event of a breach of the contractual terms. This includes the following agreements:

- **Agreements with Key Suppliers**:
  - Service Agreement entered into between the Company and Yaqoot Corporation on 24 Jumada al-Akhirah 1444H (corresponding to 17 January 2023G) to obtain manpower services. This agreement is automatically renewed for a similar period unless either party notifies the other of their desire not to renew at least sixty (60) days prior to the expiry of the original term.

- Service Agreement entered into between the Company and Rose Al Hijaz Establishment on 11 Jumada al-Akhirah 1445H (corresponding to 24 December 2023G) to obtain cleaning, maintenance, and operational services. This agreement is automatically renewed for a similar period.
- Service Agreement entered into between IPIC and Talabat Al-Maktab Limited on 22 Ramadan 1445H (corresponding to 1 April 2024G) for IPIC to obtain printing services. This agreement is automatically renewed for a similar period unless either party notifies the other of their desire not to renew at least sixty (60) days prior to the expiry of the original term.
- Service Agreement entered into between IPIC and Miqat Al Modon for Contracting, Maintenance and Operations on 26 Thul-Qi'dah 1444H (corresponding to 15 June 2023G) for IPIC to obtain manpower services. This agreement is automatically renewed for a similar period unless either party provides written notice of their desire not to renew at least thirty (30) days prior to the expiry of the original term.
- Lease Agreement entered into between IPIC and Canar Office Systems Company on 22 Jumada al-Akhirah 1441H (corresponding to 16 February 2020G) to lease a multifunction printer. This agreement is automatically renewed for a similar period unless either party notifies the other of their desire not to renew at least thirty (30) days prior to the expiry of the original term.
- The Company entered into a number of transactions based on purchase orders with Middle East Paper Company (MEPCO), Union Paper Mills, Heinzel Import Export Incorporated, Arab Paper Mills (WARAQ), Sociedad Anónima Industrias Celulosa Aragonesa (SAICA), and Fortex International AB, for the purpose of procuring raw paper from the suppliers.

• **Agreements with Key Customers**:

- Supply Agreement entered into between the Company and Al Rabie Saudi Food Company on 19 Jumada al-Akhirah 1445H (corresponding to 1 January 2024G) for the supply of corrugated cardboard products to the customer. This agreement is automatically renewed for a similar period unless either party notifies the other of their desire not to renew at least thirty (30) days prior to the expiry of the original term.
- Supply Agreement entered into between the Company and Makkah Water Company (Safa) on 28 Jumada al-Ula 1445H (corresponding to 4 December 2023G) to supply corrugated cardboard products to the customer.
- Sale Agreement entered into between the Company and Health Water Bottling Company on 19 Jumada al-Akhirah 1445H (corresponding to 1 January 2024G) to sell packaging products to the purchaser. Health Water Bottling Company has the right to renew this agreement by signing a renewal addendum at least thirty (30) days prior to the expiry of the original term.
- Purchase Agreement entered into between the Company and the purchaser on 13 Thul-Hijjah 1444H (corresponding to 1 July 2023G) to sell corrugated cardboard products to the purchaser. The purchaser has the right to terminate this agreement by providing written notice to the Company in the event that the Company undergoes any change in ownership of more than 50 per cent. of the voting shares in the Company, or if the Company transfers, sells, or disposes of all of its assets used in the performance of this agreement.
- Supply Agreement entered into between the Company and Pure Beverages Company on 8 Jumada al-Akhirah 1444H (corresponding to 1 January 2023G) to supply corrugated cardboard products to the customer. This agreement was renewed on 19 Jumada al-Akhirah 1445H (corresponding to 1 January 2024G) for a similar period.
- Supply Agreement entered into between the Company and Saudi Dairy and Foodstuff Company (SADAFCO) on 28 Jumada al-Ula 1444H (corresponding to 22 December 2022G) to supply corrugated cardboard products to the customer. This agreement was renewed on 23 Rabi' al-Thani 1445H (corresponding to 7 November 2023G) for a similar period.
- Purchase Agreement entered into between the Company and the customer on 18 Rabi' al-Thani 1445H (corresponding to 2 November 2023G) to sell corrugated cardboard products to the customer. This agreement is automatically renewed for a similar period unless either party notifies the other of their desire not to renew at least three (3) months prior to the expiry of the original term.
- The Company has entered into transactions based on purchase orders with Saudi Snack Foods Company Limited (PepsiCo), for the purpose of supplying corrugated cardboard products to the customer.

Names of certain clients have not been disclosed as the Group considers this information to be commercially sensitive due to the confidentiality clauses in those agreements. Additionally, there are no material agreements in place which grant the contracting parties with the right to terminate the agreements without providing a reason, as this could lead to instability in the commercial relationships between the Group and its clients. The Group may be exposed to the loss of vital partnerships without prior notice or justification, which could disrupt its operations and negatively impact its revenue and profitability.

Parties that work with the Group under various material agreements are not contractually obligated to renew these agreements, enter into new agreements with the Group, or continue to work under these agreements. If these parties decide to terminate any or all of these agreements at any time for any reason, or refuse to renew them on terms that are suitable to the Group, or refuse to renew them altogether, the Group may not be able to recover any losses it incurs as a result of the termination of any of the material agreements or find alternative service providers to operate its platforms and products within its business sectors on favourable terms or at all. This could disrupt the Group's business operations and have a negative impact on its revenue and profitability. It should be noted that the terms and conditions of a number of the Group's agreements are governed by purchase orders including a number of agreements with the Group's suppliers and one agreement with a customer. The existence of non-contractual arrangements or terms, now or in the future, may make it difficult for any of the relevant parties to compel the other party to comply with the agreed terms in the event of non-compliance or breach of any of the relevant terms. The occurrence of any of the above risks may affect the Group's ability to operate its business segments or its revenue and profitability, which would have a material adverse effect on the Group's business, results of operations, financial position and prospects.

2.1.26 Risks Related to Related Party Transactions and Agreements

In its ordinary course of business, the Group enters into agreements with certain Related Parties, including with counterparties that have the Company's Directors on its boards or as a shareholder. As of the date of this Prospectus, the Company and IPIC have a number of transactions and agreements with Related Parties. The total value of these transactions with Related Parties for the Group amounted to SAR 44.6 million, SAR 55.1 million, SAR 53.5 million and SAR 24.8 million during the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively, representing 4.2 per cent., 3.9 per cent., 3.9 per cent. and 3.7 per cent. of the Group's total consolidated revenues during the same periods. The total value of transactions between the Company and UPIC amounted to AED 0.3 million. The total value of transactions between UPIC and RAKP CO. amounted to AED 0.8 million (for further details about transactions and agreements with Related Parties, see Section 11.10 (*Related Party Contracts and Transactions*)). All these transactions were entered into pursuant to written agreements, with the exception of the transactions concluded between the Company, Zamil Central Air Conditioner Company, and Zamil Air Conditioner and Home Appliances which were concluded based on purchase orders. All these transactions are on arm's length terms governing the contractual relationship between the parties. Related Party transactions are reflected and recorded in the financial statements in accordance with IFRS endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, as applicable (see Section 19 (*Financial Statements and Independent Auditors' Reports*)).

Accounts payables to Related Parties amounted to SAR 0.8 million for the financial year ended 31 December 2022G, comprising 0.46 per cent. of total accounts payables of the Group in the same period. There were no payables to Related Parties as of 31 December 2021G and 2023G and the six-month period ended 30 June 2024G. Receivables from Related Parties amounted to SAR 7.9 million, SAR 10.3 million, SAR 9.0 million and SAR 8.7 million as of 31 December 2021G, 2022G and 2023G, and as of 30 June 2024G, respectively, representing 4.1 per cent., 4.9 per cent., 4.0 per cent. and 4.0 per cent. of the Group's total receivables as of the same dates.

If transactions with Related Parties are not documented with written contracts or purchase orders, not concluded on arm's length terms or not approved by the General Assembly (to the extent any Director has a direct or indirect interest), this could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

2.1.27 Risks Related to Engagement of Board Directors or Senior Executives in Business Competing with the Group's Business

As of the date of this Prospectus, none of the Directors or Senior Executives participate in any activities that compete with the Group's activities. However, from time to time, some of the Group's Directors or Senior Executives may compete with the Group, either through their membership in other boards or through ownership in businesses that directly or indirectly compete with the Group's business. In the event of a conflict of interest between the business of the Group and the business of such Directors or Senior Executives, this would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Some Directors and Senior Executives can access internal information of the Group and may use that information for advancing their own interests or contrary to the Group's interests and objectives. If Directors and Senior Executives who have interests that conflict with the Group exert negative influence on the Group's decisions or if they use the information available to them about the Group in a way that harms its interests, this would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

As of the date of this Prospectus, none of the Directors or Senior Executives is party to any agreement or arrangement that prevents them from competing with the Group or its business. However, to engage in a competing business, the Directors must obtain approval from the General Assembly in accordance with Article 44 of the Corporate Governance Regulations and Article 27 of the Companies Law.

2.1.28 Risks Related to Failure to Adequately Maintain the Confidentiality and Integrity of Client's and Employee Data

The Group collects, transfers and processes client and employee data in the normal course of its business through information systems. The data maintained by the Group, or other parties contracted by the Group, includes sensitive information such as clients' and employees' identification numbers, dates of birth and other private data. This data is private and may be targeted by external parties, including criminals, whether individuals or organised groups, "electronic hackers", disgruntled employees, whether current or former, and others.

The Group's enterprise resource planning (ERP) system is accessible to all relevant employees, increasing the risk of data leakage. The failure of the Group to maintain the confidentiality and integrity of client and employee data could lead to changes in the behaviour of current or potential clients in a way that affects the Group's ability to retain its current clients and attract new ones, which could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

Adherence to variable privacy and security laws may also lead to an increase in costs due to necessary changes in laws and the imposition of new restrictions or controls on the Group's business models and the development of new administrative processes. In addition, these laws and regulations may impose further restrictions on the Group's processes for collecting, disclosing and using identity data in one or more of the Group's databases. Failure to comply with the privacy laws or general requirements of the sector or any security breach involving embezzlement, loss or disclosure of personal, sensitive or confidential data without authorisation, may result in the Group incurring fines, penalties and lawsuits. The occurrence of any of the above could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.29 Risks Related to Financing

Certain of the Group's existing financing arrangements contain covenants that impose operating and financial restrictions on the Group. Such restrictions include: (i) a requirement to maintain the current maximum leverage ratios and (ii) restrictions on a change of control of the Group. Such restrictions may affect the Group's flexibility in planning for, and reacting to, changes in its business or economic conditions and otherwise prohibit or limit its ability to undertake certain business activities without the consent of its lenders. As of the date of this Prospectus, the Group has a number of financing agreements with lenders. As of 30 June 2024G, the total value of facilities granted to them amounted to SAR 562.5 million, of which SAR 129.0 million have been utilised by the Group. For further details on financing agreements, their guarantees and material restrictions, see Section 11.7 (*Financing Agreements*). The Group's ability to comply with such covenants and restrictions may be affected by events beyond its control, and there is no guarantee that the Group would be able to obtain the lenders' consent to waive or amend covenants that are necessary or beneficial for the Group's business. Additionally, any request for waivers or amendments may result in increased costs to the Group, or result in lenders modifying the terms of the existing financing agreements, including imposing further operating and financial restrictions on the Group. If the Group is unable to comply with any of the covenants in its current or future financing agreements and is unable to obtain a waiver or amendment, a default could occur under the terms of such agreements and could lead to the acceleration of repayment or enforcement of such financing agreements. In such circumstances, there can be no assurance that the Group would be able to access sufficient alternative funding to meet all such repayment obligations. The Group's reliance on financing facilities to finance its business constitutes a risk in itself as such facilities may expire without being renewed. The occurrence of any of the above events would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

For its business expansion, the Group relies on, among other things, the ability to secure additional financing. Its ability to secure such financing depends on several factors, including its financial performance and results of operations, as well as other factors beyond its control, such as macroeconomic conditions, financial market conditions, international interest rates, the availability of financing from banks or other financiers, investor confidence in the Group and the economic and political conditions in the GCC. If the Group is unable to obtain the required financing or refinance its existing facilities in a timely manner at a reasonable cost and/or on acceptable terms, it may be required to scale back, defer, curtail or abandon its investments and other planned operations. This would have a material adverse effect on the Group's future strategy, business, financial position, results of operations and prospects.

Moreover, the Group's indebtedness could have other important negative consequences, including:

- allocating a substantial portion of the Group's cash flow from operations to repayment of its indebtedness, thereby reducing funds available for working capital, capital expenditures, sales and marketing efforts and other purposes;
- increasing the Group's vulnerability to adverse economic and industry conditions, which could place it at a competitive disadvantage compared to its competitors that have proportionately less indebtedness;
- increasing the Group's exposure to increases in interest rates;

- limiting the Group’s flexibility in planning for, or reacting to, changes in its business and the appropriate response to them; and
- limiting the Group’s ability to sustain its operations or achieve its planned rate of growth, including limiting its ability to make investments into new geographic areas in and outside of the Kingdom.

Any of the above factors would have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

2.1.30 Risks Related to Adverse Changes in Interest Rate

The Group relies on financing facilities from commercial banks for its cashflow management and to fund capital expenditure and expansions. Therefore, the Group’s financing arrangements are affected by changes in interest rates, which are highly sensitive to a number of factors that are beyond the control of the Group, including Government actions, monetary and tax policies as well as domestic and international economic and political conditions. As the Group has not concluded any hedging agreements to reduce its higher interest rate exposure risks, an increase in interest rates and related financing costs may reduce the Group’s profitability and cash flow, which would have a material adverse effect on the Group’s business, financial position, results of operations and prospects.

2.1.31 Risks Related to Liability for Replacement of Defective Products

Under its agreements with clients, the Group is committed to replace defective products, potentially incurring additional costs. The management of such replacement claims, particularly with a rise in claim volume or the magnitude of individual claims, could strain resources, impact client satisfaction and loyalty, and impose legal and financial burdens. These challenges, especially when coupled with the need to align replacement processes with evolving industry standards and client expectations, could affect the Group’s operational efficiency and financial performance. Customer rejection rates ranged between 0.82 per cent. and 0.95 per cent. by volume, and between 0.94 per cent. and 1.2 per cent. by value as a proportion to the Group’s revenue for the years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G. Costs associated with defective products amounted to 1 per cent. of the Group’s total revenue. In the event that the Group ceases to manage its products effectively, these factors could have a material adverse effect on the Group’s business, financial position, results of operations and prospects.

2.1.32 Risks Related to Reliance on Senior Executives and Key Personnel

The Group’s success depends upon the continued service and performance of its Senior Executives and other key personnel on whom the Group depends upon due to their extensive experience in the paper and packaging industry and contribution to its operations. In particular, the Company relies on certain key individuals who have valuable experience in the paper and packaging industry and who have made substantial contributions to the development of its operations. The Group may not be able to retain its key personnel that have the requisite skills, technical knowledge and experience necessary to the Group. The loss of the services of members of the Group’s Senior Management or key employees could prevent or delay the implementation and completion of its strategic objectives, divert management’s attention to seek certain qualified replacements or adversely affect its ability to manage its business effectively. Each member of the Senior Executive team or key employees may resign at any time. If the Group loses the ability to hire and retain key executives and employees with high levels of skills in the appropriate domains, it would have a material adverse effect on the Group’s business, financial position, results of operations and prospects.

2.1.33 Risks Related to Inability to Attract and Retain Qualified Employees

There is intense competition to attract qualified employees with the requisite skills, technical knowledge and experience in the paper and packaging industry and the manufacturing sector in general. The Group may need to invest financial and human resources to attract and retain new employees and it may not realise returns on these investments. The Group’s failure to attract and retain qualified employees in the future will negatively affect its ability to effectively and efficiently manage its business, which would have an adverse effect on the Group’s business, financial position, results of operations and/or prospects.

2.1.34 Risks Related to Employee Misconduct or Errors

Employee misconduct or errors could result in a violation of law by the Group, which could lead to sanctions being imposed on the Group by the competent authorities. Such violations could also result in health and safety breaches that could not only lead to contractual breaches but also necessitate the payment of compensation for damages, the value of which varies depending on the type and gravity of the misconduct or error. Specifically, errors leading to injuries could entail significant legal and financial repercussions, further compounding challenges to operational efficiency and reputation for the Group. On 10 Ramadan 1445H (corresponding to 20 March 2024G), a sudden collapse of a waste bundle occurred, resulting in the tragic death of a sanitation worker. The Emirati authorities conducted the necessary investigations and as a result, UPIC was fined AED 10,000 and the fine was fully settled. In addition, a financial payment (blood money) of AED 200,000 was imposed, to be paid jointly between UPIC, the safety supervisor and the warehouse supervisor. The blood money was settled by Sukoon Insurance Company (formerly Oman Insurance Company), with the insurance coverage amounting to AED 55,200. UPIC also received insurance coverage of AED 31,699 under workers' compensation insurance from Gulf Insurance Group. The warehouse supervisor, the safety supervisor and UPIC will each cover the remaining amount of the blood money, being AED 113,101, which has been settled. Further, a financial penalty of AED 0.2 million was imposed by the Ports, Customs and Free Zone Corporation of Dubai, UAE, which is to be paid in four instalments of approximately AED 50,000 each. As of the date of this Prospectus, the fine has been fully settled.

Moreover, misconduct and errors may result in the disclosure of confidential information, dissemination of misleading information, non-compliance with applicable laws or internal controls and procedures. These include requirements to properly document transactions in accordance with the Group's standardised documentation and processes, the requirement to take appropriate legal advice for non-standard documentation and the requirement to obtain proper internal authorisation or permission before proceeding with certain actions. If employees commit any of these misconducts or errors, it could severely harm the reputation of the Group and materially and adversely affect the Group's business, financial position, results of operations and prospects.

2.1.35 Risks Related to Reliance on Information Technology Infrastructure

The Group relies on the information technology systems of its production and sales management services, for billing and financial reporting and for digital marketing and public information. The Group depends on the effectiveness of these systems to efficiently operate its business.

The Group's information technology systems may be negatively impacted by malware, natural disasters, hacker attacks, hardware or software malfunctions, power network outages, cyberterrorism and other similar factors. Additionally, a breach of the Group's cyber security measures could result in the loss, destruction or theft of confidential or proprietary data, which could cause the Group to bear liability or incur material losses to clients, suppliers or third parties dealing with the Group. Similar risks exist with respect to third parties who possess the Group's confidential data, such as its information technology support providers, professional advisors and banks and financial institutions with whom the Group deals.

Cyberattacks and other cyber incidents are occurring more frequently and are constantly evolving in nature and sophistication. Increasingly, cyberattacks are used for extortion, taking on a new form of warfare that specifically targets corporate vulnerabilities for monetary gain or to disrupt operations. The Group's failure to maintain appropriate cyber security measures and keep abreast of new and evolving threats may make its systems vulnerable. The vulnerability of the Group's information systems, any failure of such systems or the Group's failure to detect and respond to information system incidents in a timely manner could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.1.36 Risks Related to Licences and Approvals

In order to carry out its operations and/or expand its scope, the Group needs to maintain and obtain a variety of licences, certifications, permits and approvals from regulatory, legal, administrative, tax and other authorities and agencies both domestically and internationally. The processes of obtaining these licences, certifications, permits and approvals are often lengthy and complex. As of the date of this Prospectus, the Company has three expired operating licences out of a total of 21 required licences. These include a civil defence licence for Plant 1 warehouse, two operating licences from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for the additional operating unit of Plants 1 and 2. The Company may also be subject to potential violations and penalties if it continues to operate these branches without renewing the required permits and licences. Penalties and fines determined by MODON may also be imposed if the Company fails to renew its two operation licences (for more information on government approvals, licences, and certifications, please refer to Section 11.5 (*Government Consents, Licences and Certificates*)). Furthermore, when renewing or amending the scope of any licence, certification or permit, the relevant authority may not approve such renewal or amendment and may impose additional conditions that could adversely affect the Group's operations. The Company is currently using one of its plants as a warehouse, despite the original licence for the plant designating it for manufacturing activities. The manufacturing licence for the plant has been obtained, and the Company is awaiting the issuance of the operating licence. The Company has temporarily halted plant operations to ensure compliance with licensing requirements. The plant is currently being used ineffectively as a warehouse by the Company; current inventory, including spare parts, is kept in the on-site materials warehouse. The Company is currently reassessing the feasibility of relocating these inventories to alternative sites to mitigate any potential risks. Failure to comply with this requirement would have a significant negative impact on inventory management efficiency, which could adversely affect the Company's operational efficiency. If the Group is unable to maintain, obtain or renew relevant licences, approvals and permits, its ability to achieve its strategic objectives will be impaired, and it may be forced to close facilities lacking the necessary licences or face financial penalties imposed by the relevant authority. Such an event would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.37 Risks Related to the Adequacy and Availability of Insurance Coverage

The Group maintains a variety of insurance policies to cover its operations, machines, equipment and warehouses, including general liability, automobile liability, personal accident, employee group health insurance policy, medical insurance, accident insurance, life insurance, and other types of coverages. While these policies are intended to mitigate the risks associated with the Group's operations, they may not be sufficient in all cases or may not cover all the risks that the Group is exposed to. There are exceptions or limitations in the Group's insurance policies under which certain types of losses, damages and liabilities are not covered, such as losses resulting from deliberate errors by the Group or one of its employees. If this were to occur, the Group might incur losses having a material adverse effect on its business and results of operations. In February 2024G, a fire caused partial damage to one of the production facilities belonging to IPIC. An insurance claim was filed in May 2024G with Gulf Insurance Group (formerly AXA) for a sum of SAR 40.0 million, which includes the estimated replacement value and anticipated business interruption costs. On 30 Jumada al-Akhirah1446H (corresponding to 31 December 2024G) and 1 Rajab 1446H (corresponding to 1 January 2025G), the Company received partial amounts aggregating to SAR 12.73 million, the claim is still pending. This could negatively impact operations, as delays in receiving compensation may increase operating costs and disrupt production processes for IPIC. With reference to the incident of the death of a member of the housekeeping team as a result of a bundle of waste collapsing and the blood money due for this incident, Sukoon Insurance Company (formerly Oman Insurance Company) covered the amount of AED 55,200 of the blood money and UPIC obtained insurance coverage under the workers' compensation insurance from Gulf Insurance Group in the amount of AED 31,699. The warehouse supervisor, safety supervisor and UPIC will be responsible for the remaining amount of blood money of AED 113,101, and this amount has been settled. The Group's inability to renew its insurance policies with the current coverage limits on commercially acceptable terms, or at all, or in the absence of or unavailability of suitable insurance for its various business lines, will negatively impact the Group's business, financial condition, results of operations and prospects. For more information, see Section 11.8 (*Insurance Policies*).

2.1.38 Risks Related to Reliance on Leased Real Estate Properties

All of the Group's facilities have been constructed on leased land. The leases generally have terms of 20 to 30 years and typically provide for renewal options for a variable number of years subject to agreement of both parties (for further details about properties leased by the Group, see Section 11.9.2 (*Leases*)). This reliance on leased properties introduces a degree of uncertainty and potential instability into the Group's operations. If the Group is unable to secure lease renewals under favourable conditions, encounters an increase in rental costs or if it faces difficulties with maintaining these lease agreements due to lapses in contractual oversight or non-compliance with legal requirements, it may have to relocate its facilities or construct new ones. Such scenarios require substantial financial and operational resources and could potentially disrupt business continuity. Moreover, property owners could terminate the leases with minimal notice or upon default of the relevant lease agreement by the Group, which would also disrupt operations and result in considerable expenses for relocation. With respect to the lease agreement between UPIC and Jebel Ali Free Zone, any change in the ownership of UPIC will be considered an assignment of the lease, allowing the lessor to impose approval fees or require a new lease agreement to be entered into under market terms. This change could result in UPIC incurring approval fees imposed by the lessor, and it may be required to enter into a new lease agreement, which could lead to unexpected costs and have a negative impact on the Group's business and results of operations. Should any of the above occur, it would adversely affect the Group's business, financial position, results of operations and prospects. Furthermore, lease agreements are subject to termination by property owners on short notice or following any breach of contract terms by the Group. Such terminations could disrupt operations and lead to substantial relocation costs. Any of these events could detrimentally impact the Group's business, financial status, operational results and prospects.

2.1.39 Risks Related to Health, Safety and Environment

The Group's operations are subject to a wide range of laws and regulations related to environmental protection and workplace health and safety. The Group's operations inherently carry many safety risks, as the paper and packaging industry is characterised by high operational risks, including electric shocks, fires, mechanical failures, weather-related accidents, as well as transportation accidents and equipment damage. Such risks may result in injury or death to the Group's employees, damage to its property or equipment, as well as other types of damages. For example, a fire broke out at the Group's Al Ahsa Plant in February 2024G, and an insurance claim was submitted in May 2024G to Gulf Insurance Group Company (formerly AXA) in the amount of SAR 40.0 million (for more information on the partial amounts received by the Company, see Section 2.1.37 (*Risks Related to the Adequacy and Availability of Insurance Coverage*)). While there were no casualties or injuries, the facilities, including machinery, were impacted by the fire, resulting in the suspension of the operations at the facility for ten calendar days while operations at a section of the facility were impacted for over two months. Furthermore, in March 2024G, the Group experienced a tragic incident at the UPIC Plant in Dubai, where a wastepaper bale in the waste yard unexpectedly collapsed onto a member of the housekeeping team, leading to a fatality. See Section 4.6.3.2 (*Safety*).

Such incidents not only pose a threat to the safety and well-being of the Group's employees but also carry significant operational and legal repercussions. Should similar events occur in the future, they could lead to a temporary or prolonged suspension of the Group's operations, result in substantial claims for damages against the Group and potentially expose the Group to regulatory sanctions. Additionally, the Group may be subject to new regulations regarding carbon emissions and environmental protection. Non-compliance with these regulations could result in significant fines and penalties, further exacerbating the legal and financial risks to the Group. Any of these developments would adversely affect the Group's business, financial position, results of operations and prospects.

2.1.40 Risks Related to Employing and Sponsoring Non-Saudi Employees

According to applicable Saudi Arabian laws and regulations, a non-Saudi employee may only work for his/her sponsor and the relevant employer or through contracting with companies that specialise in supplying workforce based on the businesses' needs. As of the date of this Prospectus, all of the Group's employees are either under its sponsorship or are legally employed based on the needs of the businesses. Noting that the presence of employees working for the Group who are not under its sponsorship would expose the Group to fines and penalties imposed by the competent authorities, including financial or administrative penalties, such as preventing the Group from recruiting non-Saudi employees or from renewing the residencies of current employees. This may also lead to the Group losing a large number of its employees if the competent authorities decided to deport the violating employees, which would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

MHRSD officially announced the launch of the "Improving Contractual Relationships" initiative, which encompasses a number of policies and controls, including the replacement of the kafala (sponsorship) system with an employment contract system between the employer and expatriate worker, effective as of 14 March 2021G. Under this initiative, the Kingdom strives to improve and promote the efficiency of the work environment, enhance the flexibility, effectiveness and competitiveness of the labour market and raise its attractiveness in line with international best practices, while activating the contractual reference in the employment relationship between employers and employees based on a documented employment contract between them through the contract documentation programme. The job mobility service also allows the expatriate workers to switch to another job upon the expiry of his/her employment contract without the employer's consent. Furthermore, the initiative also defines the mechanisms of mobility during the term of the contract, provided that the notice period and applicable controls are adhered to. The exit and return service allows expatriate workers to travel outside the Kingdom upon submitting an application, while notifying the employer electronically. The final exit service enables expatriate workers to leave immediately upon the expiry of the contract, while notifying the employer electronically, without the employer's consent. There is also the option to leave the Kingdom where the worker bears all of the consequences of the termination of the contract. All of these services are already available through Absher and MHRSD's Qiwa platform. As a result, the Group may be adversely affected in the event that a large number of employees decide to switch to other companies, and the Group is not able to prevent them except to the extent permitted under their employment contracts. Hence, the Group may face difficulties contracting with new employees to replace them. Moreover, should the Government, as it has done in the past, raise fees for non-Saudi residence permit issuance and renewals, this would drive up living costs and may result in non-Saudi employees seeking jobs in countries with lower living costs. In such cases, it will further limit the Group's ability to retain its non-Saudi employees and incur additional Governmental fees related to the issuance and renewals of residence permits for non-Saudi employees and their families. Furthermore, the implementation of replacing some roles with Saudi nationals might create temporary competency gaps as the workforce transitions, which could affect operational efficiency and performance. Should the Group lose a large number of its employees due to their switching to other companies or leaving the Kingdom without the ability to hire new employees to replace them, it would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.41 Risks Related to Litigation

The Group may become involved in lawsuits and regulatory actions related to its business operations with multiple parties, including suppliers, clients, employees, or regulatory authorities. The Group may also be the claimant in such lawsuits or litigations. Any unfavourable outcome in such litigation and regulatory proceedings could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Group devote substantial resources to defend against these claims, which would have a material adverse effect on the Group's business, financial position, and results of operations and prospects. As of the date of this Prospectus, the Company has initiated four claims and non-material claims against third parties for a total amount of approximately SAR 2.4 million. Of these, two are enforcement requests before the Execution Court and two cases are ongoing before the Commercial Court. All of these enforcement requests and claims relate to financial claims against previous customers. RAKP CO. filed two claims against third parties with a total value of AED 0.6 million. For more information regarding legal proceedings initiated by the Group, please refer to Section 11.13 (*Litigation*). IPIC has not initiated any legal proceedings against any third parties and there are no legal proceedings against the Company and its subsidiaries, except for the investigation conducted by the Emirati authorities against UPIC related to the death of one of its employees. For more information on this incident, please refer to Section 2.1.34 (*Risks Related to Employee Misconduct or Errors*).

2.1.42 Risks Related to Developing and Maintaining Favourable Brand Recognition

The Group's business is dependent upon the favourable brand recognition of its "UCIC" brand in the Kingdom and in the other markets in which it operates. The Group invests in its "UCIC" brand and incurs expenses to promote it, including event participations and social media campaigns. As of the date of this Prospectus, the Group has three registered trademarks under its name (for further details, see Section 11.12.1 (*Trademarks*)). Factors affecting brand recognition are often outside the Group's control and its efforts to maintain or enhance favourable brand recognition, such as marketing and advertising campaigns, may not have their desired effects. Moreover, unfavourable publicity concerning the "UCIC" brand or the paper and packaging industry in general, whether on the internet, social media or otherwise, could damage the brand and accordingly have a material adverse effect on the Group's business, results of operations, financial condition, or prospects.

2.1.43 Risks Related to Protection of Intellectual Property Rights

As of the date of this Prospectus, the "UCIC" trademark has been registered (for further details, see Section 11.12.1 (*Trademarks*)). However, it is difficult to control unauthorised use and other violations of the Group's intellectual property rights. If the Group fails to successfully protect its intellectual property rights for any reason, or if any third party misuses the Group's intellectual property, the value of the Group's trademark may be harmed. Any damage to the Group's reputation could result in lower demand for its products, which could have an adverse effect on its business, financial position, results of operations and prospects.

As of the date of this Prospectus, the Group has three registered trademarks. The Group may also from time to time be required to renew the registration of these trademarks and any other intellectual property right. To protect its trademarks, the Group may have to initiate litigation to enforce the Group's trademarks and other intellectual property. Third parties may also assert that the Group has infringed, or misappropriated its intellectual property rights, which could lead to litigation against the Group. Litigation to validate the Group's intellectual property is inherently uncertain and could divert the attention of management, or result in substantial costs and diversion of resources, which will negatively affect the Group's revenues and profitability regardless of whether the Group is able to successfully enforce or defend its intellectual property rights. Any of the above would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.1.44 Risks Related to Potential Zakat and Tax Liabilities

The Company submitted all its Zakat returns, settled Zakat charges payable, and obtained certificates from ZATCA for all years up to 31 December 2017G, with the exception of the financial years ended 2013G and 2014G. The Company received Zakat assessments from ZATCA for both years and has filed an appeal, currently disputing an assessment of SAR 1.1 million, the Company has a general provision to cover this amount. For the years from 2018G to 2023G, no assessment of Zakat and tax was received by the Company from ZATCA. If the final Zakat and tax outcome is different from the amounts that were initially recorded, such differences will impact the Zakat and tax provision for the year in which such determinations are recorded. These could negatively affect the Group's projected net income and retained earnings.

Goods displayed at the factory are supplied by the Company and IPIC to customers outside the Kingdom are zero rated for value-added tax purposes. The zero rate can be applied to exports if sufficient evidence of export is retained, including commercial, transport and official documents. For goods displayed at the factory, the export documents held by the Company and IPIC show that while they retain customs certificates, they do not maintain transport documents. Due to the tax assessments issued by ZATCA against the Company for insufficient export evidence in 2021G, ZATCA may challenge the classification of exports as zero-rated on similar grounds. Failure to maintain adequate export documentation could expose the Company to potential penalties from ZATCA, including the imposition of the value-added tax liabilities. The potential financial risk to the Company is estimated at SAR 8.0 million for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G. Similarly, the potential financial risk to IPIC is estimated at SAR 3.5 million for the same periods. The Company has not made provisions for these amounts, as it believes that it is able to prove the export of goods from the Kingdom in the event that ZATCA challenges or audits the export documentation.

Both the Company and IPIC have not fully complied with the Kingdom's value-added tax requirements, particularly concerning credit notes that were issued either in English without the required Arabic text or without meeting other prescribed standards. Failure to issue and retain proper tax documents may expose both entities to penalties imposed by ZATCA. ZATCA may also reject value-added tax adjustments made by the Company if proper credit notes are not retained. However, this risk does not represent an absolute value-added tax exposure, as the Company retains the right to adjust VAT if appropriate credit notes are issued and maintained for the relevant transactions. That said, value-added tax adjustments will not be permitted for previous tax periods where adjustment requests were submitted with improper credit notes, potentially necessitating amendments to historical tax returns and exposing the Company to administrative penalties. Additionally, failure to issue and maintain valid credit invoices may lead to further penalties for invalid tax documents. These penalties escalate with repeated infractions, beginning with a warning for the first observation and increasing to fines of SAR 1,000 for the second, SAR 5,000 for the third, SAR 10,000 for the fourth, SAR 20,000 for the fifth, SAR 30,000 for the sixth, and SAR 40,000 for any subsequent observations.

Furthermore, ZATCA may impose administrative penalties of 50 per cent. on the additional net value-added tax due if value-added tax returns are filed incorrectly, resulting in an underpayment of tax for the period in question. Additionally, a penalty of 5 per cent. of the value-added tax liability will be charged for each month or part thereof in cases of late payment.

There is a risk that ZATCA could demand additional amounts related to prior years, require the settlement of tax discrepancies, or impose penalties if the Group is unable to adequately explain any potential discrepancies. Should this occur, the Company would be responsible for any Zakat differences, tax claims, or penalties related to previous years. This could have a material adverse impact on the Group's business, financial position, operating results and prospects.

2.1.45 Risks Related to an Increase in the Company's Tax Burden

The Group is subject to both Zakat and income tax due to the nationality of one of its selling shareholders, Frimex Investment LLC. Frimex Investment LLC is classified as a non-GCC company for tax purposes because its shareholders are non-GCC nationals (for details on the ownership structure of Frimex Investment LLC and its shareholders, see Section 4.3.2.3 (*Frimex Investment LLC*)). This differs from companies that are subject only to Zakat. Although there is a written agreement between the Selling Shareholders under which Frimex Investment LLC has agreed to indemnify the Group for the additional income tax burden-an obligation it has fulfilled in the past-certain risks remain. The primary concern is the potential failure of Frimex Investment LLC to meet this obligation in the future. If the agreement is terminated or Frimex Investment LLC fails to compensate the Group, the Group would become liable for the full tax burden, which could adversely affect its profitability. Additionally, the agreement's enforceability may be compromised by legal changes or unforeseen circumstances. In such a scenario, the Group would bear the entire income tax burden, negatively impacting its financial health. This additional tax liability could have a material adverse effect on the Group's business, financial condition, operational results and prospects.

2.1.46 Risks Related to the Company's Capital Gains Tax

One of the Selling Shareholders of the Group, Frimex Investment LLC, is considered a non-GCC shareholder for tax purposes as its shareholders are non-GCC nationals (for more information on the ownership structure of Frimex Investment LLC and its shareholders, see Section 4.3.2.3 (*Frimex Investment LLC*)), and its disposal of its share in the Company is subject to capital gains tax. While the Company has no reason to believe that Frimex Investment LLC would fail to fulfil its obligations to the authorities or reimburse the Company for amounts due to settle such obligations, there remains a risk that, for any reason, Frimex Investment LLC may be unable to do so. In such a case, the Group could be held liable for the full tax amount, including any associated fines and costs, which could materially and adversely affect the Group's business, financial condition, operating results, and prospects.

2.1.47 Risks Related to Newly Adopted Corporate Governance Manual

The Board of Directors has adopted Corporate Governance Manual, effective from 12 Shawwal 1445H (corresponding to 21 April 2024G). Such manual includes, rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by the CMA, the Companies Law and their implementing regulations. The Company's success in proper implementation of corporate governance rules and procedures will depend on the extent of comprehension and understanding of these rules, and proper execution of such rules and procedures by the Board of Directors, its Committees and Senior Executives, especially with regards to training related to the Board and its Committees, independence requirements, rules related to conflict of interests and Related Party transactions. Failure to comply with the provisions of the governance rules, particularly the mandatory provisions of the Corporate Governance Regulations issued by the CMA, would subject the Company to regulatory penalties, which could have a material adverse effect on the Company's operations, financial position, results of operations and prospects.

2.1.48 Risks Related to Failure by the Audit Committee and the Nomination and Remuneration Committee to Perform their Duties as Required

The Audit Committee was formed on 7 Ramadan 1437H (corresponding to 12 June 2016G) and its current members were appointed by a Board of Directors' resolution dated 20 Rajab 1446H (corresponding to 20 January 2025G). The Nomination and Remuneration Committee was formed 12 Shawwal 1445H (corresponding to 21 April 2024G) and its members were appointed pursuant to the Board of Directors' resolution dated 20 Rajab 1446H (corresponding to 20 January 2025G). Their charters were adopted in their formation resolutions in accordance with the Corporate Governance Manual (for further details, see Section 5.3 (*Board of Directors Committees*)). Any failure by members of these committees to perform their duties and adopt a work approach that ensures protection of the interest of the Company and its Shareholders may affect corporate governance compliance, the continuous disclosure requirements issued by CMA and the Board of Directors' ability to monitor the Company's business through these committees. Additionally, even with the best of intentions and capabilities, oversights are possible, which could inadvertently compromise compliance or operational oversight. Such failures, whether intentional or due to oversight, would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

2.1.49 Risks Related to Lack of Experience in Managing a Publicly Listed Company

The Senior Executives have limited or no experience in managing a publicly listed joint stock company and complying with the laws and regulations applicable to them. For instance, once listed on the Exchange, the Company will have to issue its annual financial statements within a period of no more than three months from the end of each financial year and its quarterly financial statements within 30 days from the end of each quarter. The Company's financial statements for the financial year ended 31 December 2023G were issued more than three months after the end of the Company's financial year. Therefore, if the Company fails to issue its annual consolidated financial statements within three months from the end of the Company's financial year or if it fails to comply in a timely manner with any of the other laws, regulations and disclosure requirements applicable to listed companies, this will subject the Company to regulatory penalties and fines, which would result in decreased investor confidence, thereby materially and adversely affecting the Company's business, financial position, results of operations and prospects.

2.1.50 Risks Related to the Company's Implementation of International Accounting Standards

The Company's audited financial statements and the accompanying notes are prepared by the Company's Management in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA). The relevant standards are periodically updated and changed. For example, a number of International Financial Reporting Standards that entered into force on 1 January 2020G, have been amended, including the amendments to international accounting standard No 1 and international accounting standard No 8 related to the use of a fixed definition of materiality in all International Financial Reporting Standards. The proper application of these standards is subject to some estimates and judgments by the Company, which may result in a discrepancy in the results and implementation. Any modifications in assumptions or judgments, in addition to the corresponding errors, could have a negative and material impact on the Company's business, financial position, results of operations and prospects.

2.2 Risks Related to the Market, Industry and Regulatory Environment

2.2.1 Risks Related to General Economic Conditions

Any substantial deterioration in global and/or domestic economic conditions, financial uncertainty in the international and domestic markets, decrease in wages, employment levels, reduction in availability of consumer credit, inflation, higher interest rates, higher value added tax, government austerity measures or political events that diminish consumer spending and confidence in any of the geographies in which the Group operates will have an adverse impact on the demand for the Group's products. Additionally, changes in consumer behaviour and disposable income due to regulatory or non-regulatory measures may influence purchasing decisions, potentially reducing demand for the Group's products. In response to such conditions, competitors may reduce prices and promote discounts, putting further pressure on the Group. These factors may result in lower sales and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.2.2 Risk Related to Industry Cyclicality

Macroeconomic conditions and fluctuations in the paper and packaging industry capacity can create changes in prices, sales volumes and margin for most of the Group's products, particularly paper reels, corrugated boxes and folding cartons. The prices for the Group's products are driven by many factors, including demand, industry capacity and decisions by other producers with respect to capacity and production. These factors are affected by general global and domestic economic conditions, client purchasing decisions and operating conditions in the Group's business and industry. The Group has little influence over the timing and extent of price changes in its products, which may be unpredictable and volatile. Moreover, cycles can also be impacted by speculation, rumours, economic shifts and geopolitical atmosphere, adding layers of unpredictability to market conditions. As many of the Group's client agreements include price adjustment provisions based on the published international price of paper, the Group's selling prices are influenced by price levels determined and published by trade publications. Published paper prices declined in/since Q4 2022G, resulting in lower paper and packaging product prices and lower profitability. In case of a downturn, this could have a material adverse effect on the Group's business, financial condition, results of its operations and prospects.

2.2.3 Risks Related to Geopolitical Instability and Security Concerns in the Middle East Region

The Group's assets, operations and client base are located in the Middle East and North Africa ("**MENA**") Region. The wider MENA Region is subject to a number of geopolitical and security risks that may impact the GCC countries, including the Kingdom.

Furthermore, the recent series of attacks in the Bab al-Mandab Strait, a crucial maritime lane in the Red Sea, has introduced significant risks and disruptions for global shipping and supply chain operations. The targeting of commercial and military vessels by Houthi forces, including attacks on multiple ships, underscores a heightened threat level in this strategic waterway. Such incidents not only pose immediate dangers to maritime personnel and assets but also have broader implications for the Group's logistics and supply chain. Given the Bab al-Mandab Strait's critical role in international trade, any disruption can lead to significant shipping delays, increased transportation costs and potential rerouting of vessels. As the Group is reliant on timely raw material deliveries, these disruptions could exacerbate supply chain vulnerabilities, impact production schedules and inflate operational costs, in particularly in connection with its purchases of paper.

Moreover, as the political, economic and social environments in the MENA Region remain subject to continuing changes, investment in the MENA Region is a high risk. Any unexpected changes in the political, social, or economic conditions in the MENA Region may have a material adverse effect on the markets in which the Group operates, its ability to retain and attract clients in such regions and investments that the Group has made or may make in the future, which in turn will have a material adverse effect on the Group's business, financial position, results of operations and prospects (for further details on the transactions value with each country, please see Section 4.6.8 (*Geographic Location and Operations*).

2.2.4 Risks Related to Competition and Market Share of the Group

The paper and packaging industry in which the Group operates is marked by intense competition and is characterised by the presence of numerous players, ranging from small local entities catering to niche markets to large multinational corporations with extensive global reach. Some of these competitors, may have greater financial, technical and human resources and could pose significant challenges to the Group, especially if they offer more competitive pricing, superior quality or innovative products that better meet client demands.

Competition in the industry is driven by various factors including price, quality, delivery timelines, reliability of supply, capacity, innovation and client service. Some of the Group's competitors may benefit from lower cost structures, enabling them to offer their products at more competitive prices. Additionally, the rapid pace of technological advancement and changing consumer preferences pose a constant challenge, as competitors may introduce new materials or packaging solutions that could potentially render the Group's offerings less attractive or obsolete.

A significant aspect of this competitive landscape is the risk of product substitution, particularly the shift from paper to alternative packaging solutions, such as plastics or biodegradable materials. This shift is influenced by various factors, including environmental concerns, material durability, cost-effectiveness and regulatory changes promoting sustainable packaging options. As these alternatives continue to evolve and gain market acceptance, the demand for traditional paper packaging could diminish, impacting the Group's market share and profitability. Moreover, the availability and access of technology for all competitors can level the technological playing field, thus intensifying competition even further.

To maintain its competitive edge and market position, the Group must continuously innovate, ensuring its products align with market trends and client expectations. Failure to adapt to these industry dynamics and to effectively counter the threats posed by product substitution and competitive pressures could significantly impact the Group's business, potentially leading to a loss of market share, reduced revenue, and diminished profitability, thereby having a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.2.5 Risks Related to Changes in Energy Prices

The Group is sensitive to increases in fuel prices which it uses to operate all production equipment at its plants and to distribute its products by diesel-powered trucks. As part of the Fiscal Balance Programme Plan, the Ministry of Energy issued a statement on 24 Rabi' al-Awwal 1439H (corresponding to 12 December 2017G) to reform prices of energy products. As a result, the prices of energy products in the Kingdom are adjusted monthly in accordance with the procedures for the adjustment of energy and water products prices. In accordance with such procedures, effective 1 January 2024G, Saudi Arabian Oil Group (Saudi Aramco) again raised the retail price of diesel from SAR 0.75 per litre to SAR 1.15 per litre, representing a 53 per cent. price increase. Further, the fuel prices in UAE are also adjusted on a monthly basis. The change in energy prices, including the increase in January 2024G has significantly impacted the Group's operating costs. Consequently, when energy costs increase, it results in an increase in the Group's operating costs, thereby making its products less competitive compared to similar or alternative products offered by competitors. Accordingly, any further increases in diesel prices would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.2.6 Risks Related to Exchange Rates

The Group's results of operations are affected by volatility in currency exchange rates and its ability to effectively manage its currency risks. The Group purchases a significant portion of its raw materials from suppliers based outside the Kingdom, as well as local suppliers that purchase raw materials from abroad in foreign currencies. As of the date of this Prospectus, the SAR and AED are pegged to the USD at an exchange rate of SAR 3.75 for USD 1 and AED 3.68 for USD 1. The fluctuations in the exchange rates of the EUR against the SAR and USD impact the Group's purchases of raw materials. If the Kingdom's or UAE policy of pegging the SAR or AED to the USD were to change in the future, the Group may experience a significant increase in the SAR-denominated costs of its operations. As the Group continues to expand, its exposure to USD and other currencies may increase. Accordingly, adverse exchange rate movements could lead to a significant increase in the costs of the Group's operations. As the Group has not concluded any hedging agreements to reduce its currency risk exposure, changes in foreign exchange rates could have a material adverse effect on its business, financial position, results of operations and prospects.

2.2.7 Risks Related to Force Majeure, Natural Disasters and Climate Change

The Group's operations in the Kingdom and UAE are exposed to extreme weather conditions, which, along with other natural disasters or calamities, could lead to significant disruptions. These events, potentially intensified by climate change, present numerous risks:

- **Impacting Facilities and Operations**: Adverse weather, including increased rains impacting the region, can halt production, damage infrastructure, and lead to costly repairs, reducing operational efficiency and output at the Group's manufacturing sites and facilities;
- **Disrupting Distribution Channels**: Essential logistics and supply chain operations could face severe interruptions, affecting the Group's ability to deliver products and receive raw materials, potentially leading to inventory shortages or delays in fulfilling customer orders;
- **Necessitating Capital Expenditures**: The Group may need to allocate substantial financial resources to repair damages, enhance infrastructure resilience, or implement contingency measures to mitigate future risks, impacting its capital allocation strategy and increasing capex;
- **Affecting Employee Safety and Productivity**: Extreme weather conditions can pose significant risks to the safety and well-being of the Group's employees, potentially leading to reduced productivity or necessitating temporary closure of facilities to ensure employee safety; and
- **Insurance Coverage**: While the Group may have insurance, coverage might not fully account for the costs associated with recovery from severe weather events (see Section 2.1.37 (*Risks Related to the Adequacy and Availability of Insurance Coverage*) for a discussion of the Group's insurance coverage and its associated risks)).

Each of these factors, individually or in combination, could strain the Group's resources, disrupt its operations and affect its market position, thereby having a material adverse effect on its business, financial position, results of operations and prospects.

2.2.8 Risks Related to Changes in the Regulatory Environment

The paper and packaging industry is subject to numerous laws and regulations in the Kingdom, which may materially affect or restrict the Group's business and operations or may increase the costs of, or difficulty complying with, environmental, health and safety laws and regulations to which its operations are subject. The Group may be subject to fines or penalties, which may include suspension of all or any of the Group's activities in the event of a failure to comply with these laws or regulations, which may change from time to time, resulting in higher compliance costs for the Group or reputational harm, which would reduce the Group's competitive position and demand for its products.

The Group's operations are also subject to regulations administered by the General Authority of Meteorology and Environment Protection, which, among other things, regulate the impact of materials on the environment and the handling and disposition of waste. Failure to comply with these regulations can have adverse consequences, including penalties and reputational harm. Additionally, the discovery of environmental contamination on or near the Group's premises could result in unforeseen financial burdens, adversely affecting the Group's financial position and operational capacity.

As legal frameworks evolve and new interpretations or applications of laws emerge, the Group may have to undertake significant investments to align its practices with these regulatory changes, potentially restricting its business activities and affecting its market position. The occurrence of any of these factors would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

2.2.9 Risks Related to Customs Duty Exemption

As part of the Saudi Ministry of Industry and Mineral Resources' policies to bolster the industrial sector and align with Saudi Vision 2030 objectives, the Group benefits from a customs duty exemption on the import of specific types of paper, a measure implemented due to the unavailability of certain types of paper within the Kingdom. The exemption aims to support industrial firms, including the Group, by reducing the costs associated with importing essential raw materials, semi-finished materials and equipment necessary for production. This exemption is important to the industry and the Group and has been renewed several times before.

While the Group currently benefits from these specific exemptions, this regulatory advantage is subject to change. If the exemption is not extended beyond its expiry or if the criteria for exemption eligibility tightens, the Group may face increased operational costs or be compelled to source materials locally, which might not be as cost-effective or feasible, given the local availability and quality of materials. Additionally, potential anti-dumping measures, safeguard duties, changes in WTO regulations, trade treaties and localisation drives in each country could further complicate the Group's import strategy and cost structure.

Further, any changes in the import duty structure by the Kingdom on imports from GCC countries could adversely impact the cost of materials and consequently the cost of production, thereby impacting the Group's margins. As the Group relies on importing brown recycled paper from GCC countries, any increase in duties from these countries would directly affect the Group's operational costs. The Group's reliance on imported materials from GCC countries means that changes in the regulatory landscape of these countries, such as the imposition of new duties or the alteration of existing ones, could pose significant risks to the Group's financial performance.

Therefore, any adverse changes in the framework concerning customs duty exemptions or the implementation of restrictive trade measures would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.2.10 Risks Related to Increases in Value Added Tax, New Taxes or Additional Fees

The VAT Law came into force on 14 Rabi' al-Thani 1439H (corresponding to 1 January 2018G) imposing a five per cent. value added tax (VAT) on a number of products and services. ZATCA's board of directors increased the VAT to 15 per cent. on 10 Thul-Qi'dah 1442H (corresponding to 1 July 2020G). VAT is imposed on both the products the Group sells, as well as products and services it purchases. The Group cannot guarantee that VAT will not be further increased. An increase in VAT could reduce demand for the Group's products or reduce the profitability of the Group if it were unable to pass on such VAT increase to its clients.

In addition, the Government may impose new taxes or additional fees on companies in the future. In the event that new taxes or additional fees are imposed on companies, this may adversely and materially affect the Group's business, financial condition, results of operations and prospects. For example, the Government may, as it has done in the past, increase fees for residence permit issuance and renewal fees, increasing the cost of living (see also Section 2.1.40 (*Risks Related to Employing and Sponsoring Non-Saudi Employees*)). Similarly, the introduction of a new nine per cent. corporate tax in the UAE starting from 1 June 2023G represents a significant shift in the tax landscape for businesses operating within the region, including the Group (though for the time being the Group is exempted from its payment as it operates in a Dubai free trade zone in the UAE). This and similar developments could have a substantial impact on the Group's financials, potentially increasing its costs and affecting its net profit.

Any further increases in the VAT rates, introduction of new taxes or additional fees would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.2.11 Risks Related to Change in the Mechanism of Calculating Zakat and Income Tax

ZATCA issued Circular No 6768/16/1438 dated 5 Rabi' al-Awwal 1438H (corresponding to 4 December 2016G) which requires Saudi companies listed on the Exchange to calculate income and Zakat based on the shareholders' nationality and actual ownership between Saudi and Gulf citizens and others as provided for in "Tadawulaty" at the end of the year. Prior to the issuance of this Circular, companies listed in the Exchange were generally subject to the payment of Zakat or tax on the basis of ownership of their founders in accordance with their bylaws. The effect of listed shares was not taken into consideration when determining the Zakat pool. This Circular was to be applied in the financial year ended 31 December 2016G and the following years. However, ZATCA later issued Letter No 12097/16/1438 dated 19 Rabi' al-Thani 1438H (corresponding to 17 January 2017G), requiring the postponement of the implementation of the Circular to 31 December 2017G and the coming years. Until ZATCA issues further directives regarding the mechanisms and procedures for implementing this Circular, the implementation of this Circular, including the final requirements that must be fulfilled, the Circular is still under consideration, as is the case with the rules that impose income tax on all non-Gulf residents owning shares in Saudi listed companies (which apply withholding tax to dividends of non-resident shareholders, regardless of their nationalities). The Group has not evaluated the financial impact of this Circular nor taken adequate steps to ensure compliance with it. In the event that the financial impact of this Circular, if applied, is significant, or if the Group incurs additional costs to take the necessary steps to ensure compliance with it, this will have an adverse effect on the Group's business, financial condition, results of operations and prospects.

2.2.12 Risks Related to the New Civil Transactions Law and its Application

On 29 Thul-Qi'dah 1444H (corresponding to 19 June 2023G), the new Civil Transactions Law was enacted by Royal Decree M/191 and came into force on 3 Jumada al-Akhirah 1445H (corresponding to 16 December 2023G). The Civil Transactions Law represents a pivotal evolution in the Kingdom's legal landscape, signifying one of the most substantial reforms in recent history. This legislation brings forth a comprehensive codification of rules that are applicable to the operations and business activities of the Group, encompassing new provisions related to liquidated damages, compensations for contractual breaches (which includes loss of profits and compensation for moral damages), damages ensuing from harmful acts, prescription periods for claims, and more. Furthermore, the Civil Transactions Law is being applied retroactively, except where a party has relied on a statutory provision or judicial principle that contradicts the Civil Transactions Law prior to it coming into force, or where the prescriptive period under existing statutory provisions extinguished the claim prior to the Civil Transactions Law coming into force. The Group, as of the date of this Prospectus, has not conducted an evaluation of the impact that the new Civil Transactions Law might have on its operations and the extent to which it will apply retroactively to its operations. Should the impact prove to be material, or should the Group incur additional costs to undertake necessary measures to ensure compliance, it could materially and adversely affect its business, financial position, results of operations and prospects.

2.2.13 Risks Related to Non-Compliance with the Saudisation Requirements

Compliance with Saudisation requirements is a Saudi regulatory requirement requiring all companies active in the Kingdom, including the Group, to employ and maintain a certain ratio of Saudi personnel among their staff. The percentage of Saudi workers varies depending on the Group's activities. Moreover, MHRSD approved a new amendment to the "Nitaqat" programme under the name of "Nitaqat Mawzon" (Balanced Nitaqat) in July 2016G to improve market performance and development, and to eliminate non-productive Saudisation. While such amendment was to come into effect on 12 Rabi al-Awwal 1438H (corresponding to 11 December 2016G), the MHRSD postponed the programme until further notice in response to private sector demands for additional time to achieve the Saudisation rate. As of the date of this Prospectus, no new implementation date has been set. Under the "Nitaqat Mawzon" programme, points would be calculated based on five factors: (i) the Saudisation rate; (ii) the average wage for Saudi workers; (iii) the percentage of female Saudisation; (iv) job sustainability for Saudi nationals; and (v) the percentage of Saudi nationals with high wages. As of the date of this Prospectus, the existing framework of the "Nitaqat" programme remains in place, and entities continue to be ranked on the basis of a system of rolling averages which calculate average weekly "Saudisation" over a 26-week period. The Group has not taken any measures to improve its Saudisation rating in anticipation of the formal implementation of the "Nitaqat Mawzon" programme. Therefore, the Group may be unable to promptly respond to a new implementation deadline upon declaration of the "Nitaqat Mawzon" programme, which would negatively affect the Group's ability to comply with Saudisation requirements. This would have an adverse effect on the Group's business, financial position, results of operations and prospects. The Group is currently committed to the Saudisation requirements and is classified in "Mid-Green" category in the Kingdom in Nitaqat as of 30 June 2024G.

Furthermore, there is no assurance that the Group will be able to comply with the current or modified Saudisation requirements. In case of non-compliance with the applicable Saudisation requirements, the Group would be subject to penalties by Governmental entities, such as suspension of work visa requests and of transfers of sponsorship for non-Saudi employees, exclusion from Government loans and participation in Government tenders. As a result, the Group may not be able to continue to recruit or maintain the required percentage of Saudisation. In addition, the Group may not be able to recruit the required number of Saudi nationals under favourable conditions. In particular, the Group relies on several qualified non-Saudi employees with relevant industry experience running the operations of the Group. Any changes in local regulations which adversely impact expatriates may cause departures of these expatriate employees from the Kingdom and may result in a possible disruption in the Group's operations. Moreover, the Group is sensitive to the costs of total salaries and related benefits, representing approximately 12.6 per cent., 11.4 per cent., 15.0 per cent. and 15.1 per cent. of operating costs in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. There may be a significant increase in costs of salaries if the Group hired larger number of Saudi employees. The occurrence of any of the above would have a material adverse effect on the Group's business, financial position, results of operations and prospects (for further details, see Section 5.9.1 (*Number of Employees*)).

Similarly, the Group is required to adhere to the Emiratisation initiative launched by the Government of the UAE to employ its citizens in a meaningful and effective manner in the public and private sectors and to reduce its dependence on foreign employment. Under this initiative, companies in the UAE are encouraged to employ Emiratis in management and technical positions. However, the cost of employing Emirati citizens is usually much higher than that of foreign workers. Finding an Emirati employee with the skills and competencies required for a specific job or role may be more difficult in terms of human resources availability than finding and recruiting a foreign employee for the same role, and may require more time and administrative attention. In addition, achieving and maintaining the Group's Emiratisation objectives limits its flexibility to reduce its workforce in the UAE, thus limiting its ability to reduce costs in many areas of its operations. As a result, there is no guarantee that achieving and maintaining Emiratisation objectives will not have a negative and substantial impact on the Group's business, financial position, results of operations and prospects.

2.3 Risks Related to Offer Shares

2.3.1 Risks Related to Effective Control Post-Offering by the Selling Shareholders

Following the Offering, the Selling Shareholders will own 70.0 per cent. of the Company's issued Shares. As a result, the Selling Shareholders will have the ability to significantly influence the Company's business through their ability to control decisions and actions that require Shareholders' approval, including, without limitation, the election of Directors, significant corporate transactions, dividend distributions and capital adjustments. If circumstances were to arise where the interests of the Selling Shareholders conflict with the interests of minority Shareholders (including the Subscribers), the minority Shareholders may be disadvantaged and the Selling Shareholders may otherwise exercise their control over the Company in a manner that will materially adversely affect the Company's business, financial condition, results of operations and prospects.

2.3.2 Risks Related to Absence of a Prior Market for the Shares

The Company's Shares were not previously offered or traded in a public stock market. There is currently no public market for the Company's Shares, and there is no guarantee that an active and liquid market for the Shares will develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the trading price of the Shares will be adversely affected, or this may lead to the loss of all or part of the Subscribers' investment in the Company, which would have a material adverse effect on the Subscribers' expected returns.

2.3.3 Risks Related to Selling a Large Number of Shares in the Market

Sales of a substantial number of the Shares on the Exchange following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares. Upon the successful completion of the Offering, the Substantial Shareholders are subject to a Lock-up Period following the Offering, during which each Substantial Shareholder may not dispose of any Shares. However, the sale of a substantial number of Shares by the Substantial Shareholders following the Lock-up Period, or the perception that such sales will occur, could have an adverse effect on the price of the Shares on the Exchange.

2.3.4 Risks Related to Issuance of New Shares Post-Offering

The Company currently does not intend to issue additional Shares following the Offering. If the Company decides to raise additional capital by issuing new Shares, the newly issued Shares will adversely affect the share price in the market or will dilute the shareholder ownership percentage in the Company, if they do not subscribe to such newly issued Shares.

2.3.5 Risks Related to Fluctuation in the Market Price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Company, the prospects for the Company's businesses, the industries in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Subscribers may not be able to sell the Offer Shares at the Offer Price or at higher price or may not be able to sell them at all. The Company's share price may be highly volatile and may not be stable due to possible occurrence of several factors, including:

- negative variations in the Group's operating performance and improvement of the performance of its competitors;
- actual or anticipated fluctuations in its quarterly or annual operating results;
- publication of negative research reports by securities analysts about the Group, its competitors or the paper and packaging industry;
- the public's negative reaction to its press releases and its other public announcements;
- the resignation or retirement of key personnel;
- negative important and strategic decisions by the Group or its competitors, and changes in business strategy;
- press coverage, whether or not factual, about the Group or the paper and packaging industry in the Kingdom of the GCC Region in general;
- changes in the regulatory environment affecting the Group or the paper and packaging industry;

- changes in adopted accounting rules and policies;
- changes to the policy of pegging the exchange rates between the SAR and the USD, or the AED and the USD;
- significant terrorist acts, acts of war or periods of civil unrest;
- natural disasters, a widespread outbreak of a contagious disease and other calamities; and
- changes in general market and economic conditions.

The occurrence of any of these risks or other factors could cause the market price of the Shares to decline significantly.

From time to time, the stock market experiences extreme price and increased fluctuations in general. Regular and/or continuous market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low, which will have an adverse effect on the Subscribers' investments in the Company's Shares or result in the loss of all or part of their investment in the Company.

2.3.6 Risks Related to Distribution of Dividends and Restrictions Imposed on Distribution of Dividends by Financers

Future distribution of dividends depends on, amongst other things, several factors, including future earnings, financial condition, cash flows, working capital requirements, capital expenditures and distributable reserves of the Company. Moreover, the Company may not be able to distribute dividends to the Shareholders, and the Board of Directors may not recommend or the Shareholders may not approve the distribution of dividends. In addition, dividend distribution may be subject to dividend-related restrictions set out in credit facilities and financing agreements entered into with the financial institutions in the future. Under the terms of the financing agreements with its lenders, including Saudi Awwal Bank, the Company is restricted from declaring any dividend until all outstanding obligations to Saudi Awwal Bank are fully settled. Similarly, the financing agreement between UPIC and First Abu Dhabi Bank requires UPIC to ensure that no material changes are made to its ownership, control or legal status, and that no actions are taken that could impact its obligations to First Abu Dhabi Bank. The Company may incur expenses or liabilities that would reduce or lead to the absence of the cash available for the distribution of dividends. If the Company does not pay dividends to the Shareholders, the Shareholders will not receive any return on investment in the Shares unless they sell the Shares at a price higher than the price at the time of purchase, which would have a material adverse effect on expected returns for the Investors. For further details regarding the dividends policy of the Company, see Section 7 (*Dividend Distribution Policy*).

Market Overview

3. Market Overview

The information in this Section is based on the Market Research Report prepared by the Market Consultant (Frost & Sullivan), exclusively for the Company in February 2024G. The Market Consultant is an independent third-party provider of consulting services in multiple sectors, including food and beverage, healthcare, chemicals, automotive, energy, metals and digital transformation, among others. The Market Consultant was established in 1961G and is headquartered in San Antonio, United States. For more information about the Market Consultant, visit (www.frost.com).

The Market Consultant does not, nor do any of its subsidiaries, affiliates, partners, shareholders, directors, managers or their relatives, own any Shares or any interest of any kind in the Company or its Subsidiaries. The Market Consultant has given, and not withdrawn, as of the date of this Prospectus, its written consent for the use of its name, logo, statements, market information and data supplied by it to the Company in the manner and form set out in this Prospectus.

The Board of Directors believes that the information and data from other sources contained in this Section, including that provided by the Market Consultant, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Senior Executives or other advisors, and thus none of them bears any liability for the accuracy or completeness of said information, therefore, no confirmation or guarantee can be provided regarding the accuracy, correctness or completeness of any of this information. Moreover, industry and market data are subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size. External sources have been used for some of the information about the competitors, who have not been contacted to verify the accuracy or the completeness of the information included herein. Market estimates and assumptions are based on varying levels of quantitative and qualitative analyses and actual results and future events could differ materially from such estimates, predictions or statements.

The Market Consultant has prepared this study in an independent and objective manner, and it has taken adequate care to ensure its accuracy and completeness. Research has been conducted with an “overall industry” perspective and it may not necessarily reflect the performance of individual companies in the industry.

3.1 Macroeconomic Overview – Kingdom

With one of the world’s largest proven oil reserves, the Kingdom has derived 40.0 per cent. of its GDP (at constant prices) from oil revenues. The Government has been actively pursuing economic diversification through its Vision 2030 initiative, aiming to diminish its dependence on oil by fostering sectors, such as manufacturing, tourism, technology and renewable energy.

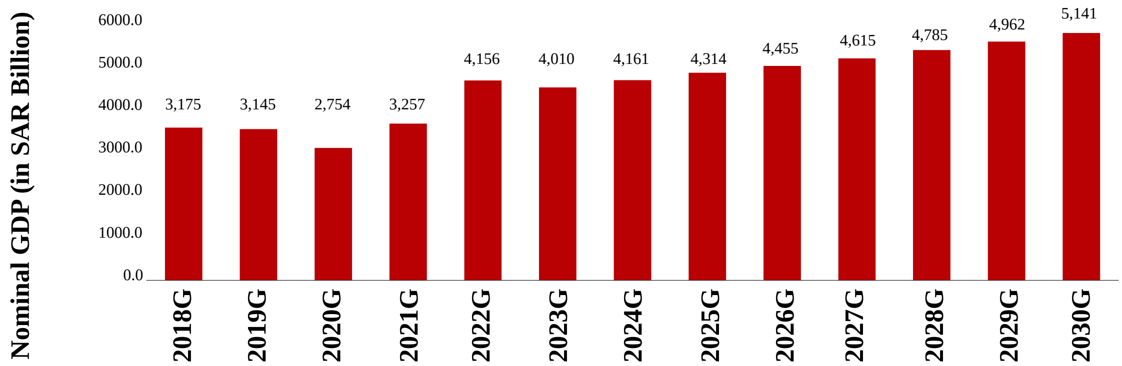
Amidst the transformation, spurred by efforts to reduce oil dependency, the economy has witnessed significant progress, particularly in non-oil sectors. These sectors have experienced accelerated growth since 2021G, averaging 4.8 per cent. in 2022G. Despite an overall decline in growth due to additional oil production cuts, non-oil sectors are forecasted to maintain robust growth, hovering around 5.0 per cent. in 2023G. This growth is primarily driven by strong domestic demand, underscoring the effectiveness of ongoing economic diversification endeavours.

This Section encompasses an overview of macroeconomic and demographic trends for the Kingdom.

3.1.1 Gross Domestic Product (GDP): Composition and Growth

The following exhibit shows the Kingdom's nominal GDP (SAR billion) from 2018G to 2030G:

Exhibit 3.1: The Kingdom's Nominal GDP (SAR Billion) from 2018G to 2030G



Source: General Authority for Statistics – the Kingdom; Pre-Budget Statement FY 2024G – the Kingdom Ministry of Finance; Market Research Report.

The following table shows the Kingdom's real GDP growth rate from 2018G to 2025G:

Table 3.1: The Kingdom's Real GDP Growth Rate from 2018G to 2025G

Year	2018G	2019G	2020G	2021G	2022G	2023G	2024G	2025G
Real GDP Growth Rate (per cent)	2.8	0.8	(4.3)	4.3	8.7	0.03	4.4	5.7

Source: General Authority for Statistics – the Kingdom; Pre-Budget Statement FY 2024G – the Kingdom Ministry of Finance; International Monetary Fund (IMF); Market Research Report.

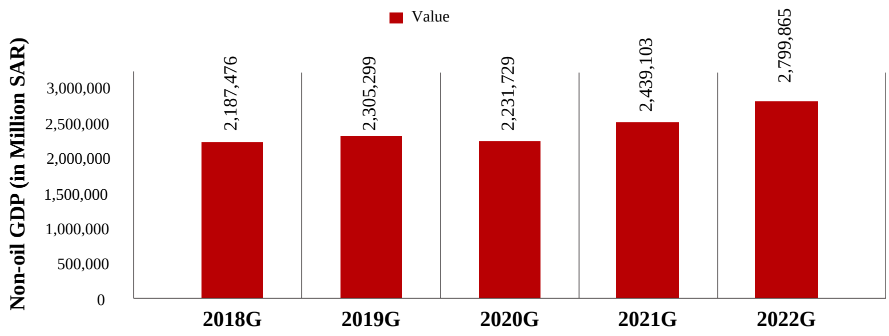
Following a resilient economic growth of 8.7 per cent. in 2022G - amid high oil prices bolstering the country's oil economy and robust private consumption and giga-project driven investment inflows boosting non-oil growth – the Kingdom's economy witnessed a marginal growth rate of 0.03 per cent. in 2023G. Subdued global oil demand impacting prices and the resultant oil production cuts significantly compressed the economic growth momentum of the Kingdom during the year.

The Kingdom's GDP is expected to grow by 4.4 per cent. in 2024G, as economic diversification is expected to spur robust non-oil growth, thus offsetting the pullback caused by a weak oil market. However, oil markets are likely to rebound in the second half of 2024G, as a pullback in oil production cuts, as well as a revival of demand from major economies, particularly China, will provide additional support.

Following decades of dependence on hydrocarbons, the Kingdom, in recent years, has shifted its focus on diversifying its economy and its income sources to establish itself as a global player in business and commerce in the long-term. To achieve this, the country has launched the Saudi Vision 2030 – a cross-industry initiative that aims to strengthen the Kingdom's industrial base across sectors, enhance competitiveness, promote entrepreneurship and foster the growth of an inclusive and equitable Saudi society.

The following exhibit shows the Kingdom's non-oil sector GDP from 2018G to 2022G:

Exhibit 3.2: The Kingdom's Non-oil Sector GDP from 2018G to 2022G



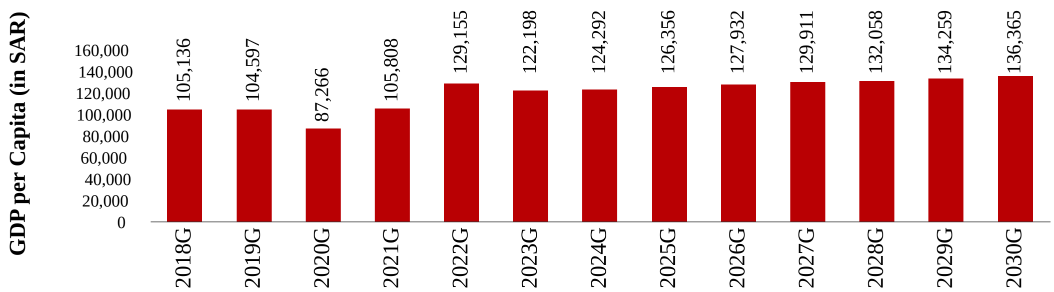
Source: General Authority for Statistics, the Kingdom; Market Research Report.
Note 1: Non-oil GDP has been calculated by removing the contribution of "Crude Petroleum & Natural Gas"

Establishing a transformative and sustainable non-oil economy will be of vital importance for the Kingdom over the coming years as the world gradually moves towards lowering its reliance on fossil fuels. With expectations of a non-oil GDP growth of around 6.0 per cent. in 2023G, the Kingdom, as part of its Vision 2030 initiative, aims to increase the share of the non-oil GDP to 50.0 per cent by 2030G from a meagre 2.1 per cent. in 2018G. Growth-intensive sectors such as construction, infrastructure, transport, automotive, real estate, pharmaceuticals and tourism are expected to play a critical role in achieving this target as well as generating large-scale investment and employment opportunities.

3.1.2 GDP per Capita

The following exhibit shows the Kingdom's GDP per capita from 2018G to 2030G:

Exhibit 3.3: The Kingdom's GDP Per Capita from 2018G to 2030G



Source: IMF; Market Research Report.

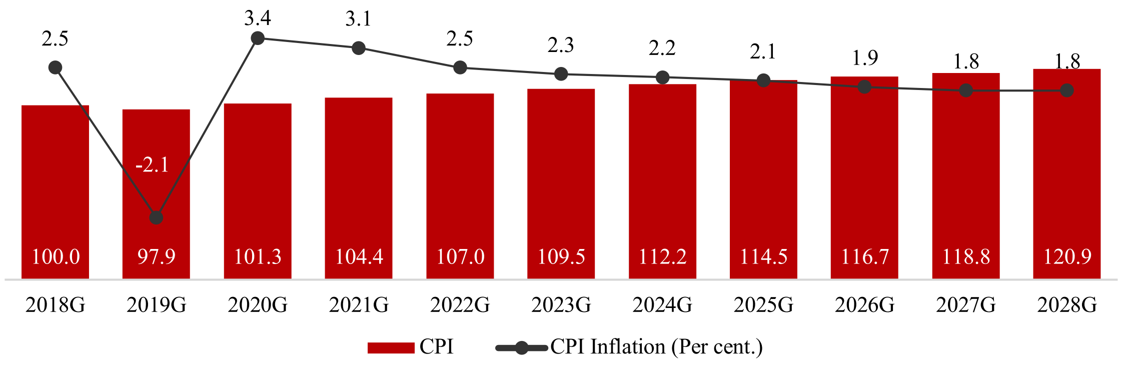
Despite around 5.0 per cent. decline in the GDP per capita in 2023G, mainly due to a subdued oil market, the Kingdom's GDP per capita is expected to grow steadily till 2030G. With economic diversification fostering multi-sectoral industrial growth and implementation of a prudent monetary policy, along with a stable fiscal environment that prioritises socio-economic development across the Kingdom, per capita income levels and living standards across the Kingdom are expected to record a consistent improvement.

Growing income levels are expected to propagate the demand for high-end consumer goods such as electronics, automotive, home appliances, home and office furnishings and luxury products, which will in turn drive the demand for containerboard packaging.

3.1.3 Consumer Price Index and Inflation

The following exhibit shows the Kingdom's consumer price index (CPI) and CPI inflation rate for 2018G-2028G:

Exhibit 3.4: The Kingdom's Consumer Price Index (CPI) and CPI Inflation Rate, 2018G-2028G



Source: General Authority for Statistics – the Kingdom; Ministry of Finance Pre-Budget Statement Fiscal Year 2024G; International Monetary Fund (IMF); Ipsos; Market Research Report.

In 2023G, the Consumer Price Index (CPI) in the Kingdom reached 2.3 per cent. due to the Government's proactive measures to control price growth. Prices advanced for housing, utilities, recreation and culture, while deflation was also observed in transport and communication, among others. Additionally, the Government announced a cap on energy prices during the year 2022G. Going forward, inflation is expected to gradually decrease, averaging around 2.0 per cent. in the long term. This will lead to an increase in household budgets, resulting in a gradual rebound in demand across industries including food and beverage, manufacturing, FMCG, e-commerce, electronics, agriculture, among others, which will in turn boost demand for corrugated packaging.

3.1.4 Disposable Income, Composition Value and Share of Spend

Over the past decade, the Kingdom has witnessed significant socio-economic and cultural changes that have not only contributed to higher economic growth but also increased household income levels by a significant margin. Household expenditure is expected to remain a key growth engine leading to an increase in food and beverage packaging.

At constant 2015G USD prices (adjusted for inflation to reflect 2015G USD values), the Kingdom's household final consumption expenditure per capita increased from eight thousand and six hundred U.S. Dollars (USD 8,600) (corresponding to approximately SAR 32,255.6) in 2018G to nine thousand three hundred U.S. Dollars (USD 9,300) (corresponding to approximately SAR 34,881.1) in 2022G, an 8.1 per cent. increase, as per the World Bank. While the Russian-Ukrainian war significantly pulled up the prices of food and commodities across the world, the Kingdom was successful in limiting the annual inflation rate to 2.5 per cent. In 2022G, fiscal sustainability and the adoption of a prudent monetary policy helped contain price pressures and maintain the growth trajectory of household income.

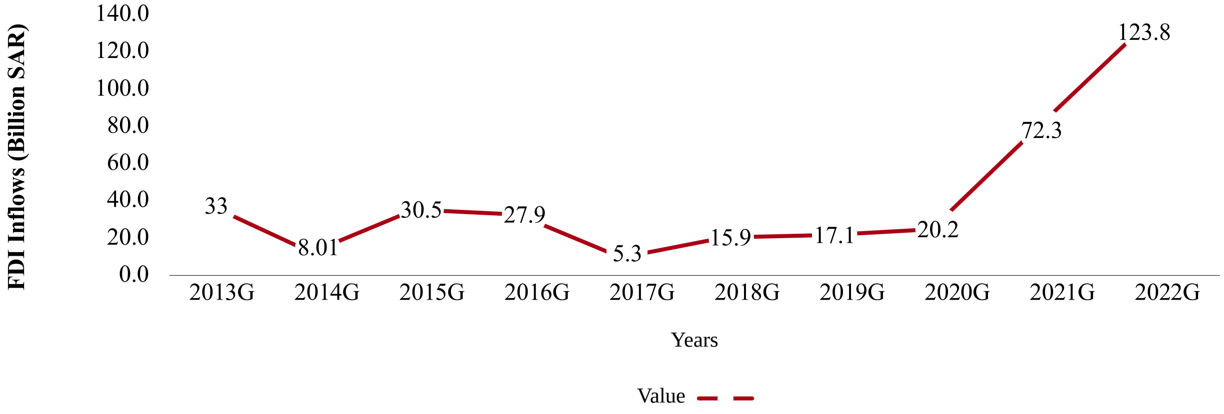
With inflation expected to gradually fall and average around 1.5 per cent. by 2030G, disposable income is expected to increase in tandem with an expanding economy and the growing availability of job opportunities within the Kingdom. As part of the Saudi Vision 2030, the Kingdom aims to increase household savings of total income to 10.0 per cent. from 6.0 per cent. in 2020G. These increased savings will be utilised for the purchase of capital-heavy goods such as vehicles and household and office appliances.

Another contributor to the Kingdom's growing household income level is the rising employment rate in the country – particularly the increasing number of women entering the workforce. This will impact the demand for food products, luxury goods and recreational activities, thus also driving demand for packaging.

3.1.5 Foreign Direct Investment (FDI) Outlook

The following exhibit shows the Kingdom's FDI inflows from 2013G to 2022G:

Exhibit 3.5: The Kingdom's FDI Inflows from 2013G to 2022G



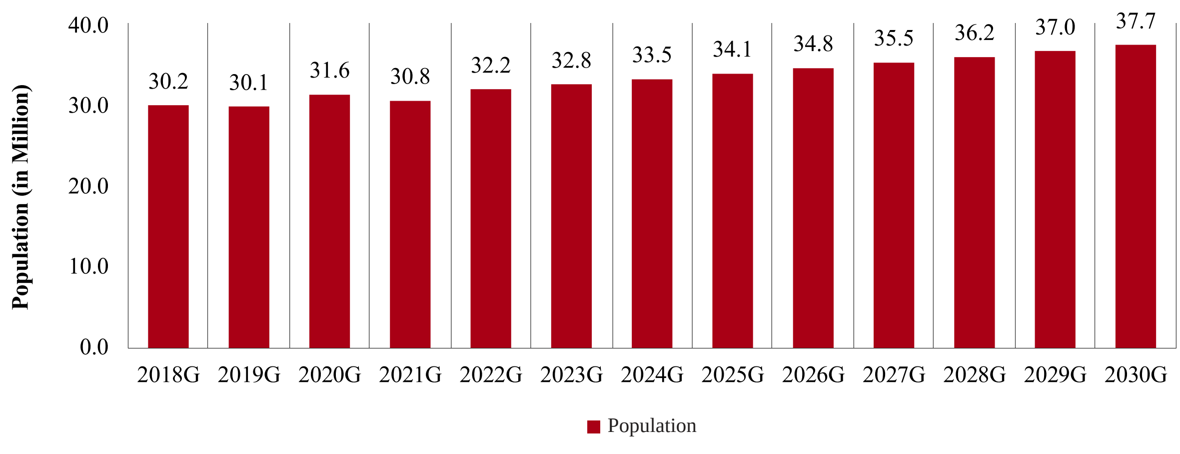
Source: United Nations Conference on Trade and Development; Market Research Report.

The Kingdom's FDI inflows have significantly increased in 2021G with the sale of a SAR 46.5 billion stake in an oil pipeline entity by Saudi Aramco to a consortium led by EIG Global Energy Partners. The National Investment Strategy, launched in late 2021G, has continued to drive strong FDI momentum in sectors like manufacturing, renewable energy, transport and logistics, tourism, digital infrastructure and healthcare. Vision 2030 aims to increase the share of FDI in the Kingdom's GDP to 5.7 per cent.

3.1.6 Demographic Indicators

The following exhibit shows the Kingdom's population from 2018G to 2030G:

Exhibit 3.6: The Kingdom's Population from 2018G to 2030G



Source: IMF; General Authority for Statistics – the Kingdom; Market Research Report.

The Kingdom's population is projected to grow to 37.7 million by 2030G at a CAGR of 1.7 per cent. from 2023G to 2030G. To accommodate this, the country will be undertaking large-scale urbanisation, including the construction of public transport systems, housing units and utility infrastructure. The steady rise in population is expected to contribute positively to greater demand for FMCG, food and beverage, electronics, fruits and vegetables and industrial products, increasing focus on e-commerce in the Kingdom, thereby driving demand for containerboard packaging.

The following table shows the Kingdom's population by age from 2020G to 2025G:

Table 3.2: The Kingdom's Population by Age from 2020G to 2025G

Age groups (years)	2020G (per cent.)	2025G (per cent.)
0 -14	26.1	28.9
15 – 39	41.8	37.1
40 – 64	29.7	34.4
65 +	2.4	3.6

Source: General Authority for Statistics – the Kingdom; Ministry of Human Resource and Social Development; International Monetary Fund (IMF); Market Research Report.

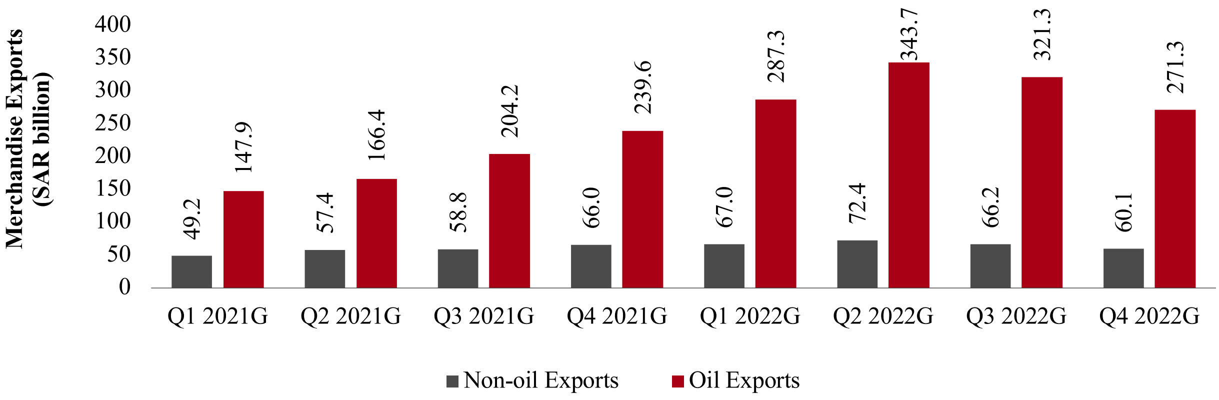
A growing youth population, especially in metropolitan areas, will be a key enabler for the growth of food and beverage demand and therefore corrugated packaging.

With the influx of foreign nationals moving to the Kingdom, the consumer market is likely to remain diversified over the medium term. This will have an impact on sectors such as, FMCG, food and beverages, industrial and manufacturing, electronics and consumer goods, among others, to meet the needs and nuances of an evolving population.

3.1.7 Merchandise Exports

The following exhibit shows the Kingdom's merchandise exports from first quarter in 2021G to the fourth quarter in 2022G:

Exhibit 3.7: The Kingdom's Merchandise Exports from First Quarter in 2021G to the Fourth Quarter in 2022G



Source: General Authority for Statistics; Market Research Report.

Amid a global transition away from fossil fuels, the Kingdom will increasingly concentrate on alternate products. Export potential in chemicals and allied industries, pharmaceutical products, metals, construction materials and electrical appliances will be bolstered. The ratio of non-oil exports (including re-exports) to imports decreased to 37.2 per cent. in May 2023G from 49.2 per cent. in May 2022G. A 5-year strategic plan (2022G to 2026G), initiated by the Saudi Export-Import Bank, aims to assist the Kingdom's non-oil exports reach global markets through initiatives such as bridging the financial gaps and lowering export risks. An increase in non-oil trade will also result in higher demand for packaging products.

3.2 Corrugated Cartons Market – Kingdom

Corrugated cartons are essential components of the packaging industry, renowned for their versatility, strength, recyclability and eco-friendliness. Consisting of fluting paperboard sandwiched between the outer liner and inner liner, these cartons provide robust protection for a wide array of products during storage, shipping and display. Kraft liner is commonly used as the outer liner for corrugated boxes, valued for its strength and moisture resistance. Additionally, specific applications necessitate white topliner, typically sourced from Europe due to its high-quality virgin grade pulp. However, there is a growing emphasis on producing recycled grade kraft liner domestically in the Kingdom, reflecting a broader commitment to sustainability within the packaging sector.

In the Kingdom, corrugated cartons serve as indispensable components of the packaging industry, valued for their versatility, strength and eco-friendliness, offering robust protection for a diverse range of products during storage, transportation and display. With the focus on contributing a direct non-oil GDP of SAR 34.9 billion to the Kingdom by 2030G, there has been huge investment across sectors including, food and beverage, industrial, FMCG, edible oil, electronics, automotive, electrical vehicle and e-commerce, among others, leading to a burgeoning growth of corrugated cartons. As the manufacturing hub of the Middle East and a key player in regional trade, the Kingdom stands as the largest consumer of corrugated cartons in the region. Notably, the Kingdom boasts a net exporter status for corrugated cartons, with imports accounting for less than 1.0 per cent. of domestic demand.

Within the food and beverage segment, multinational giants like Unilever, P&G and Nestlé operate alongside formidable domestic manufacturers such as Almarai and SADAFCO. Further propelling growth dynamics are prominent retailers like Panda (Savola) and Danube, continuously expanding their operations to meet escalating consumer demand. As the Government continues to promote local manufacturing and sustainability initiatives, the corrugated packaging industry is poised for further growth and development, contributing to the country's economic progress and environmental goals of Vision 2030. Aesthetics and visuals of corrugated boxes are extremely important from the consumer, as well as branding point of view to highlight brand logos, product details and promotions, enhancing brand recognition and consumer interest. Printed text provides essential product information, ensuring accurate communication of contents, handling instructions and safety warnings to customers. Customised packaging designs help differentiate brands and products, boosting visibility and engagement.

The primary printing techniques for corrugated cartons include Flexo printing, pre-printing, high graphic printing and digital printing. Each method offers distinct advantages and capabilities, catering to different requirements in terms of volume, quality and customisation and can be described as follows:

- **Flexo Printing**: Flexo printing is a popular method for directly printing designs onto corrugated boxes or boards. Its versatility and efficiency make it a common choice, particularly for high-volume production, with 85.0 per cent. of corrugated boxes in the Kingdom utilising this method due to its cost-effectiveness. However, Flexo printing has limitations, such as being restricted to four to five colours and being unsuitable for coated paper. Despite these drawbacks, its rapid turnaround time and suitability for large-scale production make it the preferred option for many packaging needs;
- **Pre-printing**: Pre-printing entails printing the top liner on a large roll before feeding it into the corrugator. This method offers high lines per inch (LPI) and superior print quality. However, it is limited to six to seven colours and comes with a higher printing cost. Presently, it holds a market share of 1.0 to 2.0 per cent. in the Kingdom. Despite its limitations, pre-printing is favoured for its ability to achieve intricate designs and premium print quality, particularly for specialised packaging requirements;
- **High Graphics Printing**: High graphic printing is increasingly preferred following Flexo printing in the Kingdom. This method involves direct printing on a sheet before corrugation, making it suitable for both coated and non-coated papers. Currently, 10.0 to 15.0 per cent. of the market utilises high graphic printing. Companies like P&G and Henkel are transitioning from offset printing to high graphic printing due to cost savings of 8.0 to 10.0 per cent. Over the next five years, high graphic printing is expected to expand its market share to 15.0 to 20.0 per cent. in the Kingdom. This trend reflects the growing demand for premium printing quality and cost-effective solutions in the packaging industry; and
- **Digital Printing**: Digital printing offers unparalleled versatility with no colour limitations, making it ideal for a wide range of designs and applications. However, its high cost, attributed to expensive inks, poses challenges for large-volume corrugated boxes. Consequently, digital printing is primarily utilised for small-volume requests, typically ranging from 2,000 to 3,000 boxes.

In the Kingdom, digital printing finds its niche in targeted brand positioning, promotional and advertising campaigns, special holidays or Ramadan promotions, gifting and featuring special logos. Its ability to cater to customised and unique designs make it a valuable tool for enhancing brand visibility and engaging with consumers on a more personalised level. Despite its limitations in terms of cost and volume, digital printing remains an invaluable option for specialised and impactful packaging solutions.

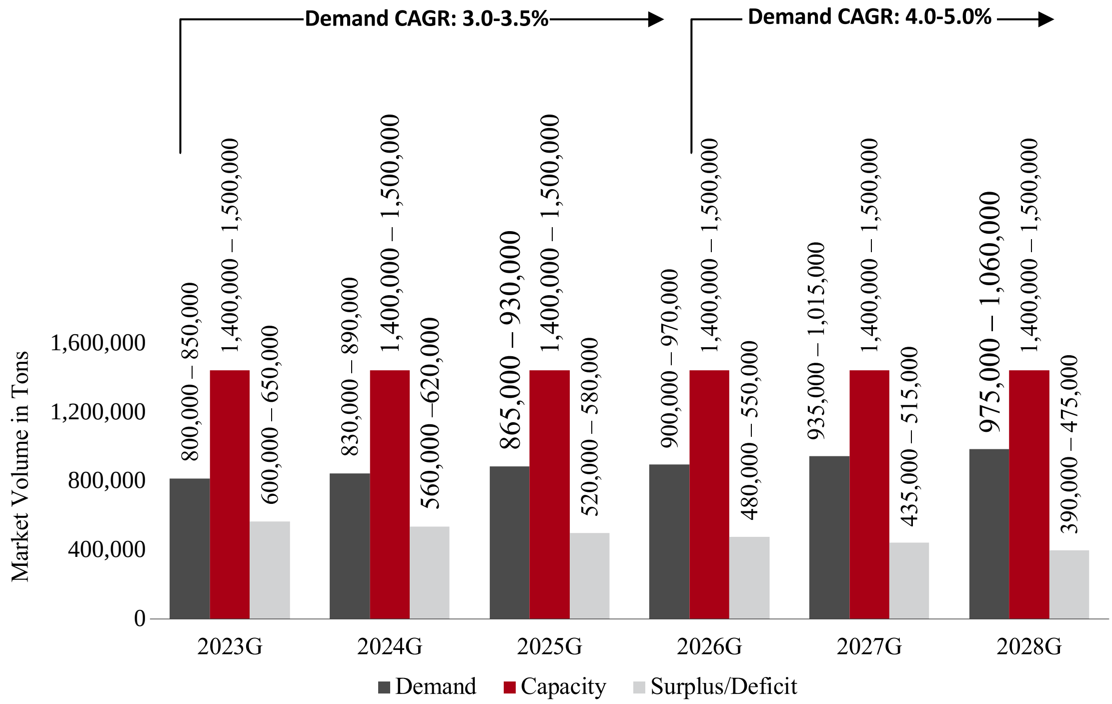
3.2.1 Market Overview

In 2023G, demand for corrugated cartons in the Kingdom is estimated to be 800,000 to 850,000 tonnes, while the total installed capacity stood at 1,400,000 to 1,500,000 tonnes, outstripping the domestic market. Local producers also tap into the export market, particularly within the GCC and the broader Middle East region. Projections suggest a market expansion at a CAGR of 3.0 to 3.5 per cent. between 2023G and 2026G and a CAGR of 4.0 to 5.0 per cent. between 2026G and 2030G with an anticipated volume of 975,000 to 1,060,000 tonnes by 2028G. The upward trajectory of the corrugated packaging industry in the Kingdom is driven by several factors, including the growing emphasis on food self-sufficiency, increased localisation across the industrial sector and significant investments in the food and beverage sector, projected to exceed SAR 75.0 billion by 2035G.

With many of these manufacturing facilities fully operational, the demand for corrugated packaging is expected to experience a significant boom from 2026G onwards. This increased demand will be driven by the need for efficient and sustainable packaging solutions to accommodate the rise in production output. As a result, corrugated packaging manufacturers are likely to see a substantial increase in demand during this period.

The following table highlights the demand, capacity and the gap between the two in the Kingdom for corrugated cartons between 2023G and 2028G:

Exhibit 3.8: The Kingdom's Corrugated Cartons Market Overview from 2023G to 2028G

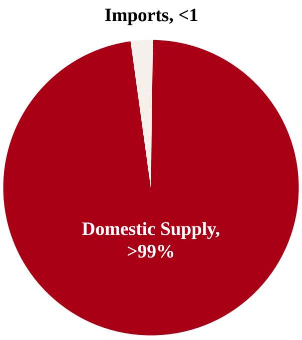


Source: Market Consultant's analysis.

The Kingdom benefits from well-established manufacturers that dominate a majority of the demand, leaving imports with a relatively small market share, primarily sourced from within the GCC. In 2023G, domestic production fulfilled more than 99.0 per cent. of the demand, with imports accounting for only a marginal volume on need basis.

The following exhibit shows the Kingdom's corrugated cartons demand segmentation by source in 2023G:

Exhibit 3.9: The Kingdom's Corrugated Cartons Market, Segmentation by Source in 2023G



Source: Market Consultant's analysis.

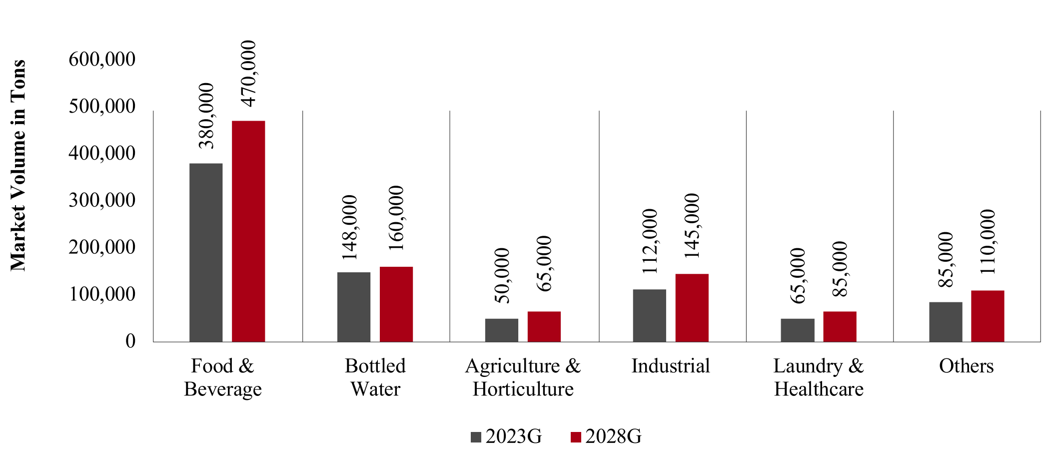
The Kingdom is at the forefront of Middle Eastern food consumption and will remain in a leading position with food security initiatives and new investments. The inaugural edition of the Saudi Food Manufacturing Forum is set to take place in Riyadh in 2024G, bringing together the food manufacturing giants and raising the Kingdom's fast-growing food processing sector to new heights.

The food and beverage industry alone caters to more than 45.0 per cent. of the corrugated cartons demand, making it the primary driver for consumption in the Kingdom. Additionally, corrugated cartons are extensively utilised in other major industries, with bottled water/packaged water accounting for 18.0 per cent. of the market and industrial applications representing 14.0 per cent. of the market share in 2023G. Fast-moving consumer goods (FMCG) companies emerge as the primary end users of corrugated cartons across a broad spectrum of products, ranging from homecare and cosmetics to personal care products.

Investment in the entertainment sector is also impacting food and beverage quality, diversity and concepts. Vision 2030 envisages that average annual household spending on culture and entertainment will increase from 5.5 per cent. in 2023G to 9.5 per cent. in 2030G. The expansion of the cinema industry, sporting events and concerts are expected to create opportunities to support retail and food and beverage offerings also resulting in the proliferation of the mobile food truck concept in the Kingdom, where corrugated cartons would play a major role in packaging.

The following exhibit shows the Kingdom's corrugated cartons demand segmentation by application in 2023G to 2028G:

Exhibit 3.10: The Kingdom's Corrugated Cartons Market by Application from 2023G to 2028G



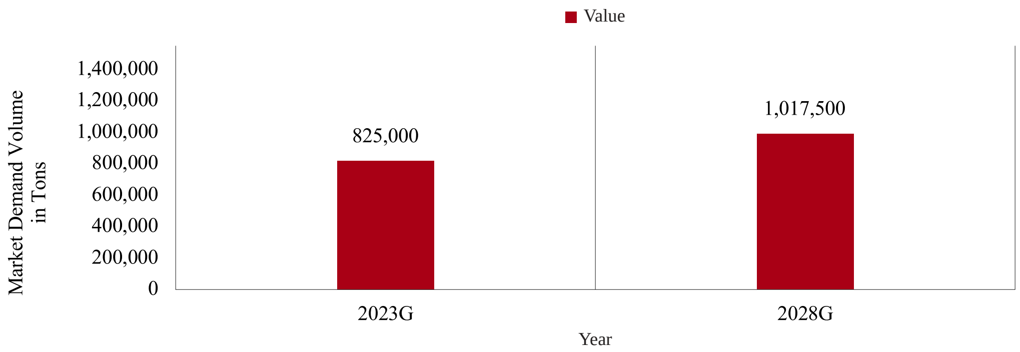
Source: Market Research Report.

3.2.2 Market Drivers and Challenges

3.2.2.1 Drivers

The following exhibit shows the Kingdom's corrugated cartons market from 2023G to 2028G:

Exhibit 3.11: The Kingdom's Corrugated Cartons Market from 2023G to 2028G



Source: Market Consultant's analysis.

The corrugated cartons market is expected to grow at a CAGR of 4.0 to 4.5 per cent. for the next 5 years, the demand is primarily driven by the following major factors:

- **Localisation of manufacturing and industrial sectors**: Saudi Vision 2030 promises to increase localisation across various sectors including food and beverage, pharmaceuticals and automotive, among others, opening up a plethora of opportunities. This growth will notably boost the demand for corrugated cartons, especially in essential areas such as packaging for food and beverages, meat products, cereals, edible oils and snacks. Additionally, industries such as agriculture, automotive, FMCG products and pharmaceuticals will also contribute significantly to the surge in demand for corrugated cartons, making them a cornerstone of the evolving market landscape;
- **Increased focus on tourism (religious, cultural and leisure)**: the Kingdom, aligning with Vision 2030, has endorsed the National Tourism Strategy with an ambition to welcome 100.0 million tourists by 2030G. The kingdom is undertaking significant infrastructure investments, of around SAR 3.0 trillion, towards tourism over the next decade to realise this vision, focusing on the development of key destinations like Al-Baha, Al Ula and Al-Madinah Al-Munawarah. Moreover, ambitious projects such as NEOM and the Red Sea initiative will further entice travellers, spurring investments in hotels, resorts and the hospitality sector. As tourism flourishes, the demand for corrugated materials is expected to surge to meet the packaging needs of associated products including snacks, juices, carbonated drinks, bottled water, fresh fruits and FMCG products, among others;
- **Focus on sustainability**: Sustainability is one of the key pillars of the Kingdom's Vision 2030, which will be supported by the adoption of bio-degradable and more environment-friendly materials along with a higher focus on circular economy. Given that corrugated packaging is majorly reliant on recycled raw materials and is bio-degradable, it will witness a higher uptake as compared to competing materials such as plastics, which are facing increasing challenges with respect to waste management; and
- **Evolution of e-commerce**: With the exponential growth of the e-commerce industry in the kingdom, coupled with the adoption of sustainable materials, corrugated cartons are expected to witness significant growth. the Kingdom has seen multiple international as well as local e-commerce platforms entering the market serving a growing end-user base with rising disposable incomes, an increasing expat population, a shift to online payments and growing awareness.

The detailed description of these factors is provided below.

(a) Localisation of manufacturing and industrial sector

The Government's proactive stance on attracting international companies and expansion of domestic companies to increase localisation in the manufacturing sector supports its ambition to position itself as a prominent manufacturing hub. The high focus on "in Kingdom value" by the Government and consumers' preference for local products, will spark a wave of new investments across sectors to serve both domestic and export markets. The food and beverage sector is the key driver for the demand for corrugated packaging and expected to grow at a CAGR of 4.0 to 5.0 per cent. in the Kingdom. Food products such as noodles, pasta, jams, ketchup and mayonnaise, dairy, bakery, beverages, water, meat, seafood and fresh produce are the key applications accounting for more than 60.0 per cent. of total corrugated packaging demand in the Kingdom in 2023G.

(i) Food & Beverage

The food and beverage sector in the Kingdom hit a record-high contribution of more than SAR 112.0 billion to the GDP in 2023G, marking a significant milestone in the country's economic growth. Pursuant to a press release by Saudi Press Agency on 12 June 2023G, the Ministry of Industry and Mineral Resources announced that the Kingdom anticipates attracting SAR 75.0 billion in investments in the food and beverage industry by 2035G. The Kingdom is focusing on ensuring food security, particularly in animal protein production. The dairy sector has already surpassed 100.0 per cent. self-sufficiency. Poultry is also targeting to reach 80.0 per cent. of self-sufficiency by 2025G. These sectors use a high volume of corrugated boxes as secondary and primary packaging. Saudi Authority for Industrial Cities and Technology Zones (MODON) has announced 11 food clusters across the Kingdom. The clusters will serve as hubs for manufacturers, service providers, logistics services, laboratories and ready-built facilities, all aimed at maximising the efficiency of the factories within the cluster, which will lead to high demand for corrugated cartons.

Pursuant to a press release by Argaam on 24 February 2023G, MODON has signed agreements and MOUs to localise the food and beverage industry in the Kingdom with investments of up to SAR 1.1 billion. The strategy is to boost industry and raise local content in vital sectors, diversifying the national economy and localising 85.0 per cent. of the food market demand in the Kingdom.

MODON has signed an agreement with Alshaya Group and IFFCO to develop "Food Clusters" in Dammam to boost homegrown supply in the Kingdom. MODON has signed an agreement with the Kuwaiti Danish Dairy Company (KDD), to invest SAR 375.0 million to establish a food and beverages factory.

In addition, MODON has also signed agreements with Jordan Valley Food Industrial Co. "AlBayrouty" to build a grains and legumes factory and "Dose Café" company to build a food and beverage factory in the Kingdom.

(ii) Meat & Meat Products

The Kingdom has the largest consumer base of chicken with Omega 3 enriched chicken witnessing higher demand recently. The poultry and red meat segment continues to experience steady growth, with a target of achieving 100.0 per cent. self-sufficiency by 2030G as per United States Department of Agriculture (USDA), Report on Saudi Arabia Drastically Reduces Poultry Imports, 17 June 2021G. Per capita meat consumption stands at 50.0 kg per year, with poultry being the preferred choice. Local fresh meats are favoured due to stringent Halal slaughter regulations, with plans to further strengthen the Halal supply chain. Meat uses corrugated packaging for transportation purpose, while chicken products are primarily sold in corrugated in frozen packs of 8-10-12 pieces at supermarkets and retail stores.

Pursuant to a press release by Almarai on 27 November 2022G, the company is investing SAR 4.5 billion to expand its poultry production capacity, while Arab Seara Food Industries is constructing a SAR 450.1 million poultry products factory. Furthermore, Saudi Agricultural and Livestock Investment Co (SALIC) has acquired 25.0 per cent. stake in Minerva Foods, a Brazilian company, to supply red meat to the Kingdom. Siniora Food announced an investment of around SAR 138.8 million to build a factory to produce all types of cold cuts and frozen meat in Jeddah. Seafood consumption is also projected to reach a global average of 20.0 kilograms by 2030G, driving increased demand. Vision 2030 aims for the Kingdom to produce 0.6 million tonnes of seafood by 2030G, achieving 100.0 per cent. self-sufficiency pursuant to a press release by NEOM on 8 February 2024G. Investments are being made in advanced aquaculture plants along the Red Sea to support this goal. Based on a press release by Saudi Press Agency on 12 June 2023G, a SAR 498.8 million canned tuna project aims to decrease import reliance. Currently, there is low consumption of corrugated in the seafood sector however, the demand is expected to grow with increased production by companies such as NAQUA.

(iii) Edible Oil & Fats

The edible oil market is primarily dominated by palm oil, sunflower oil, corn oil and olive oil. Palm oil is the leading edible oil imported into the Kingdom, which holds 72.4 per cent. of the total oil import and is primarily used in the food industry and HORECA sectors. Edible oil consumption in the Kingdom is 100.0 per cent. import driven with the presence of secondary processing and packaging capabilities in the Jeddah and Yanbu regions. Corrugated cartons are used for secondary packaging. In the Kingdom, the yearly consumption per capita of edible oil was 30.0 to 35.0 litres in 2023G, however, changing dietary habits, increasing health awareness and expansion of the food industry are propelling the growth of the Kingdom's edible oil market at a CAGR of 6.7 per cent. to reach SAR 1.3 billion by 2030G.

Pursuant to a press release by Olam Group on 25 March 2022G, SALIC is planning to invest in Indonesia's processed oil industry to ensure long-term supply security in the Kingdom. In 2022G, Indonesia exported around 226.0 million metric tonnes of cooking oil to the Kingdom, which is processed and packed in bottles, cans and plastic packs, to further use corrugated cartons as secondary packaging.

(iv) Cereals & Snacks

As of 2022G, cereal consumption reached 12.3 million tonnes and is forecasted to reach 14.6 million tonnes by 2030G. Kellogg's is planning a new breakfast cereals manufacturing in the Kingdom to cater for the domestic and export markets. PepsiCo is injecting around SAR 206.2 million into its snack's facility in Dammam, to ramp up capacity and cater to rising local and export demand.

Pursuant to a press release by Nestlé on 24 November 2022G, the company has committed around SAR 7.1 billion over the next decade to bolster its operations in the Kingdom. This begins with an initial investment of around SAR 206.3 million for a new manufacturing plant slated for opening in 2025G. Initially focusing on Nestlé infant nutrition products and ready-to-drink coffee, the plant will export to markets in the Middle East and North Africa. The company already produces soups and noodles under the Maggi brand, KitKat chocolates and Purina pet food in the Kingdom. New investments in the sector will catalyse the growth of corrugated packaging.

(v) Dairy

The dairy products market is projected to reach SAR 26.3 billion by 2030G. Expectations indicate a CAGR of 4.0 to 5.0 per cent. In 2024G - 2025G, the average per capita consumption of dairy products is projected to be around 55.0 kilograms per year. Public Investment Fund (PIF) has launched Sawani, a new company aimed at advancing the local camel farming industry as part of the Kingdom's economic diversification strategy. Sawani aspires to become a prominent producer of camel dairy products.

(vi) Bakery and Other Food Products

The demand for other segments such as noodles, ketchup, jams and bakery products, is also increasing at a steady pace in the Kingdom. The ready-to-eat and ready-to-cook segment is witnessing the highest growth in 2023G driven by busy lifestyles and women's integration into the workforce. The bakery segment is expected to reach SAR 5.3 billion by 2025G, growing at a CAGR of 7.0 to 8.0 per cent. in the Kingdom. Pursuant to a press release by the Saudi Exchange on 3 October 2023G, Almarai plans to invest SAR 405.0 million to expand its bakery segment.

The Kingdom is a strategic location to introduce health and wellness food offerings, with a slow but steady shift towards a healthier lifestyle. The health and wellness sectors are expected to reach SAR 16.9 billion in 2024G and are forecast to almost double with a CAGR of 10.0 to 11.0 per cent. reaching around SAR 30.0 billion by 2030G.

The increased tax on all high-sugar beverages has almost doubled the price of these drinks. This is a part of the Government's strategy to encourage the population to make healthier choices. This leaves a white space for health and wellness brands to enter the emerging market.

(vii) Food Servicing and Retail

The Kingdom has the largest food servicing segment in the GCC and the largest potential due to the influx of Hajj visitors and tourists by 2030G. The food servicing market stood at around SAR 112.5 billion in 2023G and is expected to grow at a CAGR of 7.0 to 8.0 per cent. during 2024G to 2030G.

The food servicing sector also uses a significant volume of corrugated boxes for food transportation and delivery. Independent local quick service restaurant (QSR) brands such as ALBAIK Food and Herfy Food, are growing significantly faster than international ones.

Convenience stores are the fastest growing in the Kingdom as they provide closeness in the shopping experience and online retail is the clear winner with the younger population. Retail stores also have their own re-packaging of cereals, pulses and food products through contract manufacturing, supporting the usage of corrugated boxes.

(viii) Agriculture

The Kingdom holds the largest agricultural market in the GCC region, contributing around SAR 75.0 billion to the GDP in 2023G. Amid global crises such as the COVID-19 pandemic, which disrupted the supply chain and impacted food prices, the Kingdom has intensified its focus on agriculture to enhance self-sufficiency and mitigate supply chain vulnerabilities. Aligned with the Kingdom's Vision 2030, the Government is investing SAR 90.0 billion in the environmental, water and agricultural sectors, aiming to boost local production by 60.0 per cent. Pursuant to a press release by Saudi Press Agency on 12 June 2023G, the ministry targets more than doubling the value of agricultural crop exports from around SAR 13.9 billion in 2022G to SAR 41.3 billion by 2035G.

The date exports experienced a 14.0 per cent. increase from 2022G to 2023G, in the Kingdom and expected to further increase or at least remain the same. In particular, the Kingdom is targeting date exports to Asia. Notably, exports to Singapore surged by 86.0 per cent., while South Korea and France witnessed increases of 24.0 per cent. and 16.0 per cent. respectively during the same period.

(ix) Industrial Sector

PIF has set an ambitious target of achieving substantial electrical vehicle production, aiming for 500,000 units by 2030G. With the recent investment of SAR 37.5 billion in Lucid Motor, the company has opened an assembly factory for 'Lucid Air' electrical vehicle for the domestic and export market. Ceer, a domestic electric vehicle company in the Kingdom, is a joint venture between PIF and Hon Hai Precision Industry Co. (Foxconn). It aims to produce a range of electric vehicles within the Kingdom.

GEELY plans to establish automotive assembly and spare parts production facilities in Riyadh. Additionally, PIF and Hyundai signed a JV to establish a new automotive manufacturing plant in the Kingdom. Based on a press release by Hyundai on 23 October 2023G, the production is scheduled to start in 2026G after having laid the foundations in 2024G, aims to manufacture 50,000 vehicles per year, including both internal combustion engines and electric vehicles (EV). Governmental strategies are focused on further enhancing healthcare infrastructure and prioritise localisation of the pharmaceuticals industry. Pharma giants like Pfizer and GSK are establishing manufacturing facilities in the Kingdom, which will drive the demand for corrugated boxes primarily in secondary packaging.

Domestic pharma companies, such as Jamjoom and SAJA Pharmaceutical Co. Ltd, are also increasing capacities and there has been an increase in demand for corrugated cartons from these companies.

Pursuant to a press release by Vaccine Industrial Holding LLC on 28 September 2023G, the Kingdom is investing SAR 500.0 million in a factory to enhance local vaccine and medicine manufacturing capacity, aiming to position the Kingdom as a regional hub for biotechnology.

Companies like Henkel and P&G are transitioning from offset prints to high-graphic corrugated boxes for detergent packs, resulting in approximately 10.0 per cent. reduction in total packaging costs.

Recently, GROHE, a premier global brand offering comprehensive bathroom solutions and kitchen fittings, announced the launch of a state-of-the-art manufacturing facility for GROHE cisterns in the Kingdom together with Zamil Plastic Industries Co, which will use packaging solutions such as corrugated boxes.

(b) Increased focus on tourism (religious, cultural and leisure)

According to the National Ministry of Tourism, tourism contributes 5.0 per cent. to the Kingdom's GDP and is targeted for a contribution of more than 10.0 per cent. by 2030G. The Government plans to spend SAR 3.0 trillion on tourism over the next decade as it prepares the Kingdom for a post-oil future. Numerous large-scale projects are either underway or have been recently launched in the Kingdom. Among these are the Red Sea global tourism project, Qiddiya Entertainment City and the Diriyah Gate heritage development initiative. Additionally, the ambitious SAR 1.9 trillion Neom project, represents a significant endeavour in the country's development landscape.

Religious tourism has always been an integral part of the Kingdom's economy, with millions of people visiting the country every year. The food and beverage, packaged water, hotels and hospitality sectors are continuously growing. Many world-famous restaurants, Michelin-rated fine-dining restaurants and casual dining places have opened branches in major cities like Riyadh and Jeddah, which will also increase the consumption of corrugated boxes in form of primary and secondary packaging for food, beverages, vegetables and fruits, among others.

(c) Focus on sustainability

The packaging sector in the Kingdom has increasingly recognised the necessity of transitioning towards circular economy as a part of Vision 2030. Food packaging waste poses a significant challenge within the packaging sector, particularly in the Kingdom.

The National Center for Waste Management (MWAN) has established and published an updated regulatory framework for waste management. Further policies and the strategic master plan are underway to be published in 2025G, with a strong emphasis on sustainable and advanced waste management practices. This strategic direction aims to foster the adoption of more environmentally friendly products across various applications, particularly in packaging. Corrugated cartons are set to become a crucial eco-friendly option instead of plastic packaging in various industries. This aligns well with the Kingdom's dedication to sustainability and cutting down on waste, mainly because corrugated cartons are highly recyclable. In the Kingdom, there is a common practice of using old, corrugated cardboard to make new corrugated cartons, creating a closed-loop system that supports recycling and minimises waste.

There has been a focus on the transition to sustainable packaging across the sectors in the Kingdom. A SAR 1.0 billion investment by the Ministry of Investment is earmarked to establish one of the Kingdom's largest food packaging projects in collaboration with HotPack. This initiative aims to manufacture a range of food items packaged with sustainable materials.

Corrugated boxes will be utilised for both primary and secondary packaging, signalling a significant step towards environmentally conscious practices in the packaging sector. Corrugated cartons are renewable, biodegradable and highly recyclable, making them a more environmentally friendly choice compared to many other packaging materials, such as plastic or Styrofoam in food and beverage, FMCG, e-commerce and other industries.

Companies are making strides towards sustainability by replacing Styrofoam packaging with corrugated alternatives, primarily in dates, fruits and vegetable packaging.

(d) Evolution of E-commerce

The evolution of e-commerce in the Kingdom has undergone significant transformations over the years, driven by technological advancements, changing consumer behaviour and Government initiatives. Large international e-commerce players, such as Amazon and AliExpress, expanded their presence in the Saudi market.

Regional e-commerce platforms such as Noon, Haraj and Opensooq, among others, emerged offering a wide range of products and services tailored to the Kingdom consumer market. E-commerce products use a large volume of corrugated cartons in the form of primary and secondary packaging.

Retailers have also integrated online and offline channels to offer omnichannel shopping experiences, allowing customers to shop seamlessly across multiple touchpoints, including websites, mobile apps and physical stores, which also led to a larger consumption of corrugated cartons.

3.2.2.2 Challenges

Bottled water and beverage companies are major consumers of corrugated cartons. However, there is a noticeable shift towards alternative packaging materials, particularly plastic shrink wrap, among water companies in regions like Asia, North America, Europe and the UAE. This trend is expected to extend to local companies soon, potentially reducing demand for corrugated cartons. Nevertheless, in the Kingdom, dust poses a challenge for shrink-wrap packaging, necessitating additional cleaning before retail display. Pepsi and Aquafina are major users of shrink wrap in the Kingdom, while other players continue to use corrugated cartons. Despite the rise of e-commerce, plastic bags are favoured for packaging individual items during shipping. Moreover, the emergence of small-scale players in the Kingdom has led to an increase in requests for small or single orders. This presents a challenge for large-scale companies to fulfil orders and maintain competitiveness. The price of corrugated packaging hinges largely on containerboard costs, constituting around 70.0 per cent. of the total cost. Presently, companies are contending with price fluctuations due to an 8.0 per cent. to 10.0 per cent. increase in containerboard costs prompted by the Red Sea maritime transport disruptions. Long term focus on circular economy with sustainability targets already in place for large multinationals will help mitigate the impact of more environmentally friendly products such as corrugated cartons being substituted by plastic alternatives.

The Kingdom has witnessed a rise in small-scale corrugators, with over fifty in total while, thirteen in the central province. While these companies operate inconsistently or seasonally, they wield enough influence to disrupt the market. Additionally, clients have become more price-centric, with a reduced emphasis on quality.

3.2.3 Competition Landscape

The Group stands as the undisputed market leader in the corrugated cartons industry in the Kingdom, with an impressive 37.0 to 40.0 per cent. market share in 2023G. Since its inception in the corrugated cartons business, in 1990G, the Group has been at the forefront of corrugated packaging, continuously investing in cutting-edge technology to deliver solutions that are both innovative and environmentally friendly. Positioned as the largest player in the MENA region, the Group holds the distinction of being the first entrant in Digital Single Pass technology, revolutionising the industry landscape. With a clientele exceeding 1,000 clients, the Group has developed an in-house tool capability and digital customer portal for service delivery and GPS enabled logistics arrangements.

By vertically integrating its supply chains, the Group gains control over essential raw materials, safeguarding against external disruptions and fluctuations in supply. Furthermore, with an impressive 85.0 per cent. recycled paper usage in 2023G, the Group sets a standard for responsible business practices in the industry.

The Group has multiple factories strategically located in Jeddah, Riyadh and Al Kharj. This multi-factory setup sets the Group apart from competitors, enabling shorter delivery times and reduced delivery costs for clients. In addition to its expansive manufacturing footprint, the Group is equipped with advanced printing capabilities including digital, offset and Flexo printing, allowing it to cater to a diverse range of client needs. Coupled with a robust distribution network and a strong client base, the Group has solidified its leading position in the market.

In the Kingdom, five major local producers have a combined capacity of around 1,000,000 tonnes, commanding approximately 80.0 per cent. of the market share. The Group leads the pack as the largest producer, followed by Easternpak, WFI – Al Watania Paper Products (WAPER), Al Medan and Gulf Carton Factory, collectively accounting for around 35.0 to 40.00 per cent. of the market.

Founded in 1994G, Easternpak operates under Napco Paper Containers, a segment of Napco National. The company manufactures corrugated packaging products including shipping and transportation boxes, promotional packaging, catering and delivery boxes and carriers, among others. The company's clientele spans the GCC, African, and Levant regions.

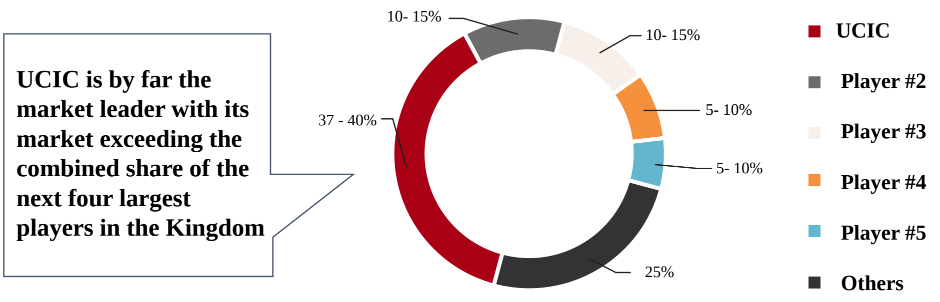
Al Watania for Paper Products (WAPER), a subsidiary of Al-Watania for Industries, manufactures corrugated cartons, egg trays and cup holders for the GCC and broader Middle East region. The company has two factories located in Riyadh and Jeddah.

Based in Riyadh, Al Medan stands as a key manufacturer of corrugated cartons in the Kingdom. The company utilises both Flexo and high graphics printing techniques for its boxes. Al Medan focuses primarily on catering to clients within the Kingdom while also exporting to various countries including Jordan, Oman, Pakistan, Bahrain, Lebanon and Kuwait, among others.

Numerous small-scale corrugated packaging manufacturers, including Al Rabeh Packs, QPack, National Carton Factory (NCF) and Al Hijaz, among others, contribute to the industry's diversity and competitiveness.

The following exhibit illustrates the Group's market share in the Kingdom's corrugated cartons market in 2023G:

Exhibit 3.12: The Group's Market Share in the Kingdom's Corrugated Cartons Market in 2023G



Source: Market Consultant's analysis.

The corrugated carton industry in the Kingdom predominantly relies on recycled paper-based cartons, which accounted for over 85.0 per cent. of the total market volume in 2023G. The remaining 15.0 per cent. consisted of brown and white topliner, primarily sourced from Europe and USA and is based on virgin-grade pulp. However, to reduce dependence on imports, paper companies in the Kingdom have begun manufacturing recycled white topliners domestically.

The Kingdom lacks wood resources for paper manufacturing, resulting in a complete reliance on old, corrugated cartons as the primary raw material for corrugated boxes. This dependence underscores the significance of recycling initiatives and sustainable practices in ensuring a stable supply chain for the corrugated carton industry in the Kingdom. This preference is reinforced by considerations of potential environmental regulations mandated by the Government, further emphasising the appeal and adoption of recycled paper-based packaging solutions.

3.3 Containerboard Market – UAE

Containerboard, often referred to as paper for corrugated packaging, is a type of paperboard that is used to make packaging materials such as corrugated cartons. It is made by combining recovered paper and other materials such as starch and dies, to achieve the desired strength and durability. Containerboards are used in the production of packaging boxes and bags for a wide range of products, including food and beverages, consumer goods, industrial products and shipping and storage boxes.

In the Middle East, containerboards are mainly produced by using old, corrugated cardboard through mechanical and chemical processes. The containerboard is typically thicker and more rigid than regular paper but is easy to cut, fold and shape.

The UAE has a well-established packaging industry with manufacturers of corrugated boxes as well as containerboard. However, domestic manufacturers export a large share of the containerboard to countries, both within and outside the GCC. Therefore, to meet the demand of the local packaging industry, the UAE imports containerboard from various countries around the world, including the Kingdom, Oman and India.

3.3.1 Market Overview

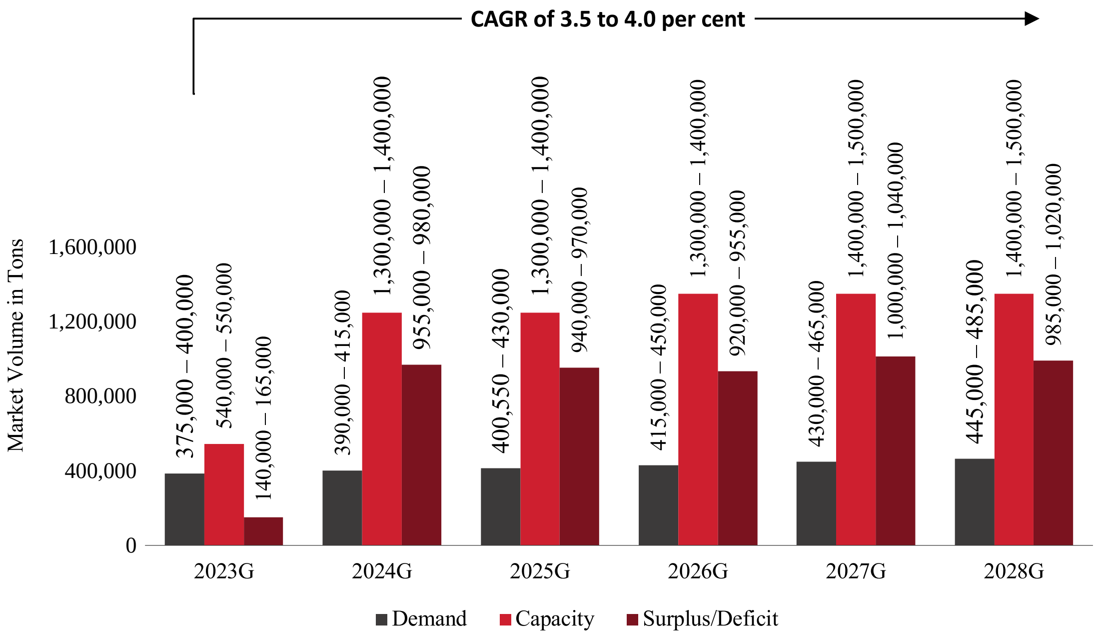
The demand for containerboard in the UAE is projected to surge to 375,000 to 400,000 tonnes by 2023G. Presently, the country boasts a total capacity of around 540,000 to 550,000 tonnes, surpassing domestic consumption. Notably, Union Paper Mills, the primary domestic producer, not only serves local needs but also serves the export market across GCC countries such as the Kingdom, Kuwait and Bahrain, as well as other countries outside the GCC.

Looking ahead, between 2023G and 2028G, the market anticipates a CAGR of 3.5 to 4.0 per cent., propelling demand to 445,000 to 485,000 tonnes by 2028G. This growth trajectory is underpinned by factors like the expanding population and rising disposable income, which will drive heightened consumption of packaged and fresh foods, beverages and consumer products.

Moreover, the UAE's ambitious goal to secure 50.0 per cent. of basic food requirements from local farms and products by 2024G and achieve full self-sufficiency by 2030G promises to further bolster demand for packaging and thereby containerboard.

The following table shows the total demand, capacity and the gap between the two in the UAE for containerboard between 2023G and 2028G:

Exhibit 3.13: The UAE's Containerboard Market Overview from 2023G to 2028G



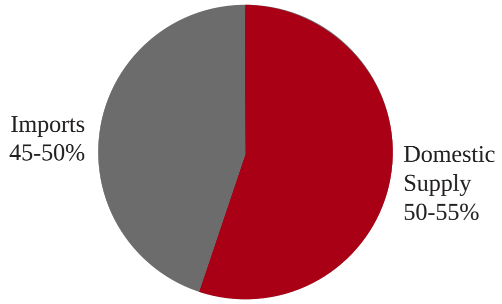
Source: Market Consultant's analysis.

Three key players include Union Paper Mills, the Group (through UPIC, a 100.0 per cent. owned subsidiary of UCIC) and Umm Al Quwain Paper Products that cater to the domestic demand. Expansions have been planned to the tune of 900,000 tonnes per year. These capacities will focus on serving domestic as well as export markets.

In 2023G, 50.0 to 55.0 per cent. of the demand was catered through domestic production while the remaining 45.0 to 50.0 per cent. was imported into the country. The Kingdom, Oman and India are key exporting countries for containerboard in the UAE.

The following exhibit shows the UAE's containerboard demand segmentation by source in 2023G:

Exhibit 3.14: The UAE's Containerboard Market, Segmentation by Source in 2023G

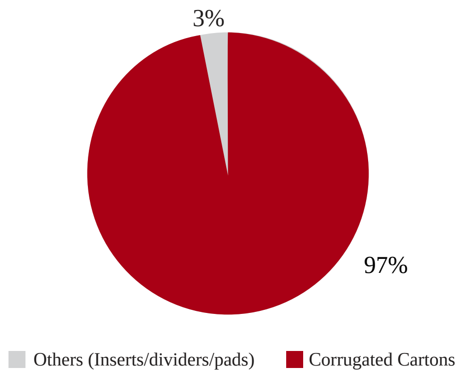


Source: Market Consultant's analysis.

In the dynamic economy of the UAE, containerboard serves a multitude of purposes across a spectrum of industries, reflecting the nation's thriving packaging sector. Key sectors from which containerboard benefits include food and beverage, retail and consumer goods primarily in the form of corrugated boxes and small volumes in protective packaging materials such as corrugated pads, dividers and inserts.

The following exhibit shows the UAE's containerboard market by application in 2023G:

Exhibit 3.15: The UAE's Containerboard Market by Application in 2023G



Source: Market Consultant's analysis.

3.3.2 Market Drivers and Challenges

3.3.2.1 Drivers

Overall, factors such as the growth of e-commerce, the UAE's strategic location as a re-export hub and a focus on sustainability are significant contributors to the expansion of the containerboard market in the UAE. As these trends continue to evolve, the demand for containerboard is expected to remain strong, presenting opportunities for growth and investment in the packaging industry.

The UAE has a diverse industrial base, including sectors such as manufacturing, retail, food and beverage and logistics. These industries rely on containerboard for packaging solutions, driving sustained demand in the market.

3.3.2.2 Challenges

Containerboard competes with alternative packaging materials, such as plastic, that offer different advantages in terms of cost, durability, or customisation. The increasing presence of importers in the market has put pressure on domestic suppliers.

3.3.3 Competition Landscape

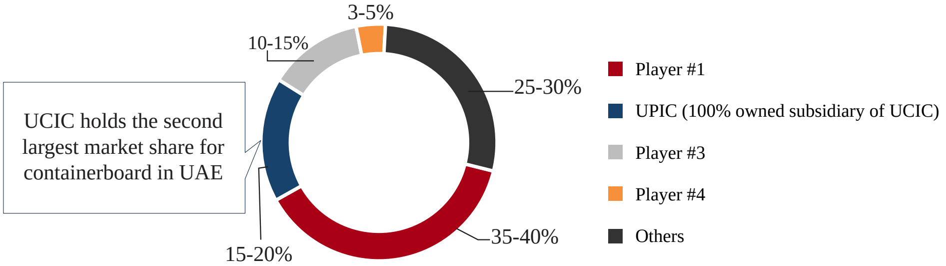
Union Paper Mills stands as the premier producer of containerboard in the UAE. UPIC (100.0 per cent. subsidiary of UCIC) plays a significant role in the market, contributing to 15.0 to 20.0 per cent. of the local demand, further solidifying the local industry's competitive landscape. Among exporters, Keryas Paper Industry in Oman is a major contributor. India is also a prominent importer in UAE, however, the imports from India have declined recently and remain volatile.

Union Paper Mills is a large containerboard manufacturer established in 1987G in Dubai. The company manufactures its products using 100.0 per cent. recycled wastepaper. Through its initiative, Green Arabia, the company collects and recycles wastepaper from corporate sources. Additionally, Union Paper Mills is involved in providing end-to-end waste management solutions.

Established in 1993G, Umm Al Quwain Paper Products is another major player in UAE's containerboard manufacturing sector offering core board paper, test liner, fluting grades and slitted core board paper. The company also provides waste management services to its customers.

The following exhibit shows the Group's market share in the UAE demand for containerboard in 2023G:

Exhibit 3.16: The Group's Market Share in the UAE's Containerboard Market in 2023G



Source: Market Consultant's analysis.

Old, corrugated cardboard is a key source for containerboard production in the country. Several companies and organisations are involved in the collection of old corrugated cardboard in the UAE, including waste management companies, recycling firms and government agencies. These entities typically collect old, corrugated cardboard from various sources, including households, businesses, industries and commercial establishments.

3.4 Folding Cartons Market – Kingdom

Folding cartons are paper-based containers primarily used for packaging a wide range of products, including food, pharmaceuticals, cosmetics and more. As the name suggests, they are typically made from paperboard and are foldable. Folding cartons are used across a wide range of applications. In food and beverage, folding cartons are widely used for packaging items like cereals, snacks, frozen foods, confectionery, beverages and more. Pharmaceuticals, cosmetic and personal care, FMCG and food servicing sectors such as restaurants, cloud kitchens, food delivery and bakeries, among others. Folding cartons are often used with luxurious finishes to enhance brand image.

The folding carton market in the Kingdom, is a vital segment of the packaging industry, serving key sectors such as food and beverage, pharmaceuticals and consumer goods. These cartons are valued for their versatility with the market's growth driven by the demand for packaging solutions that are both visually appealing and compliant with regulatory standards. As the Kingdom's consumer goods and food industries continue to prosper, the folding carton market is expected to expand in tandem, offering a wide range of packaging options to meet businesses' evolving needs.

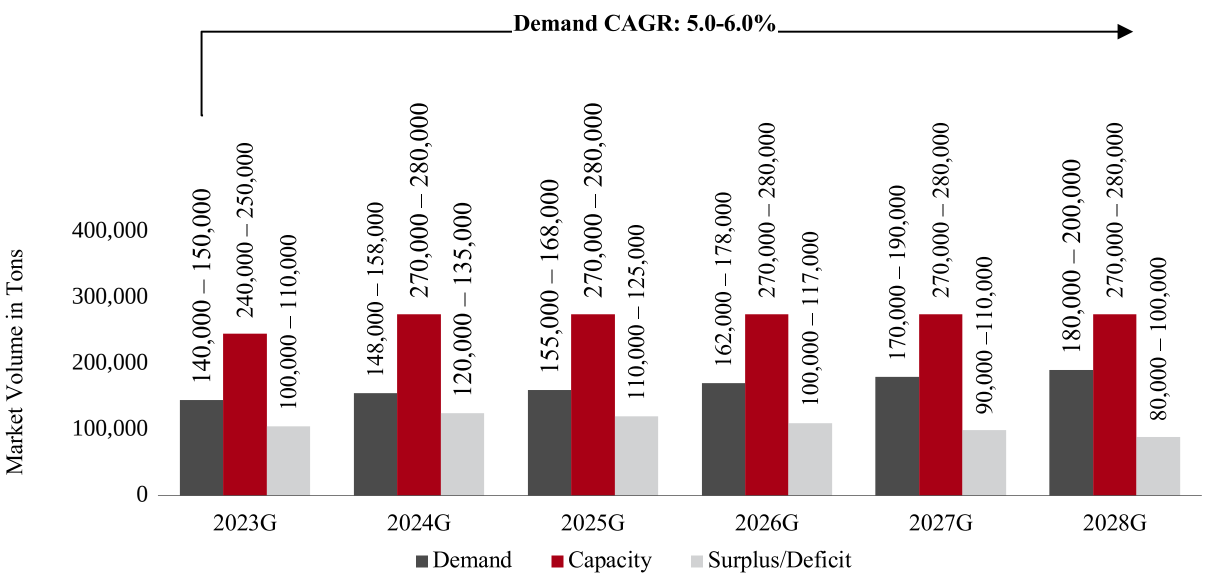
3.4.1 Market Overview

In 2023G, the Kingdom's demand for folding cartons is estimated to be between 140,000 to 150,000 tonnes, while the total installed capacity stands at 240,000 to 250,000 tonnes. A substantial portion of the local production is dedicated to meeting domestic demand, with a smaller volume allocated for exports to countries such as the UAE, Bahrain and Oman. Between 2023G and 2028G, the folding carton market is projected to witness a CAGR of 5.0 to 6.0 per cent. with demand expected to reach 180,000 to 200,000 tonnes by 2028G. This growth trajectory is primarily propelled by the expanding food and beverage, FMCG, pharmaceutical and food servicing sectors, encompassing restaurants, cafes and artisanal bakeries, among others.

The Government's emphasis on localisation initiatives aimed at enhancing the investment environment across various industries is anticipated to further boost demand for folding cartons, aligning with the nation's economic priorities.

The following exhibit shows the demand, capacity and the gap between the two in the Kingdom for folding cartons between 2023G and 2028G:

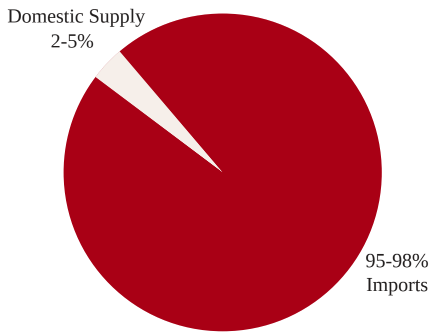
Exhibit 3.17: The Kingdom's Folding Cartons Market Overview from 2023G to 2028G



Source: Market Consultant's analysis.

The following exhibit shows the Kingdom's folding cartons demand segmentation by source in 2023G:

Exhibit 3.18: The Kingdom's Folding Cartons Market, Segmentation by Source in 2023G

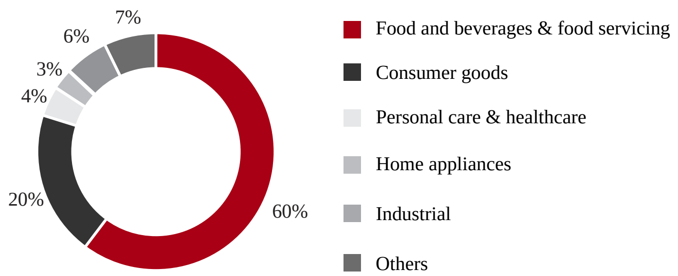


Source: Market Consultant's analysis.

There is a high demand for folding cartons from the food and beverages sector. Few companies have seen a 100.0 per cent. increase in folding cartons demand in 2023G than in 2022G from the sector. With new tissue production facilities and increased production of pharma products in the Kingdom, suppliers are seeing an increase in the number of orders.

The following exhibit shows the Kingdom's folding cartons demand segmentation by application in 2023G:

Exhibit 3.19: The Kingdom's Folding Cartons Market by Application in 2023G



Source: Market Consultant's analysis.

Note 1: "**Food and beverages**": baked and processed food, beverages, confectionery, frozen food, ready-to-cook meals and ready-to-eat food, among others; "**Consumer goods**": items such as aluminium foil boxes, tissue boxes, detergents and surface cleaners; "**Personal care and healthcare**": pharmaceuticals, cosmetics, soaps, shower products and similar items; "**Industrial goods**": hand tools, industrial accessories and related products

3.4.2 Market Drivers and Challenges

3.4.2.1 Drivers

Demand for folding cartons is driven by the need for high quality aesthetics to appeal to customers and improve the brand pull of the products.

Localisation in the food and beverage industry is driving the demand for folding cartons in the Kingdom, particularly in segments such as pasta, sweet and savoury snacks, chocolates, biscuits and breakfast cereals. Consumer preferences for ready-to-eat foods are shaping the country's food packaging trends. The rise in ready-to-eat and grab-and-go meals, coupled with the growing preference for processed and packaged foods, is fuelling the demand for folding cartons. Moreover, the increased focus on entertainment is driving a rapid increase in demand for folding cartons for popcorn packaging.

3.4.2.2 Challenges

The availability of virgin grade paper (ivory paper), used for direct food contact application, is a challenge in the Kingdom as it is primarily import-dependent. The increasing number of folding carton manufacturers has also posed a risk of price volatility in the market as these companies run at small scale and offer lower prices to the clients. Overall, balancing the packaging needs of diverse industries while ensuring cost-effectiveness presents an ongoing challenge.

3.4.3 Competition Landscape

In the domestic market, IPIC (100.0 per cent. owned subsidiary of UCIC) entered the market in 2022G and has already garnered a market share of 8.0 to 10.0 per cent. However, Obeikan Folding Carton stands as the leading producer in the Kingdom, followed by Al-Ebtekar Factories and Nasrpac, holding a collective market share of 60.0 to 65.0 per cent. In 2023G, the bulk of the demand was met through domestic production, highlighting the significant role of local manufacturers in serving the Kingdom's demand for folding cartons.

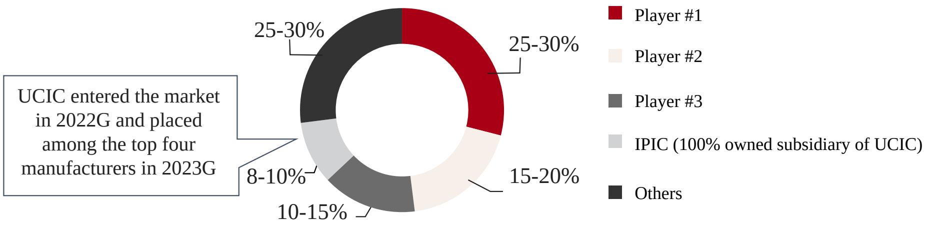
Established in Riyadh in 1992G, Obeikan Folding Carton (OFC) is a part of the Obeikan Investment Group that has a presence across packaging, glass, real estate, technical fabrics and real estate, among others. The company is a large manufacturer of folding cartons and caters to both local and multinational brands.

Founded in 1979G and situated in Dammam, Al-Ebtekar is a family-owned enterprise involved in the manufacturing of cartons and boxes mainly focusing on the food, pharmaceuticals, cosmetics and consumer goods segments, among others. The company also operates a facility in Dammam to undertake commercial printing activities, including designing of products such as posters, advertising flyers, catalogues, among others.

Nasrpac was established in 1973G in Jeddah and offers folding cartons for industries including food and beverage, FMCG and pharmaceuticals, among others.

The following exhibit shows the Group's market share in the demand for folding cartons in the Kingdom in 2023G:

Exhibit 3.20: The Group's Market Share in the Kingdom's Folding Cartons Market in 2023G



Source: Market Consultant's analysis.

There are different types of paperboard used for folding carton production. Coated kraft back paperboard is made from 100.0 per cent. virgin fibre. It is food-safe and reliable even in cold and wet environments. The others are solid bleached sulphate and folding box board based on bleached and recycled fibre.

3.5 Pulp-Based Products Market

The Group offers two and four biodegradable cup holders as a part of its product portfolio. However, the revenue contribution of this segment remains limited. The overall market is catered to by companies such as Noor Carton & Packaging Industry and Al Watania For Industries in addition to the Group. These manufacturers offer other products as a part of their portfolio. For example, Al Watania For Industries offers egg trays and corrugated cartons in addition to cup holders through its subsidiary Al Watania Paper Products (WAPER).

Nevertheless, the segment highlights one of the core strengths of the Group in its commitment to sustainability and circular economy. By utilising recycled paper pulp sourced from waste generated in the production of corrugated cartons, the Group not only minimises its ecological footprint but also contributes significantly to waste reduction and responsible production processes.

The market for pulp-based products in the Kingdom is experiencing significant growth, particularly driven by the food and beverage sector. The rise in popularity of takeaway and food delivery services has increased demand for cup carriers that can efficiently hold multiple cups, leading to a surge in demand for moulded pulp-based cup holders, disposable plates and food packaging boxes. Demand is also driven by the presence of large coffee chains and continuous growth in demand for hot beverage products. Foreign companies, such McDonald's and Starbucks, as well as local brands, such as Café Bateel and Brew 92, have been rapidly expanding to cater to evolving consumer preferences. Notably, established brands, such as McDonald's, Starbucks, PepsiCo and Barn Café, are some of the major customers for the Group, highlighting their strength in the segment.

These pulp-based alternatives are also being preferred over Styrofoam and plastic-based products due to their eco-friendliness and sustainability. While the contribution of the segment to the Group's revenue is anticipated to remain marginal in the future, increasing focus on sustainable packaging will be a key driver for growth.

Business Description

4. Business Description

4.1 Overview

United Carton Industries Company is a Saudi closed joint stock company pursuant to Ministerial Resolution No G/137 dated 12 Jumada al-Ula 1438H (corresponding to 9 February 2017G) with Commercial Registration No 4030065231 dated 18 Ramadan 1409H (corresponding to 24 April 1989G). It was originally incorporated in 1988G as a limited liability company. The Company's registered head office is located at the Industrial Area – Phase No. 5, P.O. Box 31503, 21418 Jeddah, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of the Company is four hundred million Saudi Arabian Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share.

According to its main Commercial Registration certificate, the Company's main activities include manufacture of paper pulp from fibre, industry of pulp, paper and cardboards, manufacture of clear and glossy papers, manufacture of papers and corrugated cardboards (pasteboard), manufacture of cardboard boxes, boxes, single or folded bags from paper or corrugated cardboards, manufacture of paper bags, manufacture of paper file boxes, manufacture of paper roll covers, manufacture of sanitary papers, napkins, cleaning napkins and towels, manufacture of paper products for household purposes, includes (dishes and cups), manufacture of egg boxes and the like, manufacture of printing and writing papers and ready-to-use computer, manufacture of varnishes (polishing materials), repair and maintenance of paper making machinery, cardboard and plastic products stores, collection of recyclable materials, wholesale of stationery, wholesale of wires and switches and other installation equipment for industrial use, wholesale of electrical generators and transformers, wholesale of fire protection devices and equipment, wholesale of machinery for industrial use (including woodworking machines and saws), wholesale of packing equipment, wholesale of paint and varnish, wholesale of paper in bulk, wholesale of metal and non-metal waste and scrap and materials for recycling (including collecting, sorting, separating, stripping, storage and delivery), retail sale of basic materials for rug, tapestry or embroidery making, retail sale of paints, varnishes and adhesives, retail of office furniture, retail of fire protection devices and equipment and retail sale of packing equipment.

The Group, renowned for its commitment to excellence, manufactures a diverse array of paper-based packaging solutions, catering to the needs of top domestic and multinational clients. This ensures their products are delivered to consumers safely, sustainably and in an eco-friendly manner. With a portfolio that includes corrugated boxes, folding cartons (duplex), recycled containerboard (paper, such as test liner and fluting recycled paper) and moulded pulp-based products, the Group operates across eight plants in the Kingdom and UAE. In the retail sector, paper packaging serves not just protective purposes but also significantly contributes to branding and merchandising, meeting the dynamic needs of customers.

The Group, a leader in corrugated packaging within the Kingdom (with a 37.0 to 40.0 per cent. market share in 2023G), GCC and MENA regions, expanded its horizon into the folding carton (duplex) and containerboard (paper) manufacturing segments in 2022G and 2023G, respectively. This expansion signifies the beginning of lateral as well as backward integration and geographical growth. The Group aspires to be a comprehensive packaging solution provider in the region, offering a variety of printing options such as Flexographic, offset and digital printing. Servicing prominent domestic and international brands, such as Almarai, Savola, Procter & Gamble, Unilever, Pepsi, McDonald's, Nadec, Nova, Berain, Safi Danone, Nestle, Mars and more, the Group has built long-standing relationships by consistently delivering top-quality products and embracing technological advancements to meet the evolving needs of its clients. With a focus on digitalisation, automation and the upcoming integration of AI and virtualisation, the Group aligns its growth with Vision 2030.

The Group has four fully owned subsidiaries: IPIC in the Kingdom, specialising in folding cartons (duplex) and pulp-based products, UPIC in the UAE, focusing on recycled containerboard such as test liner and fluting papers, recycling a substantial 70,000 tonnes of recovered paper annually, and RAKP CO. in the UAE, which specialises in the manufacture of corrugated cardboard products, and Integrated Paper Industry Company in the Kingdom. Over 85.0 per cent. of the paper used by the Group in its manufacturing in 2023G was recycled paper, emphasising its commitment to environmental sustainability. As per the Market Research Report, the Group holds a dominant position in the corrugated market within the Kingdom and GCC, with a commanding 37.0 to 40.0 per cent. market share in the Saudi corrugated sector, outperforming the next four competitors combined. As the largest corrugated manufacturer in the MENA Region, it acquired IPIC in 2022G, gaining a market share between 8.0 to 10.0 per cent. in the folding carton segment in 2022G, and acquired UPIC in 2023G, gaining about a robust 15.0 to 20.0 per cent. market share in the UAE's containerboard (paper) market in 2023G. Furthermore, the Company expanded its operations through the acquisition of RAKP CO. in 2024G, resulting in a market share acquisition of under 3.0 per cent. in the corrugated cardboard market in the UAE.

These steps illustrate the Group's strategic approach to growth, both domestically and regionally, its resilience in mitigating supply chain risks and its dedication to global best practices and human resource development, solidifying its role as a prominent player in the paper and packaging industry.

The Group's core activities consist of the following four principal business segments:

- **Corrugated Carton Products**: The Group manufactures corrugated cartons that are essential in secondary packaging solutions across various industries. These cartons, made from a corrugated cardboard material, typically consist of three layers: an outer liner, an inner liner and a corrugated medium sandwiched between them known as fluting. They can even be extended to five or more layers. These cartons are versatile packaging solutions widely used for shipping, storage and retail packaging across various industries. They provide excellent protection to goods during transit, are lightweight yet sturdy, and can be customised in size, shape and design to meet specific packaging requirements. With the advanced printing options, they offer both functional and aesthetic benefits. The Group's range includes various products like regular slotted containers, half slotted containers, wrap around cases, die cut containers, high graphics Flexographic printing, stitched boxes and digitally printed corrugated stands and boxes each catering to specific packaging needs, which are produced by the Company and its fully owned subsidiary, RAKP CO. Over 85.0 per cent. of the paper utilised is recycled, emphasising the Group's commitment to sustainability;
- **Folding Carton (Duplex)**: The Group manufactures a comprehensive range of folding cartons. Folding carton boxes are packaging containers made either from a food-grade virgin board or a recycled paperboard such as duplex (grey-back), which have been die-cut, scored for folding and glued into desired shapes. These boxes are known for their sturdiness, providing an ideal balance between strength and printability. The high-quality offset printing capability on coated paperboard enhances branding for the brand owners. Duplex boxes are commonly used in various industries such as food, beverages, pharmaceuticals, hardware, etc. and are used for both primary and secondary packaging. These are produced by the Group's fully owned subsidiary, IPIC;
- **Pulp Products Segment**: The Group's commitment to environmental sustainability and circular economy is reflected in its pulp products segment, where recycled paper pulp is moulded into various shapes and configurations using heat and pressure. Presently two and four cup carriers are manufactured to cater to the food service segment. The Group's moulded pulp products is a cornerstone of its diverse operations, focusing on environmental protection and sustainability. This innovative approach underpins the production of high-quality products while minimising ecological impact. Pulp products are manufactured by IPIC; and
- **Containerboard (Paper)**: Specialising in test liner and fluting made from recycled fibres, the Group produces essential materials for corrugated packaging. Test liner is a type of paper with a smooth surface used for the outer / inner layer of corrugated boxes, providing strength, printability and surface finish, while fluting provides cushioning and structural integrity. This segment underlines the Group's focus on durable, sustainable packaging solutions. These are manufactured by the Group's fully owned subsidiary, UPIC.

This product diversity reflects the Group's commitment to innovation and sustainability, establishing it as a leader in the corrugated carton products and paper packaging sector with high-quality and environmentally responsible solutions.

For further details regarding the Group's products, see Section 4.6.1 (*Products*).

As of 30 June 2024G, the Group had a total of 1,586 employees (including 984 production line employees) across all countries in which it operates (for further details, see Section 5.9 (*Employees*)).

The Group generated revenue of SAR 1,049.6 million, SAR 1,414.7 million, SAR 1,361.8 million and SAR 670.7 million in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. Net profit for the year was SAR 7.0 million, SAR 69.5 million, SAR 156.7 million and SAR 62.7 million in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. The Group's total assets as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G was SAR 775.0 million, SAR 891.7 million, SAR 925.8 million and SAR 957.2 million, respectively. Total liabilities of the Group amounted to SAR 398.5 million, SAR 464.3 million, SAR 443.7 million and SAR 412.4 million as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. See Section 6 (*Management Discussion and Analysis of Financial Condition and Results of Operations*) for more detailed discussions regarding the financial performance of the Group.

4.2 Corporate History

Founded in 1988G, the Group has consistently expanded its footprint and capabilities within the packaging industry of the Kingdom and expanded geographically to the UAE in 2023G. From a single plant operation, the Group expanded its business, operating eight plants across the Kingdom and UAE covering corrugated, folding carton (duplex) and containerboard products segments. The Group is the leader in the corrugated packaging segment holding 37.0 to 40.0 per cent. market share in 2023G with significant market share in folding carton (duplex) and containerboard segments.

The key historical milestones and events are summarised as follows:

Table 4.1: Key Historical Changes and Events

Date	Change
1988G	– The Company was established.
1997G	– Introduction of high graphic printing on corrugated products.
2001G	– The Company acquired Saudi Carton Factory.
2004G	– CPMS, a specialised German enterprise resource planning (ERP) system for corrugated carton products, was introduced to integrate operations.
2007G	– The Company acquired Babtain Carton Co.
2010G	– Cyrel Digital Imager (CDI) machine was introduced to expose plates digitally creating high quality flawless plates in less time.
2014G	– Point of sale products were launched.
2015G	– The Company acquired National Packing Products Co. Ltd
2017G	– The Company established a green field plant in Al Kharj.
2018G	– Digitalisation drive.
	– Customer portal was launched ensuring customers service accessibility 24/7.
2019G	– Skill Development Center for training and development was established.
	– BRC certification obtained for Plant 5.
2020G	– Introduction of digital printing technology.
	– Robotic technology was introduced on digital machine.
2022G	– The Company acquired Integrated Packaging Industries Company (formerly known as Al Kifah Paper Products Company) which marked its entry into the folding carton (duplex) sector. – Implemented SAP S4 Hana, an enterprise resource planning system.
2023G	– The Company acquired United Paper Industries Company FZCO (formerly known as Gulf Paper Manufacturing Co.) which marked its entry into the paper container board (paper products) sector and the accompanying geographical expansion.
	– 300 million linear metres of corrugated board produced. This is equivalent to approximately the length of 7.5 times around the world.
2024G	– The Company acquired Ras Al Khaimah Packaging LLC.

Source: The Company.

4.3 Group Structure and Shareholding Structure

4.3.1 Current Shareholding Structure

As of the date of this Prospectus, the capital of the Company is four hundred million Saudi Arabian Riyals (SAR 400,000,000), divided into forty million (40,000,000) ordinary Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share.

The following table sets out the shareholding and capital structure of the Company before and after the Offering:

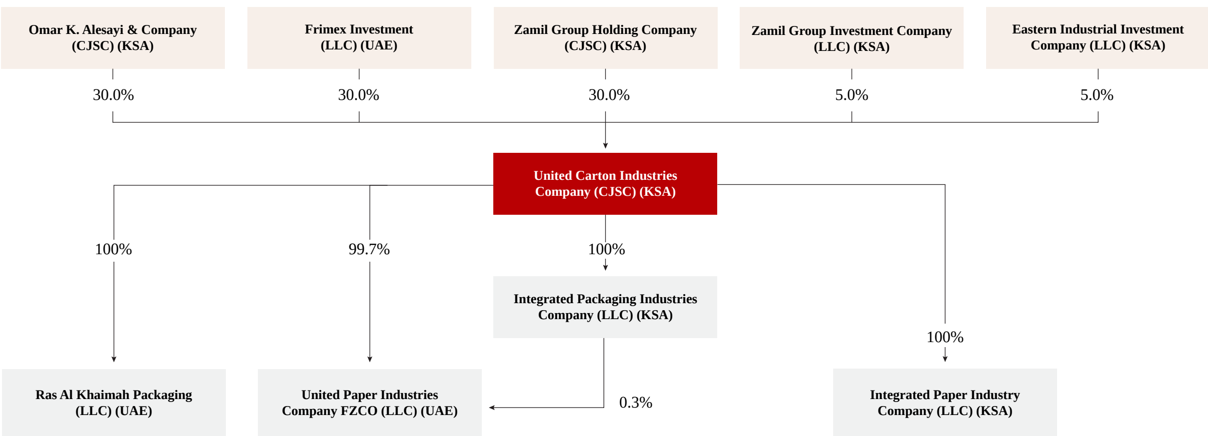
Table 4.2: Direct Ownership Structure of the Company Pre-and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Nominal Value (SAR)	Percentage	Number of Shares	Nominal Value (SAR)	Percentage
Zamil Group Holding Company	12,000,000	120,000,000	30.0%	8,400,000	84,000,000	21.0%
Omar Kassem Alesayi and Company	12,000,000	120,000,000	30.0%	8,400,000	84,000,000	21.0%
Frimex Investment LLC	12,000,000	120,000,000	30.0%	8,400,000	84,000,000	21.0%
Zamil Group Investment Company	2,000,000	20,000,000	5.0%	1,400,000	14,000,000	3.5%
Eastern Industrial Investment Company	2,000,000	20,000,000	5.0%	1,400,000	14,000,000	3.5%
Public	-	-	-	12,000,000	120,000,000	30.0%
Total	**40,000,000**	**400,000,000**	**100.0%**	**40,000,000**	**400,000,000**	**100.0%**

Source: The Company.

The following chart illustrates the current ownership structure of the Company as of the date of this Prospectus.

Exhibit 4.1: Ownership Structure of the Company as of the date of this Prospectus



Source: The Company.

The following table set outs the details of Shareholders directly holding 5.0 per cent. or more of the Shares in the Company as of the date of this prospectus:

Table 4.3: Details of Shareholders Directly Holding 5.0 Per Cent. or More Shares in the Company as of the Date of this Prospectus

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Nominal Value (SAR)	Percentage	Number of Shares	Nominal Value (SAR)	Percentage
Zamil Group Holding Company	12,000,000	120,000,000	30.0%	8,400,000	84,000,000	21.0%
Omar Kassem Alesayi and Company	12,000,000	120,000,000	30.0%	8,400,000	84,000,000	21.0%
Frimex Investment LLC	12,000,000	120,000,000	30.0%	8,400,000	84,000,000	21.0%
Zamil Group Investment Company	2,000,000	20,000,000	5.0%	1,400,000	14,000,000	3.5%
Eastern Industrial Investment Company	2,000,000	20,000,000	5.0%	1,400,000	14,000,000	3.5%
Public	-	-	-	12,000,000	120,000,000	30.0%
Total	**40,000,000**	**400,000,000**	**100.0%**	**40,000,000**	**400,000,000**	**100.0%**

Source: The Company.

4.3.2 Overview of Current Shareholders

4.3.2.1 Zamil Group Holding Company

Zamil Group Holding Company is a closed joint stock company registered under Commercial Registration No 2051002758 dated 24 Safar 1397H (corresponding to 13 February 1977G). Its head office registered office is located at Zamil House, Prince Turki bin Abdulaziz Street, P.O. Box 9, Al Khobar 31952, the Kingdom. As of the date of this Prospectus, the capital of Zamil Group Holding Company is five hundred and twenty-two million Saudi Arabian Riyals (SAR 522,000,000) divided into fifty-two million two hundred thousand (52,200,000) ordinary shares with a value of ten Saudi Arabian Riyals (SAR 10) per share.

Its main activities consist of air conditioning manufacturing, steel industries, petrochemicals, fast moving consumer goods, plastics and corrugated boxes, etc.

The following table sets out the ownership structure of Zamil Group Holding Company as of the date of this Prospectus:

Table 4.4: Ownership Structure of Zamil Group Holding Company as of the Date of this Prospectus

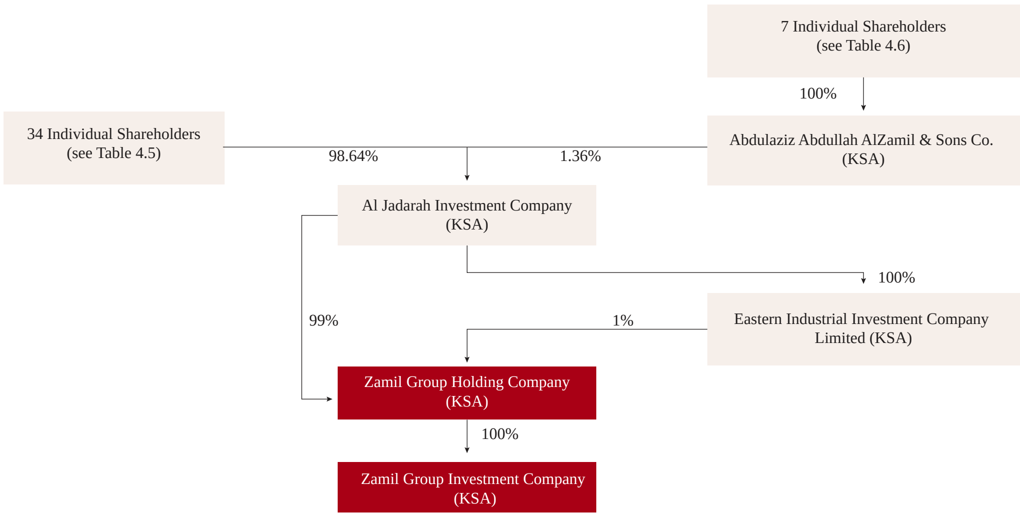
Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) (1)
Al Jadarah Investment Company	51,678,000	10	516,780,000	99%
Eastern Industrial Investment Company	522,000	10	5,220,000	1%
Total	**52,200,000**	**-**	**522,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

The following chart illustrates the current ownership structure of Zamil Group Holding Company, Al Jadarah Investment Company and Eastern Industrial Investment Company as of the date of this Prospectus.

Exhibit 4.2: Ownership Structure of Zamil Group Holding Company, Al Jadarah Investment Company and Eastern Industrial Investment Company as of the date of this Prospectus



Source: The Company.

(a) Al Jadarah Investment Company

Al Jadarah Investment Company is a closed joint stock company registered under Commercial Registration No 2051050883 dated 19 Muharram 1433H (corresponding to 14 December 2012G). Its head and registered office is located at Zamil House, Prince Turki bin Abdulaziz Street, P.O. Box 9, Al Khobar 31952, the Kingdom. As of the date of this Prospectus, the capital of Al Jadarah Investment Company is five million two hundred twenty thousand Saudi Arabian Riyals (SAR 5,220,000) divided into five hundred twenty-two thousand (522,000) ordinary shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.

Its main activities consist of dealing with investments and support the family companies.

The following table sets out the ownership structure of Al Jadarah Investment Company as of the date of this Prospectus:

Table 4.5: Ownership Structure of Al Jadarah Investment Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) [1]
Zamil Abdallah Hamad AlZamil	38,001	10	380,010	7.279%
Khalid Abdullah Hamad AlZamil	38,001	10	380,010	7.279%
Fahad Abdullah Hamad AlZamil	37,218	10	372,180	7.129%
Adib Abdallah AlZamil	37,218	10	372,180	7.129%
Waleed Abdullah Hamad AlZamil	37,218	10	372,180	7.129%
Tawfiq Abdullah Hamad AlZamil	37,218	10	372,180	7.129%
Abdulrahman Abdullah AlZamil	35,518	10	355,180	6.804%
Ahmed Abdullah Hamad AlZamil	35,518	10	355,180	6.804%
Sulaiman Abdullah Hamad AlZamil	35,518	10	355,180	6.804%
Fatimah Abdullah Hamad AlZamil	19,000	10	190,000	3.639%
Luluwa Abdullah Hamad AlZamil	17,759	10	177,590	3.402%
Hissa Abdullah Hamad AlZamil	17,759	10	177,590	3.402%
Badriyah Abdullah Hamad AlZamil	17,759	10	177,590	3.402%
Abdullah Hamad Abdullah AlZamil	16,546	10	165,460	3.169%
Abdullah Mohammed Abdullah AlZamil	14,818	10	148,180	2.838%
Nawaf Mohammed Abdullah AlZamil	8,280	10	82,800	1.5862%

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) [1]
Abdulaziz Abdullah AlZamil & Sons Co.	7,104	10	71,040	1.360%
Yaser Hamad Abdullah AlZamil	6,008	10	60,080	1.150%
Ghassan Hamad Abdullah AlZamil	6,008	10	60,080	1.150%
Osama Abdulaziz Abdullah AlZamil	4,972	10	49,720	0.952%
Sattam Abdulaziz Abdullah AlZamil	4,972	10	49,720	0.952%
Ahmed Abdulaziz Abdullah AlZamil	4,972	10	49,720	0.952%
Omar Abdulaziz Abdullah AlZamil	4,972	10	49,720	0.952%
Amal Mohammed Abdullah AlZamil	4,140	10	41,400	0.793%
Maha Mohammed Abdullah AlZamil	4,140	10	41,400	0.793%
Nora Mohammed Abdullah AlZamil	4,140	10	41,400	0.793%
Abdullah Fahad Abdullah Al Hamdan	3,943	10	39,430	0.755%
Hissa Ibrahim Fahad Al Bassam	3,554	10	35,540	0.680%
Anne Marry Gordan Bikton	3,431	10	34,310	0.657%
Manahil Abdullah Abdulaziz Al Hamdan	3,086	10	30,860	0.591%
Reem Hamad Abdullah AlZamil	3,004	10	30,040	0.575%
Haifa Hamad Abdullah AlZamil	3,004	10	30,040	0.575%
Mudawi Abdulaziz Abdullah AlZamil	2,486	10	24,860	0.476%
Rokaya Abdulaziz Abdullah AlZamil	2,486	10	24,860	0.476%
Muneera Fahad Abdullah Al Hamdan	2,229	10	22,290	0.427%
Total	**522,000**	**-**	**5,220,000**	**100%**

Source: The Company.

(1) Ownership percentages have been rounded to the third decimal place.

Abdulaziz Abdullah Hamad AlZamil & Sons Company

Abdulaziz Abdullah Hamad AlZamil & Sons Company is a closed joint stock company registered under Commercial Registration No 1010367879 dated 11 Jumada al-Ula 1434H (corresponding to 23 March 2013G). Its head and registered office is located at King Fahad Branch Road, Al Moutaamarat District, Riyadh, the Kingdom. As of the date of this Prospectus, the capital of Abdulaziz Abdullah Hamad AlZamil & Sons Company is five hundred thousand Saudi Arabian Riyals (SAR 500,000) divided into fifty thousand (50,000) ordinary shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.

Its main activities consist of dealing with rental real estate and all real estate contracts.

The following table sets out the ownership structure of Abdulaziz Abdullah Hamad AlZamil & Sons Company as of the date of this Prospectus:

Table 4.6: Ownership Structure of Abdulaziz Abdullah Hamad AlZamil & Sons Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) [1]
Osama Abdulaziz Abdullah AlZamil	8,750	10	87,500	17.5%
Sattam Abdulaziz Abdullah AlZamil	8,750	10	87,500	17.5%
Ahmed Abdulaziz Abdullah AlZamil	8,750	10	87,500	17.5%
Omar Abdulaziz Abdullah AlZamil	8,750	10	87,500	17.5%
Hissa Ibrahim Fahad Al Bassam	6,250	10	62,500	12.5%
Mudawi Abdulaziz Abdullah AlZamil	4,375	10	43,750	8.8%
Rokayah Abdulaziz Abdullah AlZamil	4,375	10	43,750	8.8%
Total	**50,000**	**-**	**500,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the first decimal place.

(b) Eastern Industrial Investment Company Limited

Eastern Industrial Investment Company is a limited liability company registered under Commercial Registration No 2051019671 dated 4 Sha'ban 1414H (corresponding to 10 February 1994G). Its registered office is located at Zamil House, Prince Turki bin Abdulaziz Street, P.O. Box 9, Al Khobar 31952, the Kingdom. As of the date of this Prospectus, the capital of Eastern Industrial Investment Company is one hundred thousand Saudi Arabian Riyals SAR (100,000) divided into ten thousand (10,000) shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.

Its main activities consist of the trading of computer and accessories.

The following table sets out the ownership structure of Eastern Industrial Investment Company as of the date of this Prospectus:

Table 4.7: Ownership Structure of Eastern Industrial Investment Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)
Al Jadarah Investment Company	10,000	10	100,000	100.0%
Total	**10,000**	**10**	**100,000**	**100.0%**

Source: The Company.

Al Jadarah Investment Company

For further information about Al Jadarah Investment Company, see Section 4.3.2.1(a) (*Al Jadarah Investment Company*).

4.3.2.2 Omar Kassem Alesayi and Company

Omar Kassem Alesayi and Company is a Saudi closed joint stock company registered under Commercial Registration No 4030022907 dated 25 Rabi' al-Awwal 1400H (corresponding to 12 February 1980G). Its head and registered office is located at Ahmed Al Hamadani Street, Ash Shati District, Jeddah 7988, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Omar Kassem Alesayi and Company is eight million Saudi Arabian Riyals (SAR 8,000,000) divided into eighty thousand (80,000) ordinary shares with a fully paid nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share.

Its main activities consist of automobiles, electronics, real estate, clothing and fast-moving consumer goods, etc.

The following table sets out the ownership structure of Omar Kassem Alesayi and Company as of the date of this Prospectus:

Table 4.8: Ownership Structure of Omar Kassem Alesayi and Company as of the Date of this Prospectus

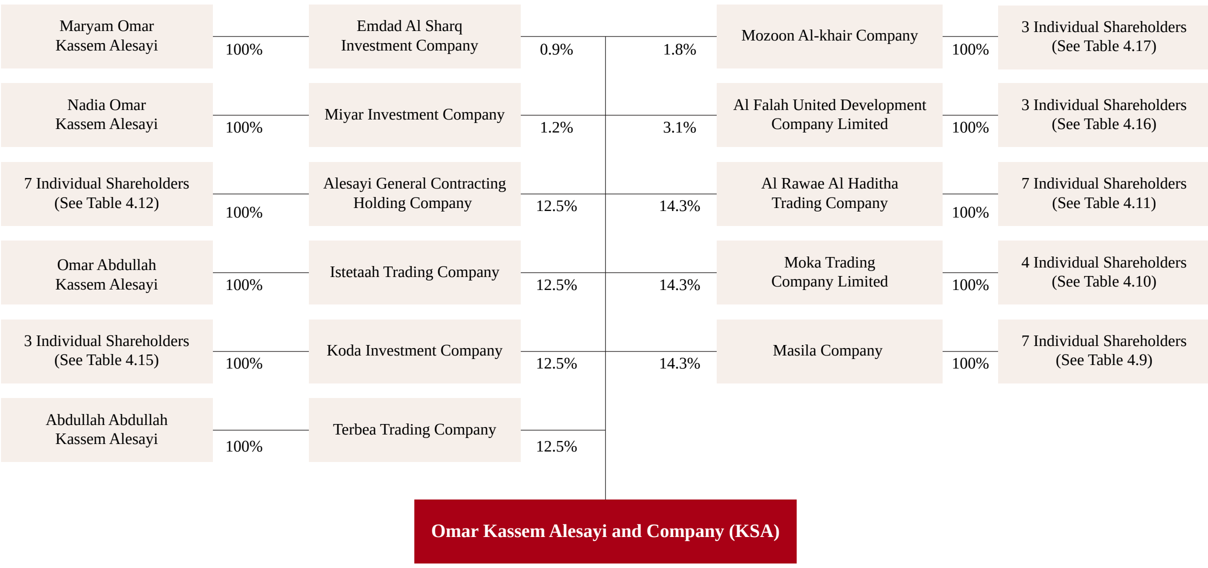
Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) (1)
Masila Company	11,458	100	1,145,800	14.3%
Moka Trading Company Limited	11,458	100	1,145,800	14.3%
Al Rawae Al Haditha Trading Company	11,458	100	1,145,800	14.3%
Alesayi General Contracting Holding Company	10,000	100	1,000,000	12.5%
Istetaah Trading Company	10,000	100	1,000,000	12.5%
Terbea Trading Company	10,000	100	1,000,000	12.5%
Koda Investment Company	10,000	100	1,000,000	12.5%
Al Falah United Development Company Limited	2,500	100	250,000	3.1%
Mozoon Al-khair Company	1,432	100	143,200	1.8%
Miyar Investment Company	964	100	96,400	1.2%
Emdad Al Sharq Investment Company	730	100	73,000	0.9%
Total	**80,000**	**-**	**8,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the first decimal place.

The following chart illustrates the current ownership structure of Omar Kassem Alesayi and Company as of the date of this Prospectus.

Exhibit 4.3: Ownership Structure of Omar Kassem Alesayi and Company as of the date of this Prospectus



Source: The Company.

(a) Masila Company

Masila Company is a Saudi closed joint stock company registered under Commercial Registration No 4030207253 dated 15 Muharram 1432H (corresponding to 21 December 2010G). Its headquarters and registered office are located in Jeddah, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Masila Company is one million Saudi Arabian Riyals (SAR 1,000,000) divided into one hundred thousand (100,000) shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.

Its main activity is investments.

The following table shows the ownership structure of Masila Company as of the date of this Prospectus:

Table 4.9: Ownership Structure of Masila Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) (1)
Saeed Omar Kassem Alesayi	70,000	10	700,000	70.0%
Eman Saeed Omar Alesayi	5,000	10	50,000	5.0%
Bandar Saeed Omar Alesayi	5,000	10	50,000	5.0%
Rawya Saeed Omar Alesayi	5,000	10	50,000	5.0%
Rayan Saeed Omar Alesayi	5,000	10	50,000	5.0%
Abdulrahman Saeed Omar Alesayi	5,000	10	50,000	5.0%
Mohamed Saeed Omar Alesayi	5,000	10	50,000	5.0%
Total	**100,000**	**-**	**1,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

(b) Moka Trading Company Limited

Moka Trading Company Limited is a limited liability company registered under Commercial Registration No 4030210530 dated 22 Rabi Al-Thani 1432H (corresponding to 27 March 2011G). Its headquarters and registered office are located in Alesayi Plaza Building, Al Madinah Road, Jeddah, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Moka Trading Company Limited is five hundred thousand Saudi Arabian Riyals (SAR 500,000) divided into five hundred (500) ordinary shares with a fully paid nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

Its main activity is investments.

The following table shows the ownership structure of Moka Trading Company Limited as of the date of this Prospectus:

Table 4.10: Ownership Structure of Moka Trading Company Limited as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) (1)
Muhammad Omar Kassem Alesayi	425	1,000	425,000	85.0%
Maryam Abdullah Kassem Alesayi	25	1,000	25,000	5.0%
Fatima Mohamed Omar Alesayi	25	1,000	25,000	5.0%
Fahad Mohamed Omar Alesayi	25	1,000	25,000	5.0%
Total	**500**	**-**	**500,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

(c) Al Rawae Al Haditha Trading Company

Al Rawae Al Haditha Trading Company is a limited liability company registered under Commercial Registration No 4030461373 dated 13 Sha'ban 1443H (corresponding to 16 March 2022G). Its headquarters and registered office are located in Al Madinah Al Munawwarah Sub-Road, Al Andalus District, Jeddah 23326, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Al Rawae Al Haditha Trading Company is one million Saudi Arabian Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a fully paid nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

Its main activity is investments.

The following table shows the ownership structure of Al Rawae Al Haditha Trading Company as of the date of this Prospectus:

Table 4.11: Ownership Structure of Al Rawae Al Haditha Trading Company as of the date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) (1)
Abdullah Omar Kassem Alesayi	700	1,000	700,000	70.0%
Abdulaziz Abdullah Omar Alesayi	50	1,000	50,000	5.0%
Mohamed Abdullah Omar Alesayi	50	1,000	50,000	5.0%
Omar Abdullah Omar Alesayi	50	1,000	50,000	5.0%
Reda Abdullah Omar Alesayi	50	1,000	50,000	5.0%
Hatem Abdullah Omar Alesayi	50	1,000	50,000	5.0%
Ahmed Abdullah Omar Alesayi	50	1,000	50,000	5.0%
Total	**1,000**	**-**	**1,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

(d) Alesayi General Contracting Holding Company

Alesayi General Contracting Holding Company is a limited liability company registered under Commercial Registration No 4030204262 dated 20 Ramadan 1431H (corresponding to 30 August 2010G). Its headquarters and registered office are located in King Abdullah Road, Al Ruwais District, Jeddah 23213, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Alesayi General Contracting Holding Company is one million Saudi Arabian Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a fully paid nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

Its main activity is investments.

The following table shows the ownership structure of Alesayi General Contracting Holding Company as of the date of this Prospectus:

Table 4.12: Ownership Structure of Alesayi General Contracting Holding Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) [1]
Aidroos Hassan Omar Alesayi	760	1,000	760,000	76.0%
Jawaher Aidroos Hassan Alesayi	40	1,000	40,000	4.0%
Adel Aidroos Hassan Alesayi	40	1,000	40,000	4.0%
Abdulaziz Aidroos Hassan Alesayi	40	1,000	40,000	4.0%
Omar Aidroos Hassan Alesayi	40	1,000	40,000	4.0%
Fatima Abdullah Kassem Alesayi	40	1,000	40,000	4.0%
Lina Aidroos Hassan Alesayi	40	1,000	40,000	4.0%
Total	**1,000**	**-**	**1,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

(e) Istetaah Trading Company

Istetaah Trading Company is a limited liability Company registered under Commercial Registration No 4030449927 dated 13 Jumada al-Akhirah 1443H (corresponding to 16 January 2022G). Its headquarters and registered office are located in Al Madinah Al Munawwarah Sub-Road, Al Andalus District, Jeddah 23326, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Istetaah Trading Company is one million Saudi Arabian Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a fully paid nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

Its main activity is investments.

The following table shows the ownership structure of Istetaah Trading Company as of the date of this Prospectus:

Table 4.13: Ownership Structure of Istetaah Trading Company as of the date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) [1]
Omar Abdullah Kassem Alesayi	1,000	1,000	1,000,000	100.0%
Total	**1,000**	**-**	**1,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

(f) Terbea Trading Company

Terbea Trading Company is a limited liability Company registered under Commercial Registration No 4030449876 dated 13 Jumada al-Akhirah 1443H (corresponding to 16 January 2022G). Its headquarters and registered office are located in Al Madinah Al Munawwarah Sub-Road, Al Andalus District, Jeddah 23326, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Terbea Trading Company is one million Saudi Arabian Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a fully paid nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

Its main activity is investments.

The following table shows the ownership structure of Terbea Trading Company as of the date of this Prospectus:

Table 4.14: Ownership Structure of Terbea Trading Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) (1)
Abdullah Abdullah Kassem Alesayi	1,000	1,000	1,000,000	100.0%
Total	**1,000**	**-**	**1,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

(g) Koda Investment Company

Koda Investment Company is a limited liability company registered under Commercial Registration No 4030447043 dated 19 Jumada Al-Ula 1443H (corresponding to 23 December 2021G). Its headquarters and registered office are located in Al Shatea District, Jeddah 23511, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Koda Investment Company is one million Saudi Arabian Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a fully paid nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

Its main activity is investments.

The following table shows the ownership structure of Koda Investment Company as of the date of this Prospectus:

Table 4.15: Ownership Structure of Koda Investment Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)(1)
Saleh Ahmed Omar Alesayi	500	1,000	500,000	50.0%
Ahmed Saleh Ahmed Alesayi	250	1,000	250,000	25.0%
Omar Saleh Ahmed Alesayi	250	1,000	250,000	25.0%
Total	**1,000**	**-**	**1,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

(h) Al Falah United Development Company Limited

Al Falah United Development Company is a limited liability company registered under Commercial Registration No 4030181764 dated 8 Sha'ban 1429H (corresponding to 9 August 2008G). Its head and registered office is located at Madinah Road, Al Andalus District, Alesayi Plaza, P.O. Box 3035, Jeddah 21471, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Al Falah United Development Company is one million five hundred thousand Saudi Arabian Riyals (SAR 1,500,000) divided into one thousand five hundred (1,500) ordinary shares with a fully paid nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

Its main activities consist of real estate investment.

The following table sets out the ownership structure of Al Falah United Development Company Limited as of the date of this Prospectus:

Table 4.16: Ownership Structure of Al Falah United Development Company Limited as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) (1)
Saeed Omar Kassem Alesayi	500	1,000	500,000	33.3%
Abdullah Omar Kassem Alesayi	500	1,000	500,000	33.3%
Mohammed Omar Kassem Alesayi	500	1,000	500,000	33.3%
Total	**1,500**	**1,000**	**1,500,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the first decimal place.

(i) Mozoon Al-khair Company

Mozoon Al-khair Company is a limited liability company registered under Commercial Registration No 4030450022 dated 14 Jumada al-Akhirah 1443H (corresponding to 17 January 2022G). Its headquarters and registered office are located in Al Madinah Al Munawwarah Sub-Road, Al Andalus District, Jeddah 23326, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Mozoon Al-khair Company is one million Saudi Arabian Riyals (SAR 1,000,000) divided into ten thousand (10,000) ordinary shares with a fully paid nominal value of one hundred Saudi Arabian Riyals (SAR 100) per share.

Its main activity is investments.

The following table shows the ownership structure of Mozoon Al-khair Company as of the date of this Prospectus:

Table 4.17: Ownership Structure of Mozoon Al-khair Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)(1)
Fatima Omar Kassem Alesayi	7,000	100	700,000	70.0%
Walid Badr Ali Alesayi	1,500	100	150,000	15.0%
Lamiaa Badr Ali Alesayi	1,500	100	150,000	15.0%
Total	**10,000**	**-**	**1,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

(j) Miyar Investment Company

Miyar Investment Company is a limited liability company registered under Commercial Registration No 4030449893 dated 13 Jumada al-Akhirah 1443H (corresponding to 16 January 2022G). Its headquarters and registered office are located in Al Madinah Al Munawwarah Sub-Road, Al Andalus District, Jeddah 23326, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Miyar Investment Company is one million Saudi Arabian Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a fully paid nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

Its main activity is investments.

The following table shows the ownership structure of Miyar Investment Company as of the date of this Prospectus:

Table 4.18: Ownership Structure of Miyar Investment Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)(1)
Nadia Omar Kassem Alesayi	1,000	1,000	1,000,000	100.0%
Total	**1,000**	**-**	**1,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

(k) Emdad Al Sharq Investment Company

Emdad Al Sharq Investment Company is a limited liability company registered under Commercial Registration No 4030448575 dated 30 Jumada Al-Ula 1443H (corresponding to 3 January 2022G). Its headquarters and registered office are located in Al Shatea District, Jeddah 23511, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Emdad Al Sharq Investment Company is one million Saudi Arabian Riyals (SAR 1,000,000) divided into one thousand (1,000) ordinary shares with a fully paid nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

Its main activity is investments.

The following table shows the ownership structure of Emdad Al Sharq Investment Company as of the date of this Prospectus:

Table 4.19: Ownership Structure of Emdad Al Sharq Investment Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)(1)
Maryam Omar Kassem Alesayi	1,000	1,000	1,000,000	100.0%
Total	**1,000**	**-**	**1,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

4.3.2.3 Frimex Investment LLC

Frimex Investment LLC is a limited liability company registered under Commercial Registration No 207887 dated 5 Rabi' al-Thani 1404H (corresponding to 2 February 1984G). Its head and registered office is located at Office No m3 Dubai Real Estate Establishment, Alkhubaisi Road, P.O. Box 4397 Dubai, UAE. As of the date of this Prospectus, the capital of Frimex Investment LLC is three hundred million United Arab Emirates Dirhams (AED 300,000,000) (corresponding to approximately three hundred nine million Saudi Arabian Riyals (SAR 309,000,000)) divided into three hundred thousand (300,000) ordinary shares with a fully paid nominal value of one thousand United Arab Emirates Dirhams (AED 1,000) (corresponding to approximately one thousand thirty Saudi Arabian Riyals (SAR 1,030)) per share.

Its main activities consist of fast-moving consumer goods, real estate, industrial investment, agricultural investment and trading projects activities, etc.

The following table sets out the ownership structure of Frimex Investment LLC as of the date of this Prospectus:

Table 4.20: Ownership Structure of Frimex Investment LLC as of the Date of this Prospectus

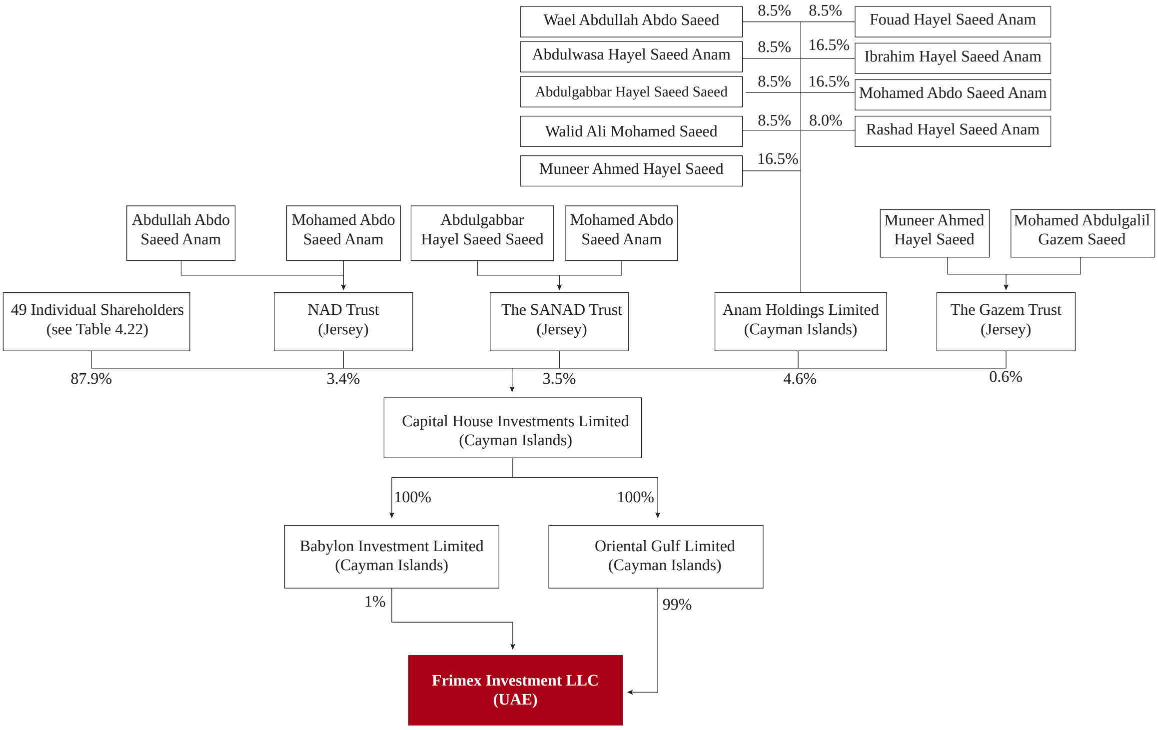
Shareholder	Number of Shares	Nominal Value per Share (AED)	Overall Nominal Value (AED)	Shareholding (%)(1)
Oriental Gulf Limited	297,000	1,000	297,000,000	99.0%
Babylon Investment Limited	3,000	1,000	3,000,000	1.0%
Total	**300,000**	**-**	**300,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

The following chart illustrates the current ownership structure of Frimex Investment LLC as of the date of this Prospectus.

Exhibit 4.4: Ownership Structure of Frimex Investment LLC as of the Date of this Prospectus



Source: The Company.

(a) Oriental Gulf Limited

Oriental Gulf Limited is a Cayman Island company limited by shares registered under File No. MC-351688. Its registered office is located at The Office of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As of the date of this Prospectus, the capital of Oriental Gulf Limited is five million U.S. Dollars (USD 5,000,000) (corresponding to approximately eighteen million seven hundred and fifty thousand Saudi Arabian Riyals (SAR 18,750,000)) divided into five million (5,000,000) ordinary shares with a fully paid nominal value of one U.S. Dollar (USD 1) (corresponding to approximately SAR 3.75) per share.

According to its bylaws, Oriental Gulf Limited can carry out any activities that are not prohibited by the laws of The Cayman Islands.

The following table sets out the ownership structure of Oriental Gulf Limited as of the date of this Prospectus:

Table 4.21: Ownership Structure of Oriental Gulf Limited as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal value per Share (USD)	Overall Nominal Value (USD)	Shareholding (%) (1)
Capital House Investments Limited	5,000,000	1	5,000,000	100%
Total	**5,000,000**	**-**	**5,000,000**	**100%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

Capital House Investments Limited

Capital House Investments Limited is an exempt company registered under the laws of the Cayman Island with incorporation number 11879. Its registered office is located at PO Box 309 Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As of the date of this Prospectus, the capital of Capital House Investments Limited is four hundred fifty million U.S. Dollars (USD 450,000,000) (corresponding to approximately one billion and six hundred eighty-seven million and five hundred thousand Saudi Arabian Riyals (SAR 1,687,500,000)) divided into four hundred fifty million (450,000,000) ordinary shares with a fully paid nominal value of one U.S. Dollar (USD 1) (corresponding to approximately SAR 3.75) per share.

According to its bylaws, Capital House Investments Limited can carry out any activities that are not prohibited by the laws of the Cayman Islands.

The following table sets out the ownership structure of Capital House Investments Limited as of the date of this Prospectus:

Table 4.22: Ownership Structure of Capital House Investments Limited as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (USD)	Overall Nominal Value (USD)	Shareholding (%) (1)
Abdulgabbar Hayel Saeed	31,781,274	1	31,781,274	7.1%
Muneer Ahmed Hayel Saeed	20,590,023	1	20,590,023	4.6%
Salah Ahmed Hayel Saeed	20,555,894	1	20,555,894	4.6%
Anam Holdings Limited	20,501,415	1	20,501,415	4.6%
Fouad Hayel Saeed Anam	19,728,817	1	19,728,817	4.4%
Shawki Ahmed Hayel Saeed	19,464,023	1	19,464,023	4.3%
Khaled Ahmed Hayel Saeed	19,193,767	1	19,193,767	4.3%
Mohamed Abdo Saeed Anam	18,753,624	1	18,753,624	4.2%
Abdullah Abdo Saeed Anam	18,094,720	1	18,094,720	1.0%
Ibrahim Hayel Saeed Anam	18,082,280	1	18,082,280	4.0%
Waleed Ali Muhammad Saeed	17,500,643	1	17,500,643	3.9%
Abdulwasa Hayel Saeed Anam	17,234,263	1	17,234,263	3.8%
The SANAD Trust	15,745,502	1	15,745,502	3.5%
NAD Trust	15,464,183	1	15,464,183	3.4%
Rashad Hayel Saeed Anam	14,721,251	1	14,721,251	3.3%
Hisham Ali Mohamed Saeed	12,678,015	1	12,678,015	2.8%
Nashwan Ali Mohamed Saeed	12,678,015	1	12,678,015	2.8%
Hani Ali Mohamed Saeed	10,410,402	1	10,410,402	2.3%
Ahmed Gazem Saeed Anam	10,165,390	1	10,165,390	2.3%
Wael Abdullah Abdo Saeed	8,455,034	1	8,455,034	1.9%
Kaid Gazem Saeed	8,431,285	1	8,431,285	1.9%
Faiz Saeed Abdo Saeed Anaam	7,279,284	1	7,279,284	1.6%
Fathi Abdul Wasa Hayel Saeed	7,206,138	1	7,206,138	1.6%
Tarek Abdulwasa Hayel Saeed	6,659,343	1	6,659,343	1.5%
Motahar Saeed Abdo Saeed	6,505,420	1	6,505,420	1.4%
Abdullah Abdul Gabbar Hayel Saeed	5,223,296	1	5,223,296	1.2%
Abdul Galil Gazem Saeed	4,373,567	1	4,373,567	1.0%
Jamal Abdul Wasa Hayel Saeed	4,423,726	1	4,423,726	1.0%
Shehab Saeed Abdo Saeed	4,164,756	1	4,164,756	0.9%
Rami Mohammed Abdo Saeed	3,885,018	1	3,885,018	0.9%
Mohamed Abdulwasa Hayel Saeed	3,859,101	1	3,859,101	0.9%
Yasser Abdulwasa Hayel Saeed	3,516,364	1	3,516,364	0.8%
Ibtesam Ali Mohamed Saeed	3,228,748	1	3,228,748	0.7%

Shareholder	Number of Shares	Nominal Value per Share (USD)	Overall Nominal Value (USD)	Shareholding (%) (1)
Elham Ali Mohamed Saeed	3,228,748	1	3,228,748	0.7%
Samar Ali Mohamed Saeed	3,228,748	1	3,228,748	0.7%
Sahar Ali Mohamed Saeed	3,228,748	1	3,228,748	0.7%
Hala Ali Mohamed Saeed	3,228,748	1	3,228,748	0.7%
The Gazem Trust	2,660,673	1	2,660,673	0.6%
Hani Abdul Gabbar Hayel Saeed	2,268,903	1	2,268,903	0.5%
Majed Abdulwasa Hayel Saeed	2,080,833	1	2,080,833	0.5%
Abdulla Abdulwasa Hayel Saeed	2,080,833	1	2,080,833	0.5%
Hayel Abdul Wasa Hayel Saeed	2,080,833	1	2,080,833	0.5%
Ahmed Abdul Wasa Hayel Saeed	2,080,833	1	2,080,833	0.5%
Mohamed Abdualgabbar Hayel Saeed	1,535,882	1	1,535,882	0.3%
Hayel Abdulgbbar Hayel Saeed	1,535,882	1	1,535,882	0.3%
Ibrahim Khalid Ahmed Hayel Saeed	1,396,256	1	1,396,256	0.3%
Omar Khalid Ahmed Hayel	1,396,256	1	1,396,256	0.3%
Ahmed Shawki Ahmed Hayel	1,396,255	1	1,396,255	0.3%
Mohamed Munir Ahmed Hayel	1,396,255	1	1,396,255	0.3%
Mohammed Abdul Galil Gazem Saeed	1,164,911	1	1,164,911	0.3%
Abdullah Abdul Galil Gazem Saeed	1,164,911	1	1,164,911	0.3%
Waleed Abdul Galil Gazem Saeed	1,164,911	1	1,164,911	0.3%
Mohamed Shawki Ahmed Hayel	1,126,000	1	1,126,000	0.3%
Total	**450,000,000**	**-**	**2,660,673**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the first decimal place.

NAD Trust

NAD Trust is a trust established under the laws of Jersey.

The object of the NAD Trust is for the Trustees to hold, manage and administer the trust property on trust for and on behalf of the beneficiaries.

The following is a summary of the main information related to NAD Trust:

- **Trust Settlor**: There is no named Settlor in the Trust Deed;
- **Date of Trust Deed**: 19 Safar 1420H (corresponding to 4 June 1999G);
- **Trustees**: Abdullah Abdo Saeed Anam and Mohamed Abdo Saeed Anam; and
- **Power of the Trustees**: The trustees of NAD Trust have the widest authorities and full powers to carry out its work. These include, but are not limited to, the powers of investment and management, sale, exchange, partition, mortgage, leasing, insurance protection, improvement, dealing and disposition (and all other powers) of an absolute beneficial owner of the trust fund.

The SANAD Trust

The SANAD Trust is a trust established under the laws of Jersey.

The object of the SANAD Trust is for the Trustees to hold, manage and administer the trust property on trust for and on behalf of the beneficiaries.

The following is a summary of the main information related to the SANAD Trust:

- **Trust Settlor**: Nabil Hayel Saeed Anam;
- **Date of Trust Deed**: 17 Sha'ban 1432H (corresponding to 19 July 2011G);
- **Trustees**: Abdulgabbar Hayel Saeed and Mohamed Abdo Saeed Anam; and
- **Power of the Trustees**: The trustees of the SANAD Trust have the widest authorities and full powers to carry out its work. These include, but are not limited to, the powers of investment and management, sale, exchange, partition, mortgage, leasing, insurance protection, improvement, dealing and disposition (and all other powers) of an absolute beneficial owner of the trust fund.

Anam Holdings Limited

Anam Holdings Limited is an exempt company registered under the laws of the Cayman Island with incorporation number 273300. Its registered office is located at PO Box 309 Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As of the date of this Prospectus, the capital of Anam Holdings Limited is one hundred thousand U.S. Dollars (USD 100,000) (corresponding to approximately three hundred and seventy-five thousand Saudi Arabian Riyals (SAR 375,000)) divided into ten thousand (10,000) ordinary shares with a fully paid nominal value of ten U.S. Dollars (USD 10) (corresponding to approximately SAR 37.5) per share.

According to its bylaws, Anam Holdings Limited can carry out any activities that are not prohibited by the laws of The Cayman Islands.

The following table sets out the ownership structure of Anam Holdings Limited as of the date of this Prospectus:

Table 4.23: Ownership Structure of Anam Holdings Limited as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (USD)	Overall Nominal Value (USD)	Shareholding (%) (1)
Muneer Ahmed Hayel Saeed	165	10	1,650	16.5%
Ibrahim Hayel Saeed Anam	165	10	1,650	16.5%
Mohamed Abdo Saeed Anam	165	10	1,650	16.5%
Wael Abdullah Abdo Saeed	85	10	850	8.5%
Abdulwasa Hayel Saeed Anam	85	10	850	8.5%
Abdulgabbar Hayel Saeed	85	10	850	8.5%
Walid Ali Mohamed Saeed	85	10	850	8.5%
Fouad Hayel Saeed Anam	85	10	850	8.5%
Rashad Hayel Saeed Anam	80	10	800	8.0%
Total	**1,000**	**-**	**10,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the first decimal place.

The Gazem Trust

The Gazem Trust is a trust established under the laws of Jersey.

The object of the Gazem Trust is for the Trustees to hold, manage and administer the trust property on trust for and on behalf of the beneficiaries.

The following is a summary of the main information related to the Gazem Trust:

- **Trust Settlor**: Mohammed Abdulgalil Gazem Saeed;
- **Date of Trust Deed**: 16 Muharram 1445H (corresponding to 3 August 2023G);
- **Trustees**: Muneer Ahmed Hayel Saeed and Mohammed Abdulgalil Gazem Saeed; and
- **Power of the Trustees**: The trustees of the Gazem Trust have the widest authorities and full powers to carry out its work. These include, but are not limited to, the powers of management and investment in any kind of investments they could make if they were absolutely entitled to the trust fund which includes opening of any type of account with any banks or building societies, buying any type of asset anywhere in the world and making secured or unsecured loans and taking out insurance.

(b) Babylon Investment Limited

Babylon Investment Limited is a Cayman Island company limited by shares registered under File No MC-319830. Its registered office is located at The Office of Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. As of the date of this Prospectus, the capital of Babylon Investment Limited is ten thousand U.S. Dollars (USD 10,000) (corresponding to approximately thirty-seven thousand five hundred Saudi Arabian Riyals (SAR 37,500)) divided into ten thousand (10,000) ordinary shares with a fully paid nominal value of one U.S. Dollar (USD 1) (corresponding to approximately SAR 3.75) per share.

According to its bylaws, Babylon Investments Limited can carry out any activities that are not prohibited by the laws of The Cayman Islands.

The following table sets out the ownership structure of Babylon Investment Limited as of the date of this Prospectus:

Table 4.24: Ownership Structure of Babylon Investment Limited as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (USD)	Overall Nominal Value (USD)	Shareholding (%) (1)
Capital House Investment Limited	10,000	1	10,000	100.0%
Total	**10,000**	**-**	**10,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

Capital House Investments Limited

See Section 4.3.2.3 (*Frimex Investment LLC*) above for a description of Capital House Investments Limited.

4.3.2.4 Zamil Group Investment Company

Zamil Group Investment Company is a limited liability company registered under Commercial Registration No 2051041904 dated 23 Safar 1431H (corresponding to 7 February 2010G). Its head and registered office is located at Zamil House, Prince Turki Bin Abdullaziz Street, P.O. Box 9, Al Khobar 31952, the Kingdom. As of the date of this Prospectus, the capital of Zamil Group Investment Company is ten million Saudi Arabian Riyals (SAR 10,000,000) divided into one million (1,000,000) shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10).

Its main activities consist of financial and insurance activities and broker services.

The following table sets out the ownership structure of Zamil Group Investment Company as of the date of this Prospectus:

Table 4.25: Ownership Structure of Zamil Group Investment Company as of the Date of this Prospectus

Shareholder	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%) [1]
Zamil Group Holding Company	1,000,000	10	10,000,000	100.0%
Total	**1,000,000**	**-**	**10,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

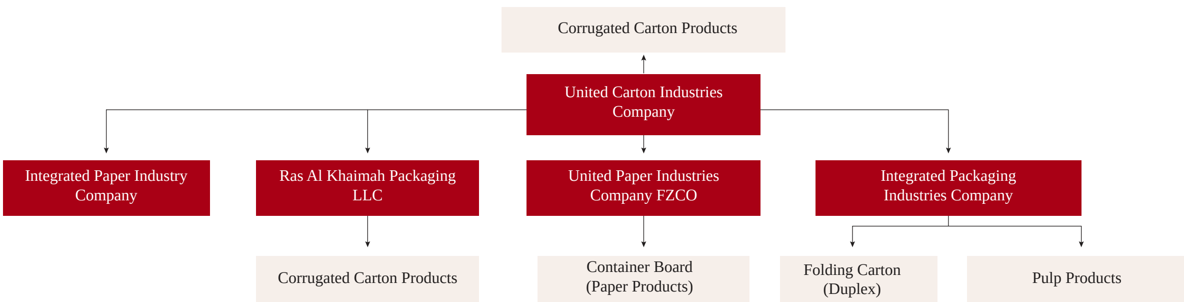
Zamil Group Holding Company

See Section 4.3.2.1 (*Zamil Group Holding Company*) for a description of Zamil Group Holding Company.

4.3.3 Overview of Subsidiaries

The Company directly owns four Subsidiaries, Integrated Packaging Industries Company (IPIC) located in the Kingdom, United Paper Industries Company FZCO (UPIC) located in the UAE, Ras Al Khaimah Packaging LLC (RAKP CO.), and Integrated Paper Industry Company in the Kingdom. The following chart illustrates the structure of the Group:

Exhibit 4.5: Group Structure Chart as of the Date of this Prospectus



Source: The Company.

The table below shows ownership details of the Subsidiaries owned directly and indirectly by the Company:

Table 4.26: Details of the Company's Direct and Indirect Subsidiaries

Name of Subsidiary	Country of Incorporation	Direct Ownership (%)	Indirect Ownership (%)	Remaining Ownership
Integrated Packaging Industries Company	Kingdom of Saudi Arabia	100%	-	-
United Paper Industries Company FZCO	United Arab Emirates	99.7%	0.3% (through IPIC)	-
Ras Al Khaimah Packaging LLC	United Arab Emirates	100%	-	-
Integrated Paper Industry Company	Kingdom of Saudi Arabia	100%	-	-

Source: The Company.

The following table shows the details of revenues of each of the subsidiaries and their percentage of sales from the total revenues of the Group:

Table 4.27: Details of revenues of Each of the Subsidiaries and Their Percentage of Sales from the Total Revenues of the Group

Subsidiary	Total revenues (SAR million)					(%) Contribution to the Group's revenues				
	Financial Year Ended 31 December			Six-Month Period Ended 30 June	Six-Month Period Ended 30 June	Financial Year Ended 31 December			Six-Month Period Ended 30 June	Six-Month Period Ended 30 June
	2021G	2022G	2023G	2023G	2024G	2021G	2022G	2023G	2023G	2024G
Integrated Packaging Industries Company	-	88,036,402	108,583,648	58,103,368	41,115,713	-	6.2%	8.0%	8.4%	6.2%
United Paper Industries Company FZCO	-	-	42,172,232	-	55,172,384	-	-	3.1%	-	8.2%
Ras Al Khaimah Packaging LLC (1)	-	-	-	-	-	-	-	-	-	-
Integrated Paper Industry Company (2)	-	-	-	-	-	-	-	-	-	-
Total	**-**	**88,036,402**	**150,755,880**	**58,103,368**	**96,288,097**	**-**	**6.2%**	**11.1%**	**8.4%**	**14.4%**

Source: The Company.

(1) Does not have any revenues, as it was acquired by the Company on 4 Muharram 1446H (corresponding to 10 July 2024G).

(2) Does not have any revenue, as it was established by the Company on 28 Safar 1446H (corresponding to 1 September 2024G).

The following subsection shows the details of each of the Subsidiaries:

4.3.3.1 Integrated Packaging Industries Company

Integrated Packaging Industries Company (IPIC) (formerly Al Kifah Paper Products) is a limited liability company registered under Commercial Registration No 2257024095 dated 23 Rabi' al-Thani 1416H (corresponding to 17 September 1995G) which expires on 7 October 1449H (corresponding to 3 March 2028G). Its head and registered office is located at the Industrial Area, P.O. Box 2570, 36312, Al Oyun, Eastern Province, Kingdom of Saudi Arabia. The Company acquired all of its capital on 27 Sha'ban 1443H (corresponding to 30 March 2022G) for an amount of SAR 49,061,567. As of the date of this Prospectus, the capital of IPIC is twenty-six million and two hundred fifty thousand Saudi Arabian Riyals (SAR 26,250,000) divided into two million six hundred twenty-five thousand (2,625,000) ordinary shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.

The following table sets out the ownership structure of IPIC as of the date of this Prospectus:

Table 4.28: Ownership Structure of IPIC as of the Date of this Prospectus

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)
The Company	2,625,000	10	26,250,000	100.0%
Total	**2,625,000**	**-**	**26,250,000**	**100.0%**

Source: The Company.

The principal activities of IPIC consist of the following:

- manufacture of folding carton (duplex);
- pulp, paper and containerboard manufacturing;
- paper or corrugated carton container manufacturing;
- other pulp, paper and carton product manufacturing; and
- storage.

According to its commercial registration, IPIC's primary activities are:

- manufacturing pulp from fibres;
- manufacturing paper for drawing and printing;
- manufacturing corrugated paper and cardboard;
- manufacturing cardboard boxes, bags, and cartons made of paper or corrugated cardboard;
- manufacturing paper file folders; and
- manufacturing paper products for household use, including plates, cups, and storage of cardboard and plastic products.

IPIC's main activity is the manufacturing of folding carton (duplex) and pulp products.

4.3.3.2 United Paper Industries Company FZCO

United Papers Industries Company FZCO (UPIC) (formerly Gulf Paper Manufacturing) was established as a limited liability company incorporated by virtue of the Ministerial Resolution No 1986 and 1984 dated 3 Rabi' al-Thani 1424H (corresponding to 3 June 2003G) (under the name of Gulf Paper Manufacturing FZCO) and registered under Industrial Licence No. 4032 dated 1 Jumada al-Ula 1424H (corresponding to 1 July 2003G) which expires on 6 Safar 1447H (corresponding to 31 July 2025G). Its head and registered office is located at Free Zone, Jebel Ali Plot No B056R01 P O Box 18075, Jebel Ali Dubai, UAE. The Company acquired all of its capital on 10 Muharram 1445H (corresponding to 28 July 2023G) for an amount of (AED 101,531,729) (corresponding to approximately SAR 104,741,639)). As of the date of this Prospectus, the capital of UPIC is thirty-three million United Arab Emirates Dirhams (AED 33,000,000) (corresponding to approximately thirty three million nine hundred and ninety thousand Saudi Arabian Riyals (SAR 33,990,000)) divided into three hundred thirty (330) ordinary shares with a fully paid nominal value of one hundred thousand United Arab Emirates Dirhams (AED 100,000) (corresponding to approximately one hundred and three thousand Saudi Arabian Riyals (SAR 103,000)) per share.

The following table sets out the ownership structure of UPIC as of the date of this Prospectus:

Table 4.29: Ownership Structure of UPIC as of the Date of this Prospectus

Shareholders	Number of Shares	Nominal Value per Share (AED)	Overall Nominal Value (AED)	Shareholding (%)[1]
The Company	329	100,000	32,900,000	99.7%
Integrated Packaging Industries Company	1	100,000	100,000	0.3%
Total	**330**	**-**	**33,000,000**	**100.0%**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

The principal activity of UPIC consists of the manufacturing containerboard (paper).

According to its commercial registration, the primary activities are:

- packaging;
- packaging materials manufacturing; and
- paper manufacturing.

UPIC's main activity is the manufacturing of containerboard (paper products).

4.3.3.3 Ras Al Khaimah Packaging LLC

Ras Al Khaimah Packaging LLC (RAKP CO.) was established as a limited liability company registered in Ras Al Khaimah, UAE, under industrial licence number 177 dated 9 Jumada al-Ula 1414H (corresponding to 25 October 1993G), which expires on 28 Sha'ban 1446H (corresponding to 27 February 2025G). Its registered headquarters is located in Al Jazeera Al Hamra, Rakaz Street, Ras Al Khaimah, United Arab Emirates. The Company acquired all of its capital on 4 Muharram 1446H (corresponding to 10 July 2024G) for an amount of (AED 13,451,520) (corresponding to approximately SAR 13,752,503)). As of the date of this prospectus, the capital of RAKP CO. is six million United Arab Emirates Dirhams (AED 6,000,000) (corresponding to approximately SAR 6,125,769)) divided into six hundred thousand (600,000) ordinary shares with a fully paid nominal value of ten United Arab Emirates Dirhams (AED 10) (corresponding to approximately SAR 10.2)) per share.

On 18 Jumada al-Akhirah 1446H (corresponding to 19 December 2024G), RAKP CO. amended its Articles of Association to increase its capital to fifteen million United Arab Emirates Dirhams (AED 15,000,000) (corresponding to approximately SAR 15,314,400)), divided into one million and five hundred thousand (1,500,000) shares with a nominal value of ten United Arab Emirates Dirhams (AED 10) (corresponding to approximately SAR 10.2)) per share.

The following table summarises the ownership structure of RAKP CO. as of the date of this Prospectus:

Table 4.30: Ownership Structure of RAKP CO. as of the Date of this Prospectus

Shareholders	Number of Shares	Nominal Value per Share (AED)	Overall Nominal Value (AED)	Shareholding (%)
The Company	1,500,000	10	15,000,000	100.0%
Total	**1,500,000**	**-**	**15,000,000**	**100.0%**

Source: The Company.

The principal activities of RAKP CO., as stated in its articles of association, are:

- manufacture and sale of carton boxes; and
- import, manufacture, and trade of paper and its derivatives.

According to its commercial registration, RAKP CO.'s primary activities are:

- manufacturing corrugated cardboard and paperboard; and
- wholesale paper trading.

RAKP CO.'s main activity is the manufacturing of corrugated carton products.

4.3.3.4 Integrated Paper Industry Company

Integrated Paper Industry Company is a limited liability company registered under Commercial Registration No 4030575596 dated 28 Safar 1446H (corresponding to 1 September 2024G) which expires on 28 Safar 1448H (corresponding to 11 August 2026G). Its head and registered office is located at Al Bateelah, Jeddah 22428, Kingdom of Saudi Arabia. As of the date of this Prospectus, the capital of Integrated Paper Industry Company is fifteen million Saudi Arabian Riyals (SAR 15,000,000) divided into one million five hundred (1,500,000) shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share.

The following table sets out the ownership structure of Integrated Paper Industry Company as of the date of this Prospectus:

Table 4.31: Ownership Structure of Integrated Paper Industry Company as of the Date of this Prospectus

Shareholders	Number of Shares	Nominal Value per Share (SAR)	Overall Nominal Value (SAR)	Shareholding (%)
The Company	1,500,000	10	15,000,000	100.0%
Total	**1,500,000**	**-**	**15,000,000**	**100.0%**

Source: The Company.

The principal activities of Integrated Paper Industry Company consist of the following:

- manufacture of pulp, paper, and paperboard;
- manufacture of corrugated paper, paperboard, and containers made of paper and paperboard; and
- manufacture of other articles of paper and paperboard.

According to its commercial registration, Integrated Paper Industry Company's primary activities are:

- manufacturing pulp from fibres;
- manufacture of pulp from recycled waste with de-inking;
- manufacture of pulp, paper, and paperboard;
- manufacture of newsprint paper;
- manufacture of writing paper;
- manufacture of drawing and printing paper;

- manufacture of raw tissue paper;
- manufacture of raw wrapping and packaging paper;
- manufacture of corrugated paper and paperboard (carton);
- manufacture of folded or single cardboard boxes, cartons, and bags made from paper or corrugated paperboard;
- manufacture of paper bags;
- manufacture of file storage boxes made of paper;
- manufacture of sanitary paper, tissues, cleaning wipes, and paper towels; and
- manufacture of paper products for household use, including plates and cups.

4.4 Vision, Mission and Strategy

4.4.1 Vision

To be the number one packaging solution provider in the GCC and client's first choice.

4.4.2 Mission

To exceed clients' expectations with innovative and environmentally friendly packaging solutions through continuous investment in technology, while creating an environment that empowers employees to develop and share in the Group's success.

4.4.3 Strategy

The Group's strategy underscores a comprehensive approach to fortifying its market standing and driving growth. At the core of its strategy is market expansion, where the Group is poised to amplify its presence by venturing into new geographies and deepening its penetration in existing markets, leveraging insights to tailor offerings to regional demands. Concurrently, the Group is committed to broadening its product line, introducing innovative and sustainable solutions to meet evolving client needs and tapping into emerging market trends. Innovation and technology are pivotal, with the Group harnessing cutting-edge advancements to enhance operational efficiency and enrich client engagement. Integral to this strategy is a focus on seamless integration across the Group's operations, ensuring agility and excellence in responding to dynamic market conditions. Together, these strategies form a robust framework aimed at propelling the Group towards its vision of industry leadership and sustained success.

4.4.3.1 Market Expansion

With a market share of 37.0 to 40.0 per cent. in the Saudi corrugated carton sector, the Group prioritises market expansion, both in terms of products and geographies, as a cornerstone of its strategy. Key elements of the Group's market expansion strategy include:

- **Geographical Expansion in Corrugated in Addition to Organic Growth in the Kingdom**: The Group's objective is to organically grow its market share in the Kingdom by a further 4 to 5 per cent. Additionally, the Group strategically targets geographic areas within the GCC (specifically the UAE and Oman) where its innovative, sustainable packaging solutions meet high demand or address market gaps. This targeted expansion is designed to leverage the Group's deep understanding of market dynamics to tailor offerings that meet local and regional demands effectively;
- **Domestic and Geographical Expansion in Folding Carton**: With a market share of 8.0 to 10.0 per cent. in folding cartons as of 2023G, the Group's objective is to reach to a market share of 25.0 per cent. domestically through organic and inorganic (external) growth in addition to geographical expansion;
- **Backward Integration**: Although the Group achieved partial backward integration through its acquisition of UPIC in the UAE, there is further potential for backward integration in the Kingdom as the Company procures over 360,000 tonnes of paper from its suppliers. Accordingly, the Group actively evaluates opportunities for further backward integration in the Kingdom; and
- **From Corrugated Carton Manufacturing Leader to a Packaging Leader**: Leveraging customer synergy, the Group's ambition is to become a packaging leader in the region by supplying a diverse range of packaging material. It began in 2022G with the Group's entry into the folding cartons segment and containerboard manufacturing in 2023G.

By methodically expanding its market reach, the Group aims to build on its existing strengths, capture new opportunities, and drive sustained growth, maintaining its leadership in the evolution of the packaging industry.

4.4.3.2 Products Expansion

The Group is set on a strategic path to enhance its product line to meet emerging market needs and reinforce its industry position. Key initiatives of the product expansion strategy include:

- **Innovative Product Introductions**: Launching new products, such as digitally printed stands and boxes, POS materials, shelf -ready boxes, pulp-based products and advanced window patching solutions to diversify and enrich the product range;
- **Flexible Packaging**: The Group is aiming to enter the flexible packaging sector through acquisitions in the Kingdom and other parts of the GCC with the objective of providing packaging solutions that are logistics efficient;
- **Sustainability and Technology**: Focusing on eco-friendly packaging options and smart packaging solutions equipped with Internet of Things (IoT) technology, enhancing functionality and user experience;
- **Specialised Market Focus**: Developing specialised products for niche markets like the industrial sector, fast-moving consumer goods (FMCG), pharmaceuticals, cosmetics and food and beverage, where innovative packaging is crucial for product differentiation and brand perception;
- **Research and Development**: Enhancing in-house R&D capabilities to ensure that new product developments are cutting-edge, offering comprehensive solutions that add significant value to client products;
- **Product Development Services**: Given the Group's inhouse capabilities and strengths in product development, the Group intends to leverage these valuable tools and launch separate product development services for its clients to further solidify their partnerships; and
- **Market Position and Growth**: This expansion strategy is aimed at strengthening the Group's market position, driving growth and extending its retail reach and market penetration by responding proactively to the evolving demands of the packaging industry.

By broadening its product offerings systematically, the Group capitalises on new market trends and client needs, affirming its commitment to innovation and sustainability in packaging solutions.

4.4.3.3 Innovation and Technology

The Group's strategic focus on integrating innovation and technology underscores its commitment to future growth and operational excellence. By laying a robust technological platform, the Group has positioned itself to leverage emerging advancements and enhance its competitive edge. Looking forward, key elements of this strategy include:

- **Emerging Technologies**: The Group will continue to harness automation and machine learning to further streamline processes, enhance product quality, and elevate client engagement, driving efficiency and sustainability. It plans to expand the deployment of generative AI solutions, using virtual assistants to communicate directly with clients, providing real-time support and improving customer service interactions. Moreover, the Group aims to integrate more advanced machine learning capabilities within the customer portal for intelligent processing of purchase orders in various formats, ensuring even greater efficiency and accuracy in order handling;
- **Advanced Manufacturing Technologies**: Building upon its technological foundation, the Group intends to invest further in the latest high-speed corrugators and conversion machines to enhance production line efficiency, reduce waste and optimise resource usage. Future investments in these technologies will contribute to both sustainability and cost-effectiveness, reinforcing the Group's market leadership;
- **Robotics Adoption**: The Group plans to expand its use of robotics across manufacturing operations for precise material handling and advanced automated conveyors to ensure seamless movement of materials. This will improve operational efficiency and reduce manual labour costs;
- **Digital Printing Innovation**: The Group plans to expand its digital printing capabilities, which will enable production of high-quality printed displays and boxes that meet the dynamic needs of the market, further building on its existing technological infrastructure;
- **Automated Reel Transport Systems**: The Group plans to invest in advanced automated reel transport systems to further improve operational efficiency and safety in material handling. These systems will enhance the Group's ability to handle increased production volumes and maintain high safety standards; and
- **Industry Leadership**: By continuing to offer advanced, efficient and client-centric solutions, the Group will maintain its leading position in the industry. This forward-looking approach, grounded in a strong technological platform, will support continuous innovation and improvement, ensuring the Group remains a preferred partner for clients.

This forward-looking, technology-driven approach will ensure the Group remains at the forefront of industry innovations, continuously enhancing its competitive edge and solidifying its status as a preferred partner.

4.4.3.4 Integration

The Group's operational strategy is effectively structured through a robust integrated model that covers all aspects of the entire value chain from production to delivery, enhancing efficiency and market responsiveness. Essential components of this integration strategy include:

- **Value Chain Integration**: Incorporates partial paper integration and tool making, streamlining workflows and resources while ensuring timely and reliable product delivery to strengthen market presence;
- **Technological Advancements**: Stays ahead of global competitors with advancements in digitalisation and virtualisation. In-house artwork services and a self-reliant ink dispensing process ensure control over quality and production timelines;
- **Quality Control**: Utilises state-of-the-art testing facilities and adheres to global benchmark standards to maintain the highest quality across product lines;
- **ERP System Implementation**: Adopts SAP as its Enterprise Resource Planning (ERP) system, enhancing business process uniformity across production, inventory management, client relationship management (CRM) and financials. The system emphasises IT security and integrates specialised ERP systems for production and planning (CPMS) and Business Intelligence (BI) for enhanced data analysis and decision-making; and
- **Supply Chain Resilience**: Maintains diversified manufacturing bases and advanced client and supplier portals, ensuring uninterrupted service and market responsiveness. Continuously explores opportunities for forward and backward integration to strengthen this approach.

This comprehensive integration strategy supports the Group's strategic objectives, promoting growth, sustainability, and a competitive edge in the global market.

4.4.3.5 Localisation-Driven Procurement

The Group's procurement strategy is critical for maintaining high-quality standards and cost efficiency, with a primary focus on localisation. Diversified sourcing is focused on materials not available in the Kingdom and to mitigate the risk of supplier concentration. This strategy is articulated considering several variable components:

- **Local Sourcing**: The Group prioritises sourcing materials from local and GCC suppliers by procuring 63.0 per cent. of its recycled brown grades from them of which over 64.0 per cent. was procured from within the Kingdom in 2023G. This approach not only reduces lead times and transportation costs but also aligns with national policies promoting local content and manufacturing;
- **Diversified Sourcing**: To mitigate the risks of concentration and ensuring business continuity, the Group's global suppliers play a vital role in maintaining availabilities and optimising costs. In 2023G, the Group sourced paper supplies mainly from GCC, Europe and North America. This ensures access to high-quality and reliable materials not otherwise available locally while maintaining cost efficiency and quality standards;
- **Quality and Cost Management**: By utilising a local network of suppliers supplemented by global sources, the Group ensures materials meet stringent quality standards while managing costs. The strategic sourcing model is supplemented by tactical spot procurement to take advantage of market fluctuations, securing optimal pricing and supply conditions;
- **Sustainability and Reliability**: Suppliers are carefully selected based on their adherence to sustainable practices and their ability to consistently meet demand without compromising on quality or ethical standards. This ensures that all materials meet predefined specifications through rigorous assessment and quality checks;
- **Supplier Relationships**: The Group maintains strategic long-term relationships with local, GCC and international suppliers, enhancing supply chain stability, quality, cost effectiveness and mitigating supplier concentration risk. This localisation-driven procurement strategy, combined with global reach, provides a competitive advantage in accessing premium materials; and
- **Integrated Operations and Risk Mitigation**: Operations are integrated with machine suppliers to manage spare parts and engineering effectively, maximising production efficiency and minimising downtimes. Diversifying the supplier base across local and global regions mitigates risks associated with supply chain disruptions.

This comprehensive approach to procurement aligns with the Group's strategic objectives, promoting growth, sustainability, and a competitive edge in the global market.

4.5 Strengths and Competitive Advantages

The Group's competitive strengths and advantages are fundamental to its sustained growth and leadership in the paper and packaging industry. With a commitment to human capital, the Group promotes a culture of continuous development and inclusivity, underscored by significant training hours and workforce empowerment programmes. Leveraging cutting-edge technology and automation, the Group enhances operational efficiency and product quality, maintaining its market leadership through a client-centric approach that delivers high satisfaction rates. These elements, combined with a strategic focus on sustainability and a diverse client portfolio across multiple sectors, position the Group for future success and industry dominance.

4.5.1 Market Leadership and Brand Value

The Group has established itself as the preeminent market leader in the MENA region, distinguishing itself not only by the significant market shares it holds across various segments but also by its dedication to high standards of service and quality. Through strategic expansions and innovation, the Group has continuously enhanced its brand value, ensuring alignment with growth objectives and shareholder expectations. The following points detail the core aspects of the Group's market leadership and brand value:

- **Market Position and Share**: As per the Market Research Report, the Group dominates as the largest corrugated and paper packaging company in the MENA region, with a market share of 37.0 to 40.0 per cent. in the Saudi corrugated sector in 2023G. This share significantly exceeds the combined total of the next four competitors. It also has an 8.0 to 10.0 per cent. share in folding cartons (duplex) within the Kingdom and a robust 15.0 to 20.0 per cent. in the UAE's containerboard (paper) market. The Group has firmly established itself as a leader in the paper and packaging sector within the Kingdom since its inception in 1990G;
- **Strategic Expansion and Integration**: The Group's strategic expansion into folding carton and paper manufacturing marks key milestones in its strategy for lateral and backward integration and geographical growth. This expansion supports the Group's ambition to become a comprehensive packaging solutions provider across the GCC region, offering advanced printing options like Flexography, digital and offset printing;
- **Diverse Product Portfolio**: The Group's diverse product range, including corrugated cartons, folding cartons (duplex), moulded pulp products and containerboards, serves a diverse array of industries, further solidifying its market dominance. The Group's emphasis on sustainability, coupled with its technological advancements and strong customer relationships, also underpins the Group's market share growth and enhances its brand value, making it a preferred partner for top domestic and multinational clients. The Group serves most of the renowned Fast Moving Consumer Goods (FMCG) brands, which underscores its extensive and sustained market presence. The Group has maintained relationships with its top customers for over 15-20 years, evidencing enduring partnerships and robust business practices;
- **Service and Quality Standards**: The Group is committed to excellence, providing top-tier paper-based packaging solutions to an extensive portfolio of top-tier domestic and multinational clients. It leads the digital transformation in the packaging sector with innovative client-facing technologies, including a pioneering customer portal that is considered a pioneering initiative among global corrugated players. The Group adheres to high standards validated by various certifications, including ISO and BRC standards, which exemplify compliance with international best practices and a commitment to quality;
- **Customer Satisfaction and Engagement**: A high customer satisfaction rate of over 95.0 per cent., as indicated by an internal survey among 166 participants who contributed to 84.0 per cent. of the Group's sales in 2023G, underscores the Group's effective engagement. This satisfaction covers various aspects such as lead-time, product quality, product development and sales professionalism, reflecting the Group's profound understanding of its clients' needs. The Group also had a high client retention rate of about 98.0 per cent. within its top 50 customers as of 30 June 2024G, reflecting exceptional commitment to customer satisfaction and effective client service strategies; and
- **Supply Chain Resilience**: The Group has demonstrated resilience in mitigating supply chain risks, backed by a strategic multi-plant operation strategy. This approach ensures supply security and provides a competitive edge, crucial for strengthening the Group's market position and enhancing brand equity consistently with its strategic growth plans.

These factors collectively contribute to the Group's strong brand equity and affirm its market leadership in the paper and packaging industry.

4.5.2 Technology, Automation and In-house Production Capabilities

The Group leverages technology and automation to enhance operational efficiency and production capabilities across its manufacturing processes. This strategic focus on technology is integral to the Group's commitment to innovation and maintaining competitive leadership in the industry. Below are the key aspects of the Group's technology and automation advancements:

- **Technological Infrastructure**: The Group's technological infrastructure is enhanced by advanced digitalisation and virtualisation capabilities, distinguishing it from industry competitors. Emphasising future-ready technologies such as AI and machine learning, the Group is poised for sustained industry leadership;
- **Automation and Machinery**: The facilities include automated plants and high-speed machinery that aligns with global best practices. Notable assets include a digital printing machine, automatic conveyors, robotic arm and automated reel transport system, all of which contribute to superior engineering efficiency and quality assurance. The use of the best machinery available and benchmarking against top manufacturing facilities globally is key to its operational strategy;
- **Quality Assurance Measures**: Rigorous quality controls are in place, including box compression tests, calliper equipment for board thickness verification, edge crush tester and bursting strength testers. These measures ensure compliance with precise product specifications, reflecting the Group's commitment to quality; and
- **Automation in Client and Supplier Interactions**: Automation extends beyond manufacturing to include client and supplier interactions. Comprehensive customer portal facilitates order management, design approvals, financial reporting and feedback, reflecting a responsive approach to business operations.

By leveraging advanced technology and automation, the Group optimises its in-house operations and also ensures product excellence, which distinguishes it in a competitive market. This focus on continuous technological enhancement reinforces the Group's commitment to operational excellence and value for its stakeholders.

4.5.3 Printing Capability

The Group consolidates a range of advanced printing technologies, demonstrating a strong capability in offset, Flexographic and digital printing operations. This integration allows the Group to provide a broad suite of customised printing services, responding effectively to the diverse requirements of clients across various industries. The following points highlight the key aspects of the Group's printing capabilities:

- **Comprehensive Printing Operations**: The Group integrates offset, Flexographic and digital printing capabilities showcasing its sophisticated and versatile printing operations. This setup allows the Group to offer a comprehensive suite of printing services tailored to meet the diverse needs of its clients across multiple sectors;
- **In-House Toolmaking**: A significant capability of the Group is its in-house toolmaking facility, which enables the rapid and precise production of custom printing tools. This facility enhances the flexibility and responsiveness of the Group's service offerings and ensures consistent quality standards across all product lines;
- **Ink Customisation**: The Group possesses in-house ink dispensing capability, allowing for the precise customisation of ink formulations to meet specific customer requirements. This ensures optimal print quality and performance, further distinguishing the Group's offerings in the market; and
- **Online Artwork Development**: An online artwork development process has been implemented through the Group's customer portal, facilitating seamless interactions with clients. This platform enables clients to submit, review and approve designs and artwork directly, significantly streamlining the process and reducing lead times.

By harnessing these advanced capabilities, the Group meets and exceeds client expectations, reinforcing its market position as a leader in printing services. This focus on continuous improvement and technological integration underscores the Group's commitment to operational excellence and stakeholder value.

4.5.4 Industry Growth

The Group stands at the forefront of the global corrugated industry, which is expected to expand significantly. This growth is supported by various factors, aligning with the Group's areas of expertise and market demands as detailed below:

- **Projected Growth Rates**: As per the Market Research Report, the corrugated industry is expected to grow at a compound annual growth rate (CAGR) of 4.0 to 5.0 per cent. from 2026G to 2030G, with a volume increase anticipated from 975,000 to 1,060,000 tonnes by 2028G;
- **E-Commerce Influence**: A major driver of industry growth is the surge in e-commerce, which relies heavily on efficient and sustainable packaging solutions. The Group meets this demand with innovative, durable, customizable and eco-friendly packaging, making it a preferred supplier for e-commerce businesses;
- **Commitment to Sustainability**: The industry is increasingly prioritising sustainability, with a significant shift towards the use of recycled materials and the minimisation of environmental impact. This aligns with global trends favouring the circular economy, appealing to markets that value environmental stewardship. As the Group has effectively integrated these practices into its operations, it has a competitive advantage;
- **Innovation in Packaging**: There is a growing demand for advanced, versatile and sustainable packaging solutions. The industry's focus on state-of-the-art technology, digitalisation and automation is crucial for meeting these evolving needs, particularly in areas like digital print customisation and production process efficiency. The Group has invested in these technologies can better serve its clients and enhance its market position;
- **Geographical Advantage in the MENA/GCC**: The MENA/GCC region offers substantial growth opportunities, especially with initiatives like Saudi Vision 2030, which aim to diversify the Kingdom's economy and reduce its dependence on oil. The Group, strategically positioned in this region, is well-placed to capitalise on these opportunities;
- **Advanced Manufacturing Processes**: The industry is moving towards the integration of advanced manufacturing processes. Facilities capable of producing a wide array of corrugated carton and paper products, coupled with a continuous focus on R&D, are essential for meeting and driving future market demands. The Group has already adopted these processes to maintain a strong market position; and
- **Local Resource Emphasis**: There is an industry-wide trend towards enhancing local manufacturing, reducing imports and supporting domestic industries, driven by national policies. This focus on local content not only helps the Group meet regulatory demands but also builds strong relationships with local businesses and government entities, providing a significant competitive advantage and reinforcing its leadership position and commitment to contributing to the national economy.

These strategic factors collectively enhance the Group's ability to harness industry growth, affirming its commitment to innovation, environmental responsibility and capitalising on both regional and global opportunities.

4.5.5 Sustainability

The Group exemplifies environmental stewardship within the paper and packaging industry, committed to advancing sustainable practices that go beyond compliance to spearhead green initiatives. The following points highlight the Group's sustainability efforts:

- **Recycled Material Usage**: In 2023G, the Group sourced over 85.0 per cent. of its paper for corrugated plants from recycled materials, supporting the circular economy and significantly reducing environmental impact. Additionally, 100.0 per cent. of the paper produced at the Group's UAE paper plant and over 70.0 per cent. used at the folding cartons plant were recycled paper in 2023G;
- **Waste Management and Recycling**: Over 98.0 per cent. of the Group's manufacturing waste was recycled in 2023G, demonstrating a minimal ecological footprint. Its paper mill operations rely entirely on recycled waste, and the installation of an industrial wastewater treatment plant in 2023G saves over 30,000 litres of water daily, reflecting a commitment to resource preservation and operational efficiency;
- **Renewable Energy Initiatives**: Solar panels have been installed at the administration blocks, with plans to expand their use across other facilities, reducing reliance on non-renewable energy sources. Additionally, since 2019G, one of the Riyadh plants has operated on gas. The Group also uses over 95.0 per cent. water-based ink in its corrugated printing processes, lessening environmental impact of its operations; and
- **Certifications and Industry Leadership**: The Group holds ISO 14001 and FSC certifications, setting standards within the industry. With over 98.0 per cent. of paper waste from corrugated carton products manufacturing recycled in 2023G, the Group exemplifies sustainable leadership in the Kingdom and globally.

These initiatives underscore the Group's dedication to sustainability, enhancing both operational efficiency and environmental conservation.

4.5.6 Customer Portal

The Group's online customer portal exemplifies its dedication to digital innovation and exceptional customer service, revolutionising how clients interact with the business. The portal enhances operational efficiency and client satisfaction through its comprehensive service offerings:

- **Comprehensive Features**:
  - Order Management: Enables efficient handling of orders with features for real-time tracking and status updates;
  - Design Approvals and Modifications: Facilitates easy submission and revision of designs, streamlining the approval process;
  - Financial Reports: Provides access to financial documents like statements of account and forecasts, aiding clients in financial planning; and
  - Feedback Mechanism: Allows clients to provide valuable feedback on products and services, supporting continuous improvement;
- **Operational Efficiency and Client Feedback**: The portal's launch has significantly boosted operational efficiency, as reflected in positive feedback from the Group's clients, underscoring its role in strengthening customer relations and supporting the Group's digital transformation journey; and
- **Client Supply Chain Resilience**: Designed to enhance supply chain resilience for clients, the portal offers features that provide supply chain status updates and risk management tools, establishing itself as a comprehensive solution for client service needs.

This tool is recognised as unique within the global corrugated carton products industry, with over 100 customers actively using it as of the date of this Prospectus and generating more than 30,000 hits monthly in 2024G to date of this Prospectus. Notably, over 35.0 per cent. of orders in 2023G were placed online, demonstrating the portal's effectiveness and widespread acceptance.

4.5.7 Operational Footprint

The Group's operational prowess is exemplified by its extensive manufacturing network across multiple strategic locations in the Kingdom and the UAE, reinforcing its significance in the corrugated, folding carton and containerboard sectors. Below are key highlights of the Group's operational infrastructure:

- **Manufacturing Locations and Facilities**: The Group operates a network of plants, including two in Jeddah, two in Riyadh, one in Al Kharj, one in Al Ahsa, one in Jebel Ali, Dubai and one in Ras Al Khaimah. Each site is dedicated to specific packaging formats such as corrugated, folding cartons (duplex) and containerboard products. These facilities highlight the Group's dynamic operational evolution and backward integration strategy, supporting its ability to expand geographically and serve a broad customer base across the Kingdom and the UAE; and
- **Strategic Benefits**: The strategic placement of these facilities enhances supply security and business continuity, mitigating risks in supplies and ensuring reliability for clients. This, combined with the Group's commitment to backward and lateral integration, reinforces its competitive advantage and supports sustained growth in regional markets.

This robust operational framework enables the Group to maintain agility and resilience, providing high-quality and reliable service to a prestigious clientele ranging from local giants to multinational corporations.

4.5.8 Financial Stability

The Group's financial stability is underscored by a comprehensive approach to financial management, as evidenced by its robust balance sheet and a track record of strong financial performance across several metrics. Key financial highlights are as follows:

- **Revenue Growth**: Revenue increased from SAR 1,049.6 million in 2021G to SAR 1,414.7 million in 2022G, and with a slight decrease to SAR 1,361.8 million in 2023G due to fluctuation in paper prices which in turn impacted the selling prices;
- **EBITDA Margin Improvement**: The EBITDA margin showed significant improvement, rising from 6.5 per cent. in 2021G to 9.9 per cent. in 2022G, with a further increase to 18.0 per cent. in 2023G;

- **Capacity Utilisation**: Utilisation capacity for corrugated carton products stood between 77.0 to 81.0 percent for 2021G to 2023G. Similarly, the average utilisation of the folding carton (duplex) products was between 70.0 to 77.0 per cent., for the containerboard between 93.0 to 95.0 per cent. and for the moulded pulp products plant between 69.0 to 77.0 per cent.;
- **Recurring Customers**: About 98.0 per cent. of its top 50 customers are recurring customers, ensuring strong base revenue; and
- **Capital Structure Flexibility**: With a bank debt to equity ratio of nil per cent. as of 30 June 2024G, the Group maintains a low leverage profile, ensuring financial stability and operational flexibility. This conservative approach to debt management allows the Group to finance new projects and expansions internally, reducing reliance on external borrowing and mitigating interest rate risks. Furthermore, the robust capital structure enhances the Group's creditworthiness, providing access to favourable financing terms when necessary and reinforcing investor confidence.

These indicators reflect the Group's consistent financial growth and operational efficiency, reinforcing its position as a stable and reliable entity in the industry.

4.5.9 Client Reach

The Group's client base demonstrates its extensive reach and robust penetration across diverse sectors, making it a formidable player in the industry. The following points detail the breadth and depth of the Group's client relationships:

- **Diverse Clientele**: Serves nearly all large multinational corporations and domestic corrugated carton products users across vital sectors including food, water, beverages, household products, durables and agriculture. This diversity highlights the Group's ability to meet varied customer needs (for further information about the Group's revenue from its top clients, see Section 4.6.6 (*Clients*));
- **Extensive Market Coverage**: Has established long-term relationships with both large multinationals and significant domestic players, enhancing its reputation for reliability and quality. The Group's presence is not only solidified in three major industrial towns but also extended to an additional 15 towns, showcasing expansive market coverage; and
- **Engagement with SMEs**: The sales team actively extends reach to smaller towns and engages with small to medium-sized enterprises (SMEs), ensuring a strong presence across all market segments and enhancing the Group's competitive edge.

The Group's client base reinforces the Group's status as a leader in the corrugated carton products and packaging industry, poised for continued expansion and success.

4.5.10 Human Capital and Value Systems

The Group's leadership in the paper and packaging sector is greatly supported by its investment in human capital and adherence to strong value systems. Key aspects of its commitment include:

- **Employee Development**: The Group prioritises robust development initiatives aimed at enriching skills and fostering leadership capabilities throughout its staff. Throughout 2023G, more than 35.0 per cent of employees, with over 320 Saudi nationals, participated in more than 60 training courses, collectively accumulating over 3,000 training hours;
- **Diversity and Inclusion**: Initiatives such as the Saudisation programme aim to empower the local workforce, promoting inclusive growth and a high-performance culture where contributions are recognised and rewarded. The Group is also committed to increasing female employment across all levels;
- **Employee Well-being**: The Group supports work-life balance through activities such as Eid and National Day celebrations, sports events, and health initiatives, including vaccination drives and a medical fund;
- **Corporate Values**: The Group's value system prioritises collaboration, integrity, and excellence, creating a workplace conducive to innovation, respect and accountability, which in turn enhances operational efficiency and competitive advantage; and
- **Workforce Stability**: Proactive engagement strategies and a nurturing work environment have led to high employee satisfaction and loyalty, evidenced by low turnover rates and long tenures, including six senior executives with over ten years of service and a significant number of employees who remain with the company for extended periods.

These efforts demonstrate the Group's commitment to its employees, establishing it as an employer of choice in the industry and enhancing its legacy of innovation and excellence.

4.5.11 Service Excellence

The Group's commitment to service excellence is evident through high client satisfaction and robust quality control systems. Key components of this commitment include:

- **Client Satisfaction Scores**: Based on a 2024G first half in-house survey, achieved over 97.0 per cent. satisfaction for delivery lead times and 97.0 per cent. for product quality in the first half of 2024G, reflecting the strategic emphasis on aligning services with client expectations through continuous feedback and improvement;
- **Dedicated Service Department**: Operates with more than 20 specialised service representatives focusing on maintaining and enhancing client service standards, ensuring prompt and effective resolution of client inquiries and issues to enhance customer satisfaction and loyalty;
- **Quality Control Measures**: Implements rigorous checks throughout the manufacturing process to ensure products meet and exceed industry standards, reinforcing the Group's reputation for reliability and quality;
- **Advanced Technological Integration**: Utilises a unique customer portal for order management, shipment tracking and service access, supported by in-house tool and artwork facilities that guarantee precision and efficiency in meeting client specifications; and
- **Innovation in Product Development**: Continuously develops new products, including corrugated display stands, leveraging technology to enhance service delivery and client engagement.

These strategies collectively enhance the Group's service capabilities, ensuring it remains a leader in the corrugated carton products industry and a preferred employer, demonstrated by high employee satisfaction and long tenures, including senior executives with over ten years of service.

4.5.12 Diverse Clientele

The Group's financial stability is reinforced by its diverse client base, strategic sector engagement, and extensive geographical reach, each serving as a pillar in its risk management framework. The following aspects highlight the depth of the Group's client diversification:

- **Market Diversification**: By strategically diversifying across various regions, cities and industries within the Kingdom, the Group avoids reliance on any single market or client group, enhancing its financial resilience. The Central Region was the largest market, contributing 44.6 per cent. and 46.1 per cent. to tonnage and 44.0 per cent. and 41.4 per cent. to gross margin in the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G;
- **Sector Diversification**: The Group serves a wide array of sectors, including food, beverage, industrial and consumer goods. This broad sector engagement helps mitigate risks associated with market fluctuations and demonstrates the Group's capability to customise its offerings to meet diverse client requirements effectively. Specifically, the FMCG sector encompasses food products that contributed 38.34 per cent. and 38.54 per cent. to tonnage in the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G, with notable sub-segments like water (24.26 per cent. and 25.20 per cent.), soft drinks (3.01 per cent. and 2.94 per cent.), juice (3.95 per cent. and 3.78 per cent.), dairy (4.50 per cent. and 4.51 per cent.) and edible oils (2.62 per cent. and 2.12 per cent.). These varied contributions demonstrate the Group's capability to customise its offerings to meet diverse client requirements effectively, mitigating risks associated with market fluctuations and enhancing overall sectoral resilience;
- **Client Diversification**: The revenue distribution is balanced, with the top ten clients accounting for only 28.0 per cent., 27.5 per cent., 25.5 per cent and 24.3 per cent. of the Group's revenues in the financial years ended 31 December for 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. This indicates a low client concentration risk. While core accounts made up a substantial 71.7 per cent. and 71.3 per cent. of the Group's tonnage and contributed 70.1 per cent. and 67.2 per cent. to its gross margin value in the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G, indicating a strategic focus on key clients, the Group mitigates this concentration risk by engaging with a broader client base, including key customers (14.14 per cent. and 10.1 per cent. tonnage contribution) and various smaller customer segments like small and medium customers, ultra-small and micro customers and small and medium development projects, each designed to capture specific market niches. In particular, engagement with small and medium-sized clients has increased. This diversified client structure expands the Group's market reach and reduces dependency on any single client group, enhancing overall financial stability;
- **Profitability Diversification**: The Group's profitability is well-distributed across its diverse client base, ensuring that no single sector or client overly influences its financial outcomes. This distribution safeguards the Group against potential financial vulnerabilities and supports sustained profitability; and

- **Wide Product Range**: The Group ensures a diverse range of product offerings, allowing it to efficiently react to market demand based on actual client needs. This strategy of continuously innovating and expanding its portfolio across multiple industries effectively shields the Group from market-specific risks and enhances its capacity to meet varying client demands. Such diversity not only reinforces the Group's market adaptability but also strengthens its competitive position. By catering to sectors such as FMCG, durables, pharmaceuticals, agriculture, e-commerce to name a few, the Group mitigates the impact of downturns in any single industry. Additionally, the Group's commitment to product innovation, including sustainable and eco-friendly packaging solutions, positions it as a preferred partner for environmentally conscious clients. This broad product range, supported by advanced manufacturing capabilities and a strong R&D focus, enables the Group to capture emerging opportunities and maintain a leading edge in the competitive market.

This multifaceted approach to diversification supports the Group's ability to maintain long-term growth and adapt effectively in a dynamic global market environment, thereby securing its financial stability and fostering sustainable development.

4.5.13 Risk Management

The Group's robust risk management framework enhances its competitive advantage by ensuring operational stability and safeguarding market position. Key components of this framework include:

- **Geographical Diversification**: Distributes production across multiple plants to enhance operational resilience and mitigate risks associated with facility-specific disruptions, ensuring steady production levels and uninterrupted client service even during localised adversities;
- **Safety Protocols**: Prioritises safety across all operations, with rigorous safety protocols and regular audits entrenched in the Group's culture, reducing accident risks by mitigating the impact of the risk and ensuring workforce well-being, which supports continuous operations;
- **Supplier Diversification**: Maintains relationships with a diverse range of local and global suppliers, enhancing supply chain reliability and reducing risks associated with supplier dependency. This is complemented by partial backward integration, securing control over more stages of production and lessening reliance on external vendors;
- **Advanced Cybersecurity Measures**: Employs latest cybersecurity measures to protect data and operational technology, establishing a comprehensive IT security framework that guards against cyber threats and ensures continuity of digital operations;
- **Customer Base Diversification**: Benefits from a diversified customer base that spreads revenue streams across various sectors and geographies, diminishing the financial impact of sector-specific downturns or geographic economic instabilities; and
- **Cost Saving and Efficiency**: Proactive risk management focused on minimising environmental impact that could lead to cost savings. Implementing energy-efficient practices, waste reduction measures and resource conservation strategies benefit the environment by improving operational efficiency and cost reduction.

These risk management practices collectively strengthen the Group's ability to operate effectively in volatile markets, supporting its strategic objectives of growth, sustainability and enhanced competitive position in the global market.

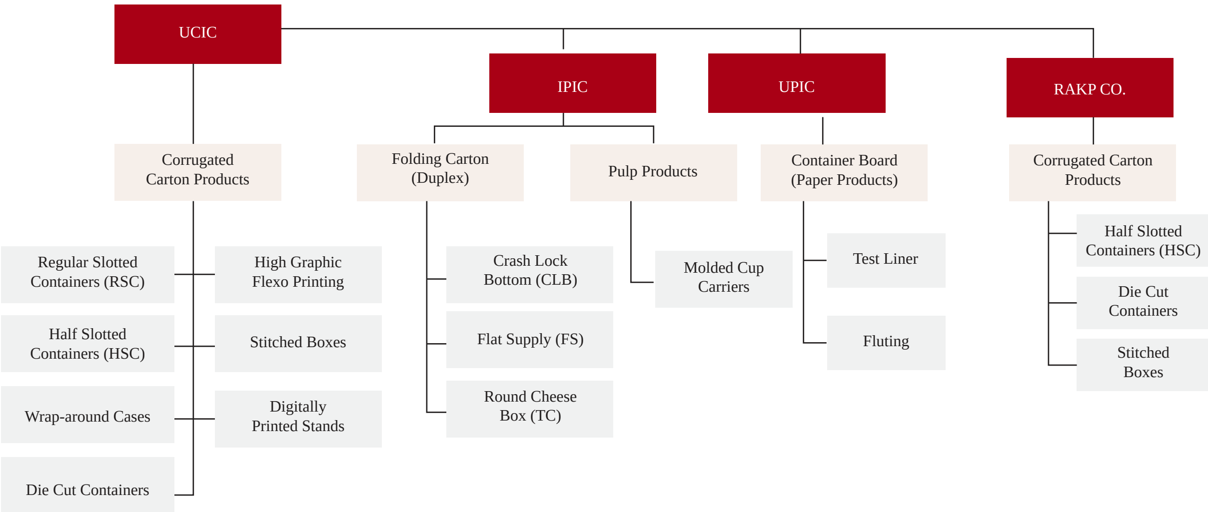
4.6 Overview of the Group's Business

The Group has established itself as a leader in the corrugated packaging industry in the Kingdom, supported by key business segments tailored to meet diverse market requirements. Through its principal business segments - corrugated carton products, folding carton (duplex), pulp products and containerboard (paper) - the Group offers a comprehensive and adaptable array of manufacturing and product solutions that respond effectively to changing market demands. Each segment is critically important to the Group's objectives, emphasising innovative methods that uphold the Group's standards of quality, client satisfaction and environmental stewardship.

4.6.1 Products

The Group's core activities consist of four principal business segments. The following chart shows the Group's various business segments as of the date of this Prospectus:

Exhibit 4.6: Group's Business Segments as of the Date of this Prospectus



Source: The Company.

The Group's four principal business segments are as follows:

- **corrugated carton products**, including regular slotted containers, half slotted containers, die cut containers, wrap around cases, high graphic Flexographic printing, stitched boxes and digitally printed corrugated stands and boxes;
- **folding carton (duplex)**, including crush lock bottom cases, flat supply products and round cheese boxes;
- **pulp products**, including two and four cup carriers for the out-of-retail segment; and
- **containerboard (paper)**, including test liner and fluting.

Each of these segments demonstrates the Group's ability to innovate and adapt to the dynamic needs of the marketplace, reinforcing its position as a key industry player with a diverse and robust operational model. The following table highlights the products manufactured by the Group; for each product category, the name of the relevant entity that manufactures them and the average share of each product in the revenue of the Company in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G are provided:

Table 4.32: Products of the Group and Share of Each Product in the Revenue of the Group in the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Business Segments/ Subsegments	Product and Services Categories		Financial Year Ended 31 December			Six-Month Period Ended 30 June	Six-Month Period Ended 30 June
			2021G	2022G	2023G	2023G	2024G
Corrugated Carton	Regular Slotted Containers	UCIC	38.5%	37.5%	35.1%	36.0%	33.3%
	Half Slotted Container		3.6%	3.1%	3.2%	2.9%	2.5%
	Die cut boxes		20.4%	19.4%	17.9%	18.8%	18.3%
	Wrap around cases		24.4%	22.9%	22.3%	23.9%	21.4%
	High Graphic printing boxes		9.2%	7.7%	6.6%	6.5%	6.9%
	Stitched boxes		2.5%	2.1%	2.3%	2.4%	2.0%
	Digital printed products		0.5%	0.4%	0.6%	0.6%	0.8%
	Others (1)		0.9%	0.6%	0.8%	0.8%	0.7%
	Total		**100.0%**	**93.7%**	**88.8%**	**91.9%**	**85.9%**
Folding Carton (Duplex)	Crush Lock Bottom cases	IPIC	-	1.0%	1.3%	1.3%	0.6%
	Flat supply		-	2.2%	2.8%	2.6%	2.3%
	Round Cheese Boxes		-	0.9%	1.3%	1.4%	0.9%
	Others (2)		-	1.6%	1.9%	2.0%	1.3%
	Total		**-**	**5.70%**	**7.30%**	**7.30%**	**5.10%**
Pulp Products	Moulded pulp products	IPIC	-	0.6%	0.8%	0.8%	0.8%
Container Board (Paper)	Test Liner	UPIC	-	-	1.1%	-	3.5%
	Fluting		-	-	2.0%	-	4.7%
	Total		**-**	**-**	**3.1%**	**-**	**8.2%**

Source: The Company.

(1) Carton boards.

(2) Straight glue joints, liners and publications.

4.6.1.1 Corrugated Carton Products

Corrugated cartons, primarily defined as three-layered packaging solutions, are developed as durable and flexible secondary packaging options. Produced from a variety of paper materials, over 85.0 per cent. of which is recycled paper to ensure sustainability, these cartons are essential in encapsulating and safeguarding a wide range of products. These products include food, beverage, water, household items, consumer durables and agricultural products, etc. Corrugated cartons offer efficient stacking, secure warehousing and streamlined distribution. They are distinguished from solid board by their unique layered structure, which significantly amplifies their strength. This structure comprises an inner liner, a fluted medium for exceptional shock absorption and resilience and an outer liner that can be customised with advanced, high-quality printing techniques. This layered design not only adds to the structural integrity but also provides excellent insulation properties, helping in maintaining the quality of temperature-sensitive products. The visual appeal of the packaging, facilitated by the quality of the box and its print, plays a pivotal role in attracting clients and shaping their purchase decisions. Recognising this critical aspect, the Group introduced high-graphic printing technology about 27 years ago, revolutionising the way products are presented. This advancement allows for vibrant, detailed and visually engaging designs that not only enhance brand recognition but also facilitate a direct communication channel between the brand and its consumers. By prioritising high-quality graphics, the Group ensures that its corrugated cartons are not just packaging materials but also powerful marketing tools that contribute to a product's shelf appeal and competitiveness in the marketplace.

The Company is also the first company to introduce single-pass digital printing on corrugated boxes in 2021G, a testament to its commitment to innovation and getting the best technology into the Kingdom and the GCC. The introduction of digital printing has revolutionised point of sale stands and boxes with high-resolution, customizable prints, shortening lead times and enabling small batch production. This technology, along with the widespread use of Flexographic printing that can print up to six colours, ensures high-resolution printing that captures consumer attention. The importance of these cartons is increasing, especially as organised retail grows and corrugated boxes reach shelves, necessitating high-quality printing for branding and positioning.

The Group specialises in creating corrugated boxes, catering to varying degrees of strength and protection requirements. These boxes come with options for both standard and bespoke printed designs, leveraging modern printing technology to offer vibrant and eye-catching packaging. This enhances brand recognition and consumer appeal, especially important for key clients and brands like Almarai, Savola, Unilever, Procter & Gamble, Nestle, Safi, Nova Water, Nadec, Nada, Mars, Berain Water, Pepsi, Coke, etc.

Corrugated cartons stand out for their innovative design, skilfully balancing strength with lightweight properties, which is essential for cost-effective bulk shipping. Their versatility is unmatched, as they are crafted into various shapes and sizes to serve not just as traditional packaging but also as specialised supports for diverse items. The durability of these materials ensures they can withstand the rigors of transportation, effectively cushioning impacts, resisting moisture and tolerating significant temperature fluctuations. Although not impervious to all forms of damage, these cartons significantly enhance product protection, maintaining their integrity from storage through to delivery.

Their widespread application across various industries underscores their significance. This extensive utilisation is a testament to their robustness, lightweight nature and adaptable design capabilities, marking them as an indispensable component in the logistics and distribution chain.

The Group produces several main categories of corrugated carton boxes, each designed to meet specific packaging and shipping needs:

- **Regular Slotted Containers (RSC)**: These are among the most common types of corrugated boxes. Featuring four flaps on both the top and bottom, the outer flaps meet at the centre when folded, facilitating easy closure and sealing. Their widespread use in shipping and packaging is attributed to their adaptability and simplicity in assembly, making them suitable for a variety of products;
- **Half Slotted Containers (HSC)**: This type of corrugated box is distinguished by having only one set of flaps, usually at the top, while the bottom remains open. In contrast to RSCs, which have flaps on both ends, HSCs have a top that functions like a lid. These containers are ideal for items that do not need a completely enclosed base, offering easy insertion and retrieval of contents. Their design lends itself well to a multitude of uses, particularly where rapid access is essential, making them versatile for packaging and transportation of diverse products;
- **Wrap-around Cases**: Characterised by a single piece of corrugated material that wraps around and encloses the product, these cases are engineered to closely match the product's dimensions. The case takes form by folding and gluing the corrugated material to construct a snug sleeve or tray. Predominantly utilised in sectors requiring both protection and accessibility, such as the beverage and engine lubricant industries, wrap-around cases are lauded for their efficiency. They reduce packaging material usage and costs, and their streamlined design enhances space utilisation during storage and transport;
- **Die Cut Containers**: They are cut into specific shapes or designs using a die, a specialised metal tool for cutting, scoring or shaping materials, such as paper or cardboard, into precise and customised forms. This die-cutting process creates unique and intricate shapes in packaging, enhancing the carton's visual appeal and functionality. Commonly utilised for packaging products needing distinctive presentation, such as retail packaging for consumer goods, specialty items and promotional packaging, these cartons enable creative and eye-catching packaging solutions. The die cutting offers custom shapes, allowing the production of cartons in any design or shape to meet specific product and branding needs. The precision of this process guarantees accurate and clean cuts, enhancing the packaging's quality and appearance. Furthermore, die cut cartons provide opportunities for unique branding elements, helping products in standing out on the shelf;
- **High Graphic Flexo Printing**: This is a printing process that combines the flexibility of Flexography with the ability to produce high-quality graphic designs. Widely used in the packaging industry, it is essential for creating vibrant and detailed graphics, particularly in retail packaging, corrugated cartons and other materials where visual appeal is crucial. High graphic Flexo printing features include the use of Flexographic technology, where flexible printing plates are mounted on a rotating cylinder, inked and the image is then transferred to the substrate. This method is synonymous with high-quality graphics, focusing on precise colour reproduction, fine details and capturing intricate designs. Its versatility is evident in its suitability for different substrates, particularly corrugated boxes. Additionally, Flexography is an efficient, high-speed printing process that allows for cost-effective production, particularly in large print runs. It is also environmentally friendly, often utilising water-based or UV inks, with a preference for water-based options to enhance its eco-friendly profile;

- **Stitched Boxes**: They are large, heavy-duty containers made from corrugated cardboard material, featuring stitched seams for added strength and durability. Designed to withstand heavy loads, they provide robust packaging solutions for bulk storage, transportation and shipping of large and heavy items. Commonly used in industries such as manufacturing, logistics, agriculture and automotive, these boxes are ideal for packaging goods, such as machinery parts, equipment, bulk produce and raw materials. They offer superior protection against damage during handling and transit, ensuring the safe delivery of goods while optimising storage space and logistics efficiency. With sturdy construction and customisable sizes, stitched boxes are versatile packaging solutions tailored to meet the specific needs of industrial and commercial sectors; and
- **Digitally printed Corrugated Stands**: They are display structures made from corrugated cardboard, utilising digital printing technology to transfer images directly onto the corrugated material, enabling high-quality, full-colour prints. These stands are prevalent in supermarkets, retail points of sale, trade shows and events for promotional and marketing purposes. They benefit from digital printing technology, allowing high-resolution and full-colour printing, making them ideal for reproducing detailed designs and branding elements. The lightweight yet sturdy corrugated cardboard serves as the primary material, ensuring strength while maintaining low weight. Customisation is a key feature, enabling personalisation with branding elements, product images or promotional messages. These stands are designed to be effective promotional displays, strategically placed to draw attention and engage viewers, adaptable to various forms like floor or counter displays, catering to different marketing needs or product introductions. Additionally, digital printing on corrugated material is cost-effective, particularly suitable for campaigns requiring varying designs, offering an excellent mix of affordability, customisation and visual appeal in marketing and retail contexts.

Additionally, for retail consumers requiring limited quantities, boxes are accessible via the Group's retail website, showcasing the adaptability of these solutions across various applications, including logistics, branding and consumer protection.

In the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, corrugated carton products generated SAR 1,049.6 million, SAR 1,331.1 million, SAR 1,214.7 million and SAR 574.7 million, respectively, in revenue, representing 100.0 per cent., 94.1 per cent., 89.2 per cent. and 85.6 per cent., respectively, of the Group's total revenue for the same periods.

4.6.1.2 Folding Carton (Duplex) Products

While corrugated cartons are mostly used as secondary packaging, folding cartons usage extends to primary packaging also. Within the folding carton (duplex) products, the Group offers an extensive array of paper solutions, each tailored to align with specific client needs while strictly adhering to high industry standards. The offerings in this segment include:

- **Crush Lock Bottom (CLB)**: This type of folding carton is a packaging design renowned for its reinforced bottom closure. This design interlocks the bottom flaps, enhancing the carton's structural integrity and making it resistant to crushing or collapsing under its contents' weight. Beneficial for packaging heavier or bulkier items, it ensures product protection during transportation and handling, contributing to the carton's overall stability and durability, and providing reliable packaging for a variety of applications;
- **Flat Supply (FS)**: These products typically comprise printed or unprinted sheets that are processed through die-cutting, stripping and packing without the necessity for gluing. Designed for seamless integration into automated filling machines at the customer's premises, these products can be efficiently formed, filled with consumer goods and prepared for market distribution; and
- **Round Cheese Box**: Specifically crafted for triangular cheeses, this box accommodates 8, 16, 24 and 32 pieces. Following die-cutting, it undergoes a precise moulding process to take on a unique round shape, serving as an efficient container for triangular cheeses. This moulding process ensures precision, providing a secure and attractive packaging solution for customers that both protects and accentuates the unique form of triangular cheeses.

In the financial years ended 31 December 2022G and 2023G, folding carton (duplex) products generated SAR 78.9 million and SAR 98.2 million, respectively, in revenue, representing 5.60 per cent. and 7.2 per cent., respectively, of the Group's total revenue for the same periods (as IPIC's manufacture of folding carton (duplex) products was acquired by the Company in March 2022G, these figures are for the post acquisition period for the financial years ended 31 December 2022G and 2023G).

4.6.1.3 Pulp

The Group demonstrates a strong commitment to environmental protection and sustainability in the paper industry by producing pulp products exclusively from wastepaper generated during its own corrugated and folding carton (duplex) product manufacturing activities (in 2023G, over 98.0 per cent. of waste generated in the Group's manufacturing processes was recycled). This innovative approach not only serves as the foundation for the production of high-quality folding carton (duplex) products but also exemplifies a circular economy model in action. By recycling wastepaper into pulp, the Group effectively minimises its ecological footprint, reducing the need for virgin raw materials and conserving natural resources. Through this eco-friendly approach, the Group actively contributes to environmental conservation. The recycling of wastepaper reduces landfill waste, decreases greenhouse gas emissions associated with paper production and lessens the impact on forests. This sustainable pulp production process aligns with global environmental goals and positions the Group as a responsible and forward-thinking leader in the paper packaging industry, committed to sustainability without compromising on the quality of its products.

A moulded pulp cup carrier is an eco-friendly packaging solution crafted from recycled paper fibres. Its design, shaped through a moulding process, securely holds multiple cups for convenient beverage carrying (both hot and cold). These carriers offer stability and protection during handling and are widely used in the food industry. Notably, they contribute to sustainability due to their recyclable and biodegradable properties. Commonly found in coffee shops and fast-food establishments, moulded pulp cup carriers support environmentally conscious packaging practices.

In the financial years ended 31 December 2022G and 2023G, pulp products generated SAR 9.1 million and SAR 10.4 million, respectively, in revenue, representing 0.6 per cent. and 0.8 per cent., respectively, of the Group's total revenue for the same periods (as IPIC manufacturing pulp products was acquired by the Company in March 2022G, these figures are for the post acquisition period for the financial years ended 31 December 2022G and 2023G).

4.6.1.4 Containerboard (Paper)

Containerboard complements the Group's integrated portfolio and is part of backward integration. The Group's commitment to quality and innovation is evident in the following products:

- **Test Liner**: This product is essential in the production of corrugated board, playing a vital role in packaging solutions. Made 100.0 per cent. from recovered paper, the test liner is another testament to the Group's commitment to sustainable practices. Available in multiple grades, it caters to various weight and strength requirements. Its use is especially crucial in scenarios demanding structural integrity, such as in the manufacturing of boxes that need to withstand significant wear and tear during transportation and storage. Specifically, the brown test liner grade is manufactured from 100.0 per cent. brown old, corrugated containers or brown new corrugated cuttings, offering a grammage range from 120 to 200 GSM. It serves as a top and bottom layer in corrugated sheets, providing a smooth surface for printing and a sturdy exterior for packaging; and
- **Fluting**: This product refers to the corrugated middle layer that is integral to the structure of corrugated boards. This layer is paramount in providing the board with its characteristic rigidity and exceptional crush resistance. Produced exclusively from 100.0 per cent. old, corrugated cuttings or new corrugated cuttings, fluting paper is essential for providing structural strength to corrugated cardboard. With a grammage range from 112 to 200 GSM, it is tailored to support various packaging requirements, ensuring durability and resilience.

In the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G, paper products generated SAR 42.2 million and SAR 55.2 million in revenue, representing 3.1 per cent. and 8.2 per cent. of the Group's total revenue for the same periods (UPIC's manufacture of container board (paper) was acquired by the Company in July 2023G, and these figures are for the post acquisition period for the financial year ended 31 December 2023G).

4.6.2 Manufacturing Processes

The Group's manufacturing processes integrate design excellence, strategic procurement and quality control of raw materials and equipment, ensuring top-tier production across its paper and packaging range. The design team's client-centric approach and use of advanced technologies lead to innovative, sustainable products. Strategic procurement practices prioritise eco-friendly materials and cost-effective solutions, while rigorous selection and testing of raw materials and equipment uphold product integrity and performance. These combined efforts in design, procurement and materials management, alongside careful packaging and a robust logistics network, support a manufacturing process that emphasises quality, efficiency and environmental responsibility. This comprehensive approach not only delivers products that meet diverse client needs but also reinforces the Group's commitment to technology, sustainability and operational excellence that meets with the best international standards.

4.6.2.1 Design

The Group places a strong emphasis on design excellence, recognising it as a critical factor in product development and client satisfaction. At the heart of this commitment is a team of experienced designers who bring a blend of creativity, technical expertise and market insight to every project. This dedicated team employs a comprehensive strategy in design, covering several essential aspects that are pivotal to delivering outstanding and sustainable products:

- **Client-Centric Approach**: The Group's designers work in close collaboration with clients to understand their specific needs and preferences. This client-centric approach ensures that the designs not only meet but exceed client expectations, balancing aesthetic appeal with functional practicality;

- **Innovation and Advanced Technologies**: Leveraging advanced technologies and dedicated research, the design team explores innovative solutions that enhance the product life and performance. This includes the use of state-of-the-art design software, 3D modelling and prototyping tools that allow for precise and efficient design processes. Additionally, advanced Artios CAD software is utilised in designing in-house, enabling the creation of detailed and accurate designs that streamline the development process and ensure products are perfectly tailored to meet client specifications;
- **Sustainability Focus**: In line with the Group's commitment to sustainability, the design team incorporates eco-friendly practices and materials into their designs. This involves optimising designs for material efficiency, promoting recyclability and reducing environmental impact without compromising on quality or durability;
- **Compliance and Technical Review**: Once a design is conceptualised, it undergoes a rigorous technical review in manufacturing to ensure full compliance with the clients' requirements and industry standards. This step is crucial in maintaining the Group's reputation for delivering high-quality, reliable products;
- **Customisation and Flexibility**: The design team is proficient at handling a wide range of customisation requests, from simple modifications to complex, bespoke solutions. Their flexibility and adaptability are key in catering to diverse market segments and rapidly changing consumer trends; and
- **Continuous Improvement and Feedback Integration**: The design process is iterative, with continuous improvement based on client feedback and market analysis. This approach ensures that the Group stays at the forefront of design trends and technological advancements, maintaining its competitive edge.

In summary, the Group's design philosophy is centred around client engagement, innovation, sustainability and stringent compliance to standards. This comprehensive approach enables the Group to create products that are not only visually appealing and functionally superior but also environmentally responsible and perfectly aligned with client needs.

4.6.2.2 Procurement

The Group's Procurement Department plays a critical role in maintaining the efficiency and effectiveness of its manufacturing operations. As a pivotal link in the supply chain, the procurement team is dedicated to the sourcing and delivery of high-quality materials essential for production and everyday operations. The core responsibilities and strategic approaches employed by the Procurement Department include:

- **Strategic Sourcing**: The primary role of the department is to facilitate the acquisition, delivery and quality support of any and all necessary materials needed for production or daily operations within the Group. Cost effectiveness is key for strategic sourcing and every cost saving opportunity is well thought of before the decision making. This includes materials such as various grades of paper, corrugated mediums, specialty inks and adhesives and involves careful selection of suppliers, negotiation of favourable terms and establishment of long-term partnerships to guarantee consistent quality and cost-effectiveness. Sourcing is diversified and materials are procured from all parts of the world to ensure quality and continuity. Recycled paper sourcing is mainly from local sources while paper is procured from Asia, Europe, North America, etc;
- **Sustainable Procurement Practices**: The procurement team ensures that over 85.0 per cent. of the paper procured is Forest Stewardship Council (FSC) certified, demonstrating a commitment to environmental responsibility. The FSC certification is an assurance that the paper comes from responsibly managed forests that provide environmental, social and economic benefits. It operates on the same principle for other materials as well;
- **Quality Assurance and Compliance**: The department is also responsible for ensuring that all procured materials meet the required industry standards and quality specifications. Regular audits and compliance checks are conducted to ensure that suppliers adhere to the agreed-upon standards;
- **Inventory Management**: Effective inventory management is key to avoiding production delays and excess stock holding costs. The procurement and supply chain team employs advanced inventory management systems to optimise stock levels, ensuring that materials are available when needed while minimising storage costs;
- **Consumable and Equipment Procurement**: Apart from raw materials, the department is also responsible for acquiring consumables, such as tools and machinery and office supplies necessary for the plant's day-to-day operations. The procurement of spare parts is strategically managed to ensure the least downtimes in production;
- **Collaboration with Other Departments**: The procurement team works closely with other departments like manufacturing, product development and planning to forecast demand, plan budgets and coordinate the delivery of materials. This cross-functional collaboration, especially with the Planning Department, is crucial to ensure the continuity of supplies and prevent operational disruptions; and

- **Risk Management**: Identifying and managing risks associated with the supply chain is a critical function of the procurement department. This includes monitoring market trends, assessing supplier reliability and developing contingency plans to mitigate supply chain disruptions.

In summary, the Procurement Department of the Group is a key enabler of its manufacturing excellence, ensuring the timely availability of quality materials, while also upholding the principles of sustainability and cost-effectiveness. This strategic approach to procurement supports the Group's overall operational efficiency and contributes to its competitive advantage in the market.

4.6.2.3 Raw Materials and Equipment

Since its inception, the Group has prioritised the quality of raw materials used in the manufacture of its products. Selecting the best available raw materials that comply with international standards is a foundation of the Group's commitment to providing high-quality products that meet and exceed the expectations of its clients. Internal specifications for each raw material are well-defined to ensure this quality and any raw material that falls below the specified standards is not utilised in production.

- **Quality Raw Materials**: The primary raw materials used in the Group's manufacturing processes include various grades of paper, such as brown test liner (BTL), fluting, kraft liner board (KLB), white kraft liner board (WTKLB), white test liner (WTL), coated white top kraft liner (CWTKLB), coated duplex grey back (CDG), etc. These materials are chosen for their quality and performance characteristics, ensuring that the final products offer the durability and functionality required by clients;
- **Sustainable Sourcing**: In line with its commitment to sustainability, the Group focuses on procuring raw materials from accredited and reliable suppliers who adhere to environmentally responsible practices. This includes sourcing paper rolls of different widths (up to 2,800 mm) and GSM (Grams per Square Meter) ranges (75 to 300) from suppliers in the USA, Canada, Europe and Asia, known for their sustainable forestry practices. Notably, 90.0 per cent. of the paper used by the Group in 2023G was recycled paper, reflecting a responsible approach to resource utilisation. Furthermore, the majority of this paper is FSC (Forest Stewardship Council) certified, indicating that the products are sourced from forests that are managed in a way that preserves biological diversity and benefits the lives of local people and workers, while ensuring it sustains economic viability. The increased use of water-based inks also demonstrates the Group's efforts to minimise the environmental impact of its manufacturing processes;
- **Recycling and Environmental Responsibility**: The pulp manufactured is produced by recycling wastepaper from the Group's operations. By recycling its own wastepaper, the Group reinforces its commitment to environmental stewardship. In 2023G, over 98.0 per cent. of the raw material required for pulp production was used from the waste generated in the Group's manufacturing process. These materials are conveniently stored in warehouses near the Company's plants, optimising logistics and reducing the carbon footprint;
- **Equipment and Technology**: In addition to raw materials, the Group invests in state of art manufacturing equipment and technology, incorporating advanced machinery for paper processing and packaging that boosts efficiency, minimises waste and ensures the production of high-quality paper products. The technology and machines used are equal to the world's best, with the majority of key machinery sourced from Europe and Japan, indicative of the Group's commitment to maintaining high standards of innovation and quality. Notably, the Group has integrated sophisticated technologies, such as automated handling systems, ERP systems, robotic arms for precise handling and assembly tasks, automatic conveyors for seamless material transport within the manufacturing process and high-speed corrugators that significantly enhance production capacity and speed. Additionally, the use of digital machines, including the first single pass digital machine for corrugated use in the MENA Region, underscores the Group's forward-thinking approach. High-speed conversion machines further streamline the production process, transforming raw materials into finished products with greater efficiency and accuracy. An automatic reel transport system facilitates the smooth and safe movement of paper reels throughout the facility, reducing manual handling and improving overall workflow. These technological advancements, sourced from renowned manufacturers, position the Group at the forefront of the industry, showcasing a relentless pursuit of excellence in manufacturing capabilities;
- **Inventory Management and Procurement**: Robust procurement processes are in place to manage the acquisition and storage of raw materials and equipment. With extensive warehousing space, the capability to stockpile large quantities of raw materials, reducing the risk of supply chain disruptions and taking advantage of market pricing. Spare part procurement is also strategically managed to minimise downtimes and ensure continuous production; and
- **Adaptation to Market Dynamics**: The Group actively monitors and responds to market trends and price fluctuations in raw materials. This proactive approach enables the Group to maintain steady production while managing costs effectively.

As of 30 June 2024G, the top four raw materials consumed by the Group in its manufacturing process in all of its segments consisted of paper, paper board, wastepaper and starch. Due to its size, the Group is one of the largest consumers of paper in the Kingdom and as a result has established relationships with a wide range of suppliers from different geographic locations. The Group is thus able to gain access to large quantities of raw materials when required and at the most competitive rates.

The share of top four raw materials purchased by the Group in connection with the manufacturing activities contributed to 80.0 per cent, 83.0 per cent., 74.0 per cent. and 73.3 per cent. of the Group's purchases in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively.

Most of the Group's raw materials, which comprised paper, paperboard wastepaper and starch are commodities in nature and subject to price fluctuations. The Group has implemented robust procurement processes to reduce its exposure to fluctuations in prices, including its financing and storage ability (44,600 m2 of warehousing space as of 30 June 2024G) to purchase and stock-up on large quantities at appropriate times.

In summary, the Group's approach to raw materials and equipment procurement is a strategic blend of quality, sustainability and efficiency. By carefully selecting raw materials, employing advanced technology and maintaining strong supplier relationships, the Group ensures a consistent supply of high-quality materials, reinforcing its position as a leader in the paper and packaging industry.

4.6.2.4 Manufacturing

The Group's manufacturing capabilities, highlighted by its extensive facilities and capacity across corrugated carton, folding carton (duplex), pulp products and containerboard (paper) segments, demonstrate a comprehensive and efficient approach to production. The Group's manufacturing infrastructure, including several state-of-the-art facilities across key locations, is designed to maximise output while maintaining high standards of quality and sustainability. Each facility is equipped with advanced machinery and technology, supporting the Group's commitment to innovation and eco-friendly practices. The manufacturing process is methodically structured, starting from the careful selection and preparation of raw materials, through to the precision-driven stages of production, such as sheet formation, printing and finishing for corrugated cartons and specialised treatments for folding carton (duplex), pulp products and containerboard (paper). The in-house manufacturing of die-cutting tools further enhances the efficiency and customisation capabilities. Combined with stringent quality control, in-house packaging solutions and a robust logistics network, the Group ensures the consistent delivery of high-quality products, fulfilling diverse client requirements and maintaining a competitive edge in the market. The manufacturing systems are driven by the ERP system that ensures optimum utilisation and cost effectiveness in the manufacturing process.

(a) Manufacturing Facilities and Capacity

(i) Manufacturing Facilities and Capacity for Corrugated Carton Products

The Group has six corrugated carton products manufacturing facilities, two in Jeddah, two in Riyadh, one in Al Kharj and one in Ras Al Khaimah. Out of these plants, five are equipped with independent corrugators and the sixth is a conversion plant only.

Plant 1 in Jeddah - Corrugated Carton Factory

The Group operates a manufacturing facility in Jeddah. Established in 1990G, it had 329 employees and maximum annual capacity of about 118,000 tonnes and has a surface area of 44,750 m2, including 33,959 m2 of covered manufacturing space as of 30 June 2024G. It is dedicated to the manufacture of corrugated carton and has the following certifications: ISO 9001: 2015 Quality Management System, ISO 14001: 2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System, ISO/IEC:27001-2013 Information Security Management System (ISMS), British Retail Consortium (BRC): Global Standard for Packaging Materials, FSC: Forest Stewardship Council and Halal: Halal Quality Control.

Plant 2 in Jeddah - Corrugated Carton Factory

Second manufacturing facility for corrugated carton is also in Jeddah. Acquired in 2001G, it had 166 employees and maximum annual capacity of about 80,000 tonnes and has a surface area of 25,150 m2, including 14,814 m2 metres of covered manufacturing space as of 30 June 2024G. It is dedicated to the manufacture of corrugated carton and has the following certifications: ISO 9001: 2015 Quality Management System, ISO 14001: 2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System, FSC: Forest Stewardship Council and Halal: Halal Quality Control.

Plant 3 in Riyadh - Corrugated Conversion Plant

Third manufacturing facility for corrugated carton in Riyadh is a conversion plant. Acquired in 2007G, it had 77 employees and maximum annual capacity of about 13,000 tonnes and has a surface area of 4,500 m2, including 2,760 m2 metres of covered manufacturing space as of 30 June 2024G. It is focused on conversion of corrugated carton and has the following certifications: ISO 9001: 2015 Quality Management System, ISO 14001: 2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System and Halal: Halal Quality Control.

Plant 4 in Riyadh - Corrugated Carton Factory

Fourth manufacturing facility for corrugated carton in Riyadh. Acquired in 2015G, it had 213 employees and maximum annual capacity of about 83,000 tonnes and has a surface area of 24,650 m2, including 19,005 m2 metres of covered manufacturing as of 30 June 2024G. It is dedicated to the manufacture of corrugated carton and has the following certifications: ISO 9001: 2015 Quality Management System, ISO 14001: 2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System and Halal: Halal Quality Control.

Plant 5 in Al Kharj - Corrugated Carton Factory

Fifth manufacturing facility for corrugated carton in Al Kharj is latest greenfield facility built within 19 months period benchmarked against the best in the corrugated segment across the globe. Established in 2017G, it had 142 employees and maximum annual capacity of about 100,000 tonnes and has a surface area of 96,900 m2, including 33,707 m2 metres of covered manufacturing space as of 30 June 2024G. It is dedicated to the manufacture of corrugated carton and has the following certifications: ISO 9001: 2015 Quality Management System, ISO 14001: 2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System, ISO/IEC:27001-2013 Information Security Management System (ISMS), British Retail Consortium (BRC): Global Standard for Packaging Materials, FSC: Forest Stewardship Council and Halal: Halal Quality Control.

In 2023G, the Group's corrugated capacity utilisation averaged approximately 80.0 per cent. on a yearly basis. This level of utilisation underscores the efficiency and effectiveness of the Group's manufacturing operations but also highlights the need for future expansion to meet growing client demands. The Group recognises that maintaining an 85.0 to 90.0 per cent. capacity-utilisation rate is optimal for managing lead times, a critical service factor in the corrugated carton industry.

The importance of peak capacity utilisation cannot be overstated, as it directly impacts the Group's ability to respond flexibly to market demands and client needs. With just-in-time (JIT) delivery becoming increasingly important to clients, the Group is preparing for strategic expansions of its manufacturing capabilities. This forward-looking approach ensures that the Group remains well-positioned to accommodate future client requirements while maintaining high service levels and product quality. See Section 4.7 (*Future Plans and Initiatives*) for further details on the Group's strategic expansions of its manufacturing capabilities.

Plant 6 in Ras Al Khaimah - Corrugated Cardboard Factory

The sixth corrugated carton manufacturing facility is in Ras Al Khaimah. It was established in 1993G and has 109 employees. Its maximum annual production capacity is 18,000 tonnes and its total area is 47,711 square meters, including 9,500 square meters of covered manufacturing space.

The following table shows the production capacity and utilisation per cent. of the Group's corrugated carton segment in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 4.33: Production Capacity and Utilisation Per Cent. of the Group's Corrugated Carton Segment in the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Products	Financial Year Ended 31 December						Six-Month Period Ended 30 June	
	2021G		2022G		2023G		2024G	
	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes semi-annually)	Utilisation %
Corrugated carton (1)	381	78.2%	381	76.9%	381	80.1%	190.6	84.2%

Source: The Company.

(1) As a result of the Company's acquisition of RAKP CO. in July 2024G, the Group's annual production capacity for corrugated cardboard increased by 18 thousand tonnes to a total of just under 400 thousand tonnes per year, as of the date of this Prospectus.

(ii) Manufacturing Facilities and Production Capacity for the Manufacture of Folding Cartons (Duplex) Products

The Group has one folding carton (duplex) products manufacturing facility in Al Ahsa:

Plant 7 in Al Ahsa – Folding Carton

This folding carton (duplex) facility in Al Ahsa was acquired in 2022G from Al Kifah Holding Company. It had 247 employees and maximum annual capacity of about 20,000 tonnes and had a total surface area of 26,537 m2, including 16,452 m2 of covered manufacturing space as of 30 June 2024G. It is dedicated to the manufacture of folding carton and pulp products and has the following certifications: ISO 9001: 2015 Quality Management System, ISO 14001: 2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System, BRC: Global Standard for Packaging Materials (BRC), BRC Module 11: HAVI Global Quality Standard, FSC: Forest Stewardship Council.

The following table shows the production capacity and utilisation per cent. of the Group's folding carton (duplex) products segment in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 4.34: Production Capacity and Utilisation Per Cent. of the Group's Folding Carton (Duplex) Products in the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Products	Financial Year Ended 31 December						Six-Month Period Ended 30 June	
	2021G		2022G		2023G		2024G	
	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes semi-annually)	Utilisation %
Folding carton	20.2	-	20.2	70.2%	20.2	77.7%	10.2	50.9%

Source: The Company.

(iii) Manufacturing Facilities and Capacity for Pulp Products

The Group has one pulp products manufacturing facilities in Al Ahsa (it is the same facility as describe above for folding carton products):

The following table shows the production capacity and utilisation per cent. of the Group's moulded pulp products segment in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 4.35: Production Capacity and Utilisation Per Cent. of the Group's Moulded Pulp Products Segment in the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Products	Financial Year Ended 31 December						Six-Month Period Ended 30 June	
	2021G		2022G		2023G		2024G	
	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes semi-annually)	Utilisation %
Pulp products	2.2	-	2.2	77.4%	2.2	69.7%	1.2%	69.7%

Source: The Company.

(iv) Manufacturing Facilities and Capacity for Containerboard (Paper)

The Group has one containerboard (paper) manufacturing facility in Jebel Ali Free Zone, Dubai, the UAE:

Plant 8 in Dubai – Corrugated Production (Paper)

In 2023G, the Group acquired this plant from Gulf Paper Manufacturing Company (GPMC). The manufacturing facility had 119 employees and a maximum annual capacity of 70,000 tonnes. It has a surface area of 15,000 m2, including 6,115 m2 metres of covered manufacturing space as of 30 June 2024G. The plant is dedicated to the manufacture of containerboard and has the following certifications: ISO 9001: 2015 Quality Management System, FSC: Forest Stewardship Council.

The following table shows the production capacity and utilisation per cent. of the Group in the containerboard (paper) segment in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 4.36: Production Capacity and Utilisation Per Cent. of the Group's Containerboard (Paper) Segment in the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Products	Financial Year Ended 31 December						Six-Month Period Ended 30 June	
	2021G		2022G		2023G		2024G	
	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes per annum)	Utilisation %	Capacity (thousand tonnes semi-annually)	Utilisation %
Test Liner / Fluting	70	94.7%	70	93.4%	70	94.3%	35	98.1%

Source: The Company.

(b) Manufacturing Processes

The Group's manufacturing processes for its paper and packaging products are designed to optimise quality, efficiency and sustainability.

(i) Manufacturing Process for Corrugated Carton Products:

The following are the primary steps in the manufacturing process for corrugated carton products:

- **Corrugated Board Production**: The process starts with supplying paper reels to the corrugator according to client requirements. The outer liner may be used for printing, while the medium (fluting) is selected for its strength properties. The inner liner, in direct contact with the client's products, and the medium liner are converted into wave-shaped inside the corrugating machine. Using starch as a bonding material, the inner liner is glued onto the fluting at the corrugator, followed by the addition of the outer liner, resulting in a corrugated board sheet cut to specified dimensions for the converting process;
- **Conversion**: After corrugated board production, the sheets are converted into cartons. This stage involves creating die-cut tools and printing dies, or clichés, based on the design specifications in the order documentation. The photo-polymer clichés and die-cut tools are produced in-house, utilising artwork provided and laser-cutting technology;
- **Printing**: The printing process employs Flexographic, offset and digital methods. Options include up to seven print units and the application of coatings and varnishes, enhancing branding opportunities for clients;
- **Gluing and Stapling**: In addition to gluing processes for regular slotted containers, stapling and gluing are available. Cartons with "crush lock" and "push-lock" designs require gluing at folder -gluer equipment; and
- **Shipping Products**: To protect the products during transport and handling according to client specifications, pallets with cartons are strapped under pressure and wrapped with protective layers of film before dispatch to clients. The use of barcode-encrypted pallet tags ensures product identification.

The engagement of multiple departments in the above manufacturing process illustrates the capabilities to develop, design and produce tailor-made products, adding value as perceived by the clients.

(ii) Manufacturing Process for Folding Carton (Duplex) Products

The following are the primary steps in the manufacturing process for folding carton (duplex) products:

- **Material Preparation**: The process starts with the preparation of folding carton (duplex) paper and board. This important stage involves converting paper board (which is typically coated on one side to enhance printability and uncoated on the other side) from reel form to sheet form based on the product to be printed/converted;
- **Printing and Coating**: In this phase, the offset printing techniques are used to apply detailed, high-quality graphics on the coated side of the folding carton (duplex) paper. This process is designed to maximise visual impact, employing vibrant inks and precise printing controls to ensure clarity and colour accuracy. Following the printing, additional coatings may be applied for enhanced functionality. These can include moisture-resistant or UV-protective layers, which are crucial in extending the lifespan of the product and preserving its appearance and integrity under various environmental conditions;

- **Cutting and Shaping**: Once printed and coated, the folding carton (duplex) paper undergoes precise cutting and shaping to meet specific client requirements. This step is tailored to create packaging solutions in a variety of shapes and sizes, from standard boxes to intricate custom designs. State-of-the-art cutting equipment is used to ensure accuracy and consistency across all products. This stage is critical in transforming the folding carton (duplex) paper into functional and aesthetically pleasing packaging, capable of accommodating a wide range of products and applications; and
- **Quality Checks**: The final stage in the manufacturing process involves comprehensive quality checks to ensure each folding carton (duplex) product meets the Group's high standards as well as industry regulations. Rigorous testing is conducted to assess aspects such as print quality, coating effectiveness, material strength and overall construction. This process is integral in maintaining the reliability and reputation of the Group's folding carton (duplex) products, ensuring they consistently deliver in terms of both performance and appearance. The commitment to thorough quality control reflects the Group's dedication to excellence and client satisfaction.

(iii) Manufacturing Process for Pulp Products

The manufacturing process for pulp, which serves as the foundation for creating various pulp products, including two and four cup holders, involves several primary steps designed to transform scrap paper into high-quality, sustainable products:

- **Scrap Paper Collection and Sorting**: The process begins with collecting scrap paper generated from the Group's own manufacturing activities. This step emphasises the Group's commitment to a circular economy by reusing materials. The collected wastepaper is then sorted to separate usable materials from contaminants, ensuring only suitable fibres are used for pulp production;
- **Pulping and Fibre Recovery**: The sorted wastepaper undergoes a pulping process, where it is mixed with water and broken down into fibres. This stage often involves mechanical and chemical treatments to dissolve ink and other impurities, allowing for the recovery of clean paper fibres. The pulping process is designed to maximise fibre yield while minimising environmental impact;
- **Cleaning and Refining**: The extracted fibres are thoroughly cleaned to remove any remaining contaminants. They are then refined, which involves mechanically treating the fibres to enhance their bonding properties. This refining process is crucial for improving the strength and quality of the final paper products, including the structurally demanding two and four cup holders;
- **Forming Cup Holders**: With the pulp prepared, it is then moulded into the specific shapes required for two and four cup holders. This step involves the use of specialised moulds that shape the pulp into the desired configurations, ensuring the holders are perfectly designed to secure cups efficiently and safely;
- **Quality Control and Testing**: Upon completion, the pulp and moulded products, including the cup holders, are subjected to stringent quality control tests. These tests verify the products' compliance with standards for strength, purity and functionality, essential for ensuring the high quality of the cup holders and other pulp-based products; and
- **Water Management, Sustainable Production and Eco-friendly Practices**: Throughout the manufacturing process, the Group employs efficient water management techniques to minimise consumption and recycle water within the production cycle, significantly reducing industrial wastewater. This commitment extends to the Group's sustainable production approach, where recycling wastepaper to manufacture pulp-based products like cup holders considerably lessens the ecological footprint of the Group's operations. By reducing landfill waste, lowering greenhouse gas emissions and conserving resources, the Group solidifies its status as a responsible industry leader. This process, from transforming wastepaper into pulp and then into specialised products such as two and four cup holders, showcases the Group's dedication to innovative and sustainable practices, highlighting efficient resource use and environmental stewardship while delivering high-quality, functional products.

(iv) Manufacturing Process for Containerboard (Paper)

The manufacturing processes for test liner and fluting in containerboard production share several primary steps but differ mainly in the raw materials used and the specific treatment during the process:

- **Raw Material**: For test liner production, brown old, corrugated cartons (OCC) and brown new corrugated cuttings (NCC) are primarily used, whereas fluting production also incorporates mixed waste such as magazines, newspapers and books, in addition to OCC and NCC;
- **Pulping and Refining**: Wastepaper is slushed in a pulper with water, breaking it into fibres known as pulp stock. These fibres undergo various stages of screening to remove contaminants and are then refined to enhance bonding, crucial for the final product's strength. For test liner, the pulp stock is sometimes tinted with brown dye to achieve the desired shade;

- **Paper Formation and Drying**: The stock from the machine chest is diluted with water and transferred onto the forming fabric, where water is removed and a wet sheet forms. This sheet then goes through pressing and drying processes. The semi-dry paper sheet, with 10 to 12 per cent. moisture, is treated with a starch slurry to improve the paper's strength properties. After starch application, the sheet passes through a final dryer section;
- **Quality Checks**: Each finished paper roll undergoes quality checks for grammage, moisture, burst strength, concora medium test and ring crush test before being wound onto an empty spool to ensure the performance of the manufactured boxes; and
- **Packaging and Distribution**: After passing quality checks, the paper rolls are slit into required sizes, weighed, labelled, wrapped and properly stacked, ready for dispatch to clients.

While both processes share common steps, the distinction lies in the raw materials and specific treatments applied during the manufacturing stages to produce test liner and fluting papers.

The Group's commitment to innovation is evident in the incorporation of advanced technologies throughout the manufacturing process. Robotic arms, automatic conveyors, digital machines, high-speed corrugators and conversion machines, along with an automatic reel transport system, are integral components that enhance productivity, improve efficiency and reduce waste. These technologies facilitate a seamless transition from raw materials to finished products, underscoring the Group's position as a leader in the paper manufacturing industry.

By prioritising the use of 100.0 per cent. recycled materials, the Group not only adheres to sustainable practices but also ensures the production of high-quality paper products that meet the rigorous demands of the packaging industry. This comprehensive manufacturing process, from pulping to finishing, exemplifies the Group's dedication to excellence, sustainability and client satisfaction.

(c) In-house Tools Manufacturing

The Group manufactures its own die-cutting tools, specialised equipment used in the manufacturing industry to cut and shape materials, particularly paper, cardboard, wooden forms and other sheet materials, into specific designs or patterns. They function much like a cookie cutter, where a customised, sharp-edged tooling knife is pressed into the material to cut it into precise shapes and sizes. These tools are essential in packaging and print production, allowing for the creation of complex and intricate designs with high precision. While laser die-cutting is used for cutting patterns on wooden forms to insert knives, it can also score, perforate and emboss, adding versatility to the production process. This method is ideal for producing large quantities of uniformly shaped products quickly and efficiently, making it a crucial component in mass production lines.

The production of die-cutting tools involves several precision-engineered steps. It starts with the design phase, where the exact shape and specifications of the die are created using computer-aided design (ArtiosCAD) software. This design is then used to guide the fabrication of the tool, typically crafted from high-strength steel for durability and longevity. The manufacturing process involves cutting, shaping and inserting steel knife into the desired pattern using advanced techniques such as sophisticated state of the art laser cutting machines for wooden dies tooling inserts for intricate designs. The dies are maintained to ensure clean and precise cuts. The dies are also fitted with rubber ejection materials to help remove the cut waste pieces from the die. High quality precision easy benders are used to shape the cutting steel knives as per client's requirement. Clients die cut layouts are stored securely in servers for future remakes for the same client's requirements without the need to process them again, further enhancing time and cost efficiency of the Group's manufacturing. The production process is highly specialised, requiring skilled craftsmanship and precise engineering to ensure that the final tool meets the exacting standards needed for efficient and accurate cutting.

The Group's in-house production of die-cutting tools significantly bolsters its competitive edge over competition in the corrugated market. This approach not only streamlines the transition from design to production, enabling rapid response to client needs and adherence to tight deadlines, but also reduces lead times, enhancing client satisfaction. By manufacturing these tools internally, the Group avoids the costs associated with outsourcing, allowing for more competitive pricing. Furthermore, this capability affords complete control over the quality and customisation of the tools, ensuring precision and catering to unique project demands. Overall, this strategic in-house tool manufacturing underpins the Group's market strength, offering production flexibility, cost efficiency and unmatched customisation, fortifying its position in the industry.

4.6.2.5 Quality Control

The Group's plays a pivotal role in ensuring the excellence of its products. This system is deeply integrated into every aspect of the manufacturing process, underpinned by a comprehensive Quality Assurance Objectives based on detailed procedures and control instructions. From the arrival of raw materials to the final product, each stage undergoes rigorous inspection and testing to conform to both client expectations and industry standards.

For instance, materials supplied to the Group are meticulously checked to meet the raw material specifications requirements. The manufacturing process adheres strictly to the Quality Assurance Management System with finished products undergoing stringent testing for compliance with design specifications and performance benchmarks. The Group's commitment to quality assurance is a core principle, practiced daily by all personnel.

The robustness of the Group's quality assurance process is reflected in the positive quality ratings from client surveys. The Non-Conformance Reports (NCR) and Parts Per Million (PPM) indicators are maintained within global benchmarks, indicating that defective products are kept to a minimum. Automated systems play a crucial role in the process quality validation automation, allowing for precision and consistency in quality checks.

The Group prides itself on its positive response time to clients, ensuring that any queries or issues are addressed promptly and effectively. This client-focused approach is complemented by a constant evaluation of the quality process, where there is an ongoing effort to scrutinise and improve production workflows.

Root cause analysis is a critical component of the Group's quality assurance continual improvement. When discrepancies are identified, thorough investigations are conducted to ascertain the underlying causes, followed by the implementation of corrective and preventive measures. This proactive approach prevents future issues and solidifies the Group's reputation for reliability.

Continuous professional development through training is emphasised, to equip the quality control team with the knowledge to uphold the highest standards of quality. Moreover, there is an established protocol for consistent product quality validation and equipment effectiveness by the operators. This routine surveillance ensures that all equipment is in optimal working condition, reducing the likelihood of production hiccups. Every manufacturing area is equipped with a testing zone, contributing to quality reporting and product traceability. Continual improvement in quality is a primary objective, aiming to elevate every business aspect.

See also Section 4.6.9 (*Certifications and Awards*) below for a discussion on the various certifications obtained by the Group.

4.6.2.6 Packaging

The Group's packaging process is a critical component of its quality assurance, ensuring that all its products are delivered in pristine condition. This process involves careful packaging tailored to the specific requirements of each product and client. Utilising its expertise in paper products, the Group produces its own packaging solutions designed to perfectly fit its products. Customised palletising and wrapping techniques are employed to ensure that goods are not only securely packed but also preserved in good and safe condition throughout the logistics cycle. This approach to packaging significantly reduces the risk of damage during transit, thereby upholding the integrity and quality of the products until they reach the client.

By managing the packaging process in-house, the Group can efficiently control costs, reduce waste and maintain high standards of environmental sustainability. Additionally, this control allows for greater agility in responding to client needs and market demands. The inclusion of advanced packaging options such as customised palletising ensures products are securely stacked and wrapped, offering enhanced stability and protection. This, combined with the use of high-quality wrapping materials, guarantees that the products withstand the rigors of transportation.

The Group's comprehensive approach to its production cycle, from manufacturing to packaging, demonstrates its commitment to excellence. It allows for more agility in response to client needs and market demands, while upholding the Group's reputation for delivering high-quality products in perfect condition.

4.6.2.7 Warehousing

The Group's warehousing and distribution capabilities are key components of its operational efficiency, ensuring timely and secure delivery of paper and packaging products. The Group's raw materials, including paper reels and other materials such as starch, straps, stretch film and caustic soda, are stored in raw material stores, meticulously organised and maintained to uphold their quality until production. As of 30 June 2024G, the Group had a significant warehousing footprint, with a main store in Jeddah covering 24,000 m2and a regional store in Riyadh spanning 6,000 m2. Additionally, each manufacturing site, comprising two sites in Jeddah and three sites in Riyadh, features its own buffer store, totalling seven storage locations across the Kingdom with a combined raw material storage space of 44,600 m2.

As of 31 December 2023G, the total paper storage capacity stood at 52,000 MT, providing eight weeks of coverage, with an average paper stock level in 2023G at 46,900 MT, equating to seven weeks of coverage. The Group managed in 2023G an average monthly receipt of 28,900 MT of paper. The average monthly paper consumption in 2024G closely matched the receipts at 28,800 MT.

The warehousing strategy includes effective inventory management, optimising space utilisation while ensuring easy access for swift dispatch. The Group employs an enterprise resource management system (ERP) to efficiently handle all operational and administrative processes. This system aids in accurately scheduling supply, production and shipment dates, enhancing overall supply chain management.

To further enhance its warehousing capabilities, the Group has established three specialised stores:

- **Main Spare Parts Store**: This store is key in maintaining a minimum stock level of spares to ensure smooth and continuous operation of the plant. Inventory levels are kept for seven to ten days of plant operation for local purchases and for imports, inventory for four to five months is maintained, depending on the lifespan of different spares/consumables;
- **Raw Material & Chemicals**: A dedicated store to manage the stock level of raw materials and chemicals, ensuring the smooth running of plant operations. The Group's main suppliers are based in the UAE, with procurement strategies adapted to market price fluctuations through monthly, quarterly or fortnightly contracts with wastepaper suppliers. All finished reels received from the rewinder are labelled, shrink-wrapped and properly stacked on wooden pallets. The finishing staff ensure that rolls are loaded correctly onto trucks as per the delivery schedule issued by the sales department; and
- **Finished Product Store**: This facility is responsible for managing the final stage of the product before delivery.

4.6.2.8 Distribution

For distribution, the Group has established a robust GPS enabled logistics network, collaborating with third-party providers who operate a fleet of curtain side and flatbed trailers / trucks. This sophisticated network included as of 30 June 2024G four finished goods stores, one for each plant, boasting a total capacity of 4,500 pallet positions. These facilities function to receive incoming finished goods pallets from production, store and dispatch them to end clients. In the year 2023G, the Group successfully dispatched over 350,000 tonnes of products to clients both within the Kingdom and internationally.

To facilitate these operations, more than 60,000 truckloads were utilised in 2023G for distribution to end clients within the Kingdom and for exports. As of 30 June 2024G, the fleet comprised various truck types to suit different logistical needs: curtain side trucks made up 85.0 per cent. of the fleet (utilised for their versatility in load types), flatbed trailers accounted for 10.0 per cent. and Dynas accounted for five per cent. (utilised for small loads and internal board transfers between plants). The Group's third-party transporters are classified into private fleet operators and transport fleet aggregators, all of which benefit from GPS-enabled fleet management to ensure efficiency and real-time tracking to serve more than 1,000 clients.

The flexibility and customisation of the Group's logistics operations allow it to tailor delivery terms to meet specific client requirements, providing a seamless and efficient distribution process. This comprehensive approach to warehousing and distribution logistics, supported by a vast network of third-party providers and a fleet of various truck types, positions the Group as a reliable and efficient manufacturer of its products, capable of meeting diverse client demands with agility and precision, while allowing it to concentrate on its core manufacturing expertise.

4.6.3 Security, Health, Safety and Environment

The Group is committed to achieving a safety culture of aspiring to Zero Harm in the workplace through continuous improvement of safety systems and procedures. This core standard applies to all activities undertaken by the Group and must be promoted and supported by all employees at all levels. The Group's management is firmly committed and is pro-active in ensuring a safe working environment at all facilities.

Zero Harm is a safety management policy that aims to prevent workplace injuries and illnesses. Its objective is to eliminate accidents entirely by integrating safe practices in the workplace, focusing on continuous improvement and proactive prevention based on seven fundamental principles:

- all employees at all levels to be fully aware of their responsibilities for their safety and the safety of their co-workers;
- injuries and diseases are preventable;
- no task is so important that it will compromise the safety, health and well-being of you, your employees, contractors and visitors on site, nor will it compromise the work environment;
- identify all hazards and manage risks associated with them;
- health and safety performance shall always be reviewed and improved;
- provide feedback to employees regarding their successful contribution to safety through reward programmes; and
- communicating up-to-date information to all employees so they improve their knowledge of safety issues and solutions.

The Zero Harm goal can only be achieved through the safety awareness and commitment of all employees, including management. Management is committed to the empowerment of all employees, such that any employee may report an unsafe condition, safety hazard and/or unsafe act without fear of reproach. The Group believes that greater employee involvement and participation will result in the achievement of a Zero Harm safety record, improved productivity and a higher quality of work. Monitoring safety performance is an important management tool and is a significant part of the ongoing assessment of all levels of management and employees.

Providing safe and effective tools and support such as Safety Induction Programmes, training, example setting by management and communication towards desired goals are a part of achieving such participation.

4.6.3.1 Security

The Group prioritises security in its operations by employing professional security guards and utilising continuous CCTV surveillance to safeguard its facilities, assets and personnel. This robust security framework is designed to prevent illegal activities and ensure a safe working environment, reflecting the Group's commitment to the overall safety of its operations and stakeholders.

4.6.3.2 Safety

Adhering to international standards, the Group is committed to providing a safe working environment for its employees, contractors and visitors. It implements comprehensive health, safety and environmental procedures and protocols to recognise and mitigate potential hazards in industrial settings. The Group's Health, Safety and Environmental Management System, thoroughly documented in its manual, is integral to all business processes. This system ensures reliable and safe operations daily, with all employees trained to adhere strictly to these safety protocols. Regular monitoring and evaluation at every business stage guarantee the delivery of products and services that meet client expectations and comply with product standards and regulations.

The Group's commitment to safety was notably demonstrated in February 2024G when a fire broke out at its Al Ahsa Plant. Despite the potential severity of such an event, the effectiveness of the Group's emergency response protocols and safety measures was clearly illustrated as there were no casualties or injuries , although the physical facilities, including machinery, were impacted. The entire operations at the facility were suspended for ten calendar days while operations at a section of the facility were impacted for over two months. Since April 2024G, one out of three printing machines was put back into service and the full operations are expected to resume by September 2024G. This incident underscores the robustness of the Group's safety infrastructure, emphasising how well-prepared and trained the staff are to handle emergencies, thereby minimising risks and ensuring the well-being of all personnel and assets involved.

In March 2024G, the Group experienced another significant safety breach at the recently acquired UPIC Plant in Dubai, where a tragic accident occurred in the waste yard, resulting in a fatality. This incident is under investigation by the local authorities. The Group has since implemented additional safety measures exceeding local requirements to prevent such incidents in the future and has extended support to the family of the deceased employee. See Risk 2.1.39 (*Risks Related to Health, Safety and Environment*) for further details regarding this incident.

4.6.3.3 Environment

As an example of the circular economy, the priority on the environment is always at the forefront of the Group's operations. Through its Health, Safety and Environmental Management System, the Group continuously updates its environmental impact strategies in light of new developments and activities. Committed to sustainability, the Group adopts eco-friendly practices, including using 85.0 per cent. recycled paper for producing corrugated cartons and producing 100 per cent. recycled paper in the containerboard (paper) factory. It recycles wastepaper from its manufacturing activities into pulp and saves 30,000 litres of water daily at the Al Kharj plant, thanks to its advanced industrial wastewater treatment facility. This commitment extends to reducing landfill waste and greenhouse gas emissions, and harnessing solar energy by installing solar panels on the roofs of its administrative buildings to generate electricity. The Group's investment in an industrial wastewater treatment plant exemplifies its commitment to water conservation. This system purifies industrial water for reuse, minimising waste and preventing pollution of natural water bodies. Such initiatives underscore the Group's commitment to minimising its ecological footprint and actively contributing to environmental protection and sustainable development in the paper industry. See Section 4.5.5 (*Sustainability*) for further details of the Group's sustainability initiatives.

4.6.4 Information Technology

The robust information technology (IT) and digital infrastructure is one of the key elements of its operational success. Recognising the crucial role of IT, the Group has invested in developing a comprehensive technology ecosystem that seamlessly integrates various business functions - from marketing and sales to inventory control, product design, production optimisation, purchasing and financial management. This system is pivotal in enhancing internal and external communications and supports a dynamic client database.

Key components of the Group's IT infrastructure include:

- **Customised ERP Solutions**: The Group utilises tailored Enterprise Resource Planning (ERP) systems that cover all critical business aspects, streamlining operations, financial transactions, client relationship management, human resource planning and manufacturing processes;
- **Hybrid Cloud Technology**: The Group's ERP system, along with bespoke and off -the -shelf solutions, is hosted on a hybrid cloud infrastructure to ensure scalability, availability, reliability and cybersecurity. This setup provides real-time data access and management, fostering quick decision-making and operational agility;
- **Advanced Analytics and Data Management**: Utilising advanced data analysis tools and business intelligence software like Oracle BI, Microsoft BI and SAP Business Warehouse, the Group harmonises data across departments. This integration offers a single source of truth for business analytics and lays a strong foundation for strategic decision support systems;
- **Regular Cybersecurity and Compliance**: The Group prioritises the security of business, clients and financial data by employing threat models and conducting regular cybersecurity training and awareness sessions for employees and contractors. Frequent external security audits ensure continuous assessment of cyber security practices for a robust IT infrastructure safeguarded against potential vulnerabilities;
- **Digital Technologies**: Adapting to the rapidly evolving business environment, the Group invests in emerging digital technologies, including generative AI, low code/no code platforms, productivity software featuring intelligent robotic process automation and a digital order management portal. These innovations empower clients and ensure effective post-sale service with a comprehensive customer view;
- **Supply Security through Technology Resilience**: To minimise business disruption and address potential disasters, the Group has built redundancies and disaster recovery sites. These measures guarantee near real-time resumption of operations with minimal data and productivity loss; and
- **Reducing Carbon Footprint through Digitisation**: Committed to leveraging technology for environmental benefits, the Group has digitised all customer and supplier interactions using modern technologies that feature intelligent workflows and seamless integration with ERP systems, contributing to a greener supply chain process.

This advanced IT setup not only streamlines the Group's operations but also provides it with a competitive edge by enabling rapid response to market changes and client needs. The integration of contemporary Digital technology and innovations in its operations underscores the Group's commitment to innovation and continuous improvement.

4.6.5 Suppliers

The Group purchases its main raw materials, including paper, starch, inks, borax, caustic soda, glue, etc. from local and international suppliers. It always seeks to purchase the best quality products at the best prices from diversified sources. Due to its size, history and track-record, the Group has long-standing relationships with suppliers and which makes it able to secure raw materials at attractive prices. It is also able to secure supply in times of tight supplies. For example, during the COVID-19 pandemic when many competitors were struggling to secure raw materials, due to disruptions in global supply chain, the Company successfully mitigated the risk of supply chain disruptions with their diversified base of local and international suppliers and optimised inventory management practices by monitoring stock levels closely and forecasting demands to ensure adequate supply levels.

The following table shows information about the Group's key suppliers who accounted for more than five per cent. of the Group's purchases in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 4.37: Group's Key Suppliers Accounting for More Than Five Per Cent. of the Group's Purchases in the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Supplier [1]	Supplier Country	Nature of the Supplier	Nature of Company Purchases	Nature of Relationship	Supplier Independence	Purchase Value (SAR Million)	Percentage of Total Cost of Revenue [2]
Financial Year Ended 31 December 2021G							
Supplier 1	Kingdom of Saudi Arabia	Saudi joint stock company	Raw paper	Contractual	Independent	186,19	17.80%
Supplier 2	Sweden	Private Swedish company	Raw paper	Contractual	Independent	100,70	9.60%
Supplier 3	Spain	Public limited company	Raw paper	Contractual	Independent	88,70	8.50%
Supplier 4	United Arab Emirates	Limited liability company	Raw paper	Contractual	Independent	75,84	7.30%
Supplier 5	Kingdom of Saudi Arabia	Saudi closed joint stock company	Raw paper	Contractual	Independent	54,47	5.20%
Total						**505,90**	**48.40%**
Financial Year Ended 31 December 2022G							
Supplier 1	Kingdom of Saudi Arabia	Saudi joint stock company	Raw paper	Contractual	Independent	212,94	16.34%
Supplier 2	Sweden	Private Swedish company	Raw paper	Contractual	Independent	190,54	14.62%
Supplier 3	Spain	Public limited company	Raw paper	Contractual	Independent	143,65	11.02%
Supplier 4	United Arab Emirates	Limited liability company	Raw paper	Contractual	Independent	129,84	9.96%
Supplier 5	Kingdom of Saudi Arabia	Saudi closed joint stock company	Raw paper	Contractual	Independent	89,05	6.83%
Total						**766,02**	**58.77%**
Financial Year Ended 31 December 2023G							
Supplier 2	Sweden	Private Swedish company	Raw paper	Contractual	Independent	166,98	17.19%
Supplier 1	Kingdom of Saudi Arabia	Saudi joint stock company	Raw paper	Contractual	Independent	110,72	11.40%
Supplier 3	Spain	Public limited company	Raw paper	Contractual	Independent	90,28	9.30%
Supplier 4	United Arab Emirates	Limited liability company	Raw paper	Contractual	Independent	64,44	6.64%
Supplier 5	Kingdom of Saudi Arabia	Saudi closed joint stock company	Raw paper	Contractual	Independent	64,07	6.60%
Total						**496,49**	**51.13%**

Supplier (1)	Supplier Country	Nature of the Supplier	Nature of Company Purchases	Nature of Relationship	Supplier Independence	Purchase Value (SAR Million)	Percentage of Total Cost of Revenue (2)
Six-Month Period Ended 30 June 2024G							
Supplier 2	Sweden	Private Swedish company	Raw paper	Contractual	Independent	114,59	22.35%
Supplier 1	Kingdom of Saudi Arabia	Saudi joint stock company	Raw paper	Contractual	Independent	58,55	11.42%
Supplier 3	Spain	Public limited company	Raw paper	Contractual	Independent	41,95	8.18%
Supplier 4	United Arab Emirates	Limited liability company	Raw paper	Contractual	Independent	32,30	6.30%
Supplier 5	Kingdom of Saudi Arabia	Saudi closed joint stock company	Raw paper	Contractual	Independent	31,31	6.11%
Total						**278,7**	**54.36%**

Source: The Company.

(1) The specific names have not been disclosed as they are subject to confidentiality.

(2) Percentages have been rounded to the second decimal place.

4.6.6 Clients

As of 30 June 2024G, the Group serviced over 1,000 clients, reflecting a high level of sales diversity. The strong, enduring relationships with many of these clients span 15 to 20 years or more, a testament to the Group's delivery of high-quality products and exceptional client service, bolstered by its comprehensive product range.

The Company's clients are private sector entities from various industries, including the following, among others:

- **Water**: This sector covers bottled water production and distribution. Clients include companies like Health Water Bottling Co. (Nova), Safa Makkah Water Co., Berain Company, Al Sad Modern Beverage Factory Co. and Hana Food Industries Company, among others;
- **Food**: This sector focuses on the production and distribution of consumable goods. Clients include companies like Almarai Co, Pinehill Arabia Food Ltd, Saudi Snacks Food Company Ltd (Lays), National Biscuits And Confectionery Company, Saudia Dairy & Foodstuff Company (Sadafco), Afia International Co and United Food Industries Cooperation (McDonalds,) among others;
- **Non-Food**: This sector comprises businesses that supply products unrelated to food, from personal care to home maintenance. Clients include companies like Ismail Abudawood and Procter & Gamble Limited, Modern Products Company (Procter and Gamble), Unicharm Gulf Hygienic Industries Ltd, Henkel Arabia For Home & Personal Care Products, Binzagr Unilever Company Limited, Pharmaceutical Solution Industry and M.A. Abudawood & Partners For Industry (Clorox), among others;
- **Beverages**: This sector specialises in the production and distribution of drinks. Clients include companies like Al Rabie Saudi Foods Co Ltd., Binzagr Coro Company Ltd, Al Jomaih Bottling Plants (Pepsi Jomaih), Middle East & North Africa Beverages Manufacturing Company (Mena Bev - Pepsi), The Coca-Bottling Co of Saudi Arabia and Gulf Union Food Company, among others;
- **Industrial**: This sector encompasses manufacturing and industrial service providers. Clients include companies like Petrolube Oil Company (Petromin), Gulf Packaging systems Co., Saudi Arabian Glass Co., Al Obeikan Sig Combibloc Co Ltd and Fujian Industry Co., among others;
- **Ceramic**: This sector covers the production of ceramic products for various uses. Clients include companies like Saudi Ceramic Company, Alfanar Ceramics & Porcelain Factory, Yaqout Ceramic Co Ltd, Future Ceramics & Porcelain Factory Co, Wangkang Saudi Ceramic Co. Ltd, and Riyadh Ceramics, among others;
- **Agriculture**: This sector involves companies that produce agricultural products and services. Clients include companies like Nesmat Alreef for Trading, Saleh Mohammed Hadi Al-Mahamdi Farm, United Entaj Trading Est, Saleh Ali Saleh Fahsan Farm, Hamda Ali Bin Hamad Al-Yami Est, Saeid Al-Zuhair Trading Est, among others;
- **E-commerce**: This sector is at the forefront of modern retail, focusing on online sales platforms. Clients include companies like Bandidos Saudi Trading LLC (Noon E Commerce Solutions), Afaq Qtech General Trading LLC (Amazon), Landmark Arabia Company, Jumla Tech and Jarir Marketing Co, among others; and

- **Paper**: This sector is dedicated to the production and distribution of paper products. Clients include companies like Hot Packaging Industries LLC, Ras Al Khaimah Packaging LLC, Jebel Ali Carton Factory Inc, Al Emad Carton Products Factory LLC and Al Qesmah Packaging Mat. Ind., among others.

The Group had one client accounting for more than 5 per cent. of the Group's revenue in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, generating in aggregate 5.3 per cent., 5.7 per cent., 5.3 per cent. and 5.6 per cent. of Group revenues in the same periods. Around 2.4 per cent., 1.4 per cent., 1.1 per cent. and 1.9 per cent. of the Group revenues in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively, were due to exports of its products to Iraq, Jordan, Yemen, Djibouti, Bahrain, Egypt and Sudan.

The following table provides information on the Group's major clients who accounted for more than five per cent. of the Group's total revenue in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 4.38: The Group's Five Largest Clients in Terms of Total Revenue for the Financial Years ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Client (1)	Client Country	Nature of the Client	Nature of Client Purchases	Nature of Relationship	Client Independence	Revenue Value (SAR Million)	Percentage of Total Revenue (2)
Financial Year Ended 31 December 2021G							
Client 1	Kingdom of Saudi Arabia	Closed joint stock company	Purchase of corrugated carton	Contractual	Independent	56.80	5.35%
Client 2	Kingdom of Saudi Arabia	Mixed limited liability company	Purchase of corrugated carton	Contractual	Independent	47.87	4.51%
Client 3	Kingdom of Saudi Arabia	Limited liability company	Purchase of corrugated carton	Contractual	Independent	41.91	3.95%
Client 4	Kingdom of Saudi Arabia	Foreign limited company	Purchase of corrugated carton	Non-contractual	Independent	26.03	2.45%
Client 5	Kingdom of Saudi Arabia	Mixed limited liability company	Purchase of corrugated carton	Non-contractual	Independent	25.19	2.37%
Total						**197.80**	**18.63%**
Financial Year Ended 31 December 2022G							
Client 1	Kingdom of Saudi Arabia	Closed joint stock company	Purchase of corrugated carton	Contractual	Independent	81.38	5.66%
Client 2	Kingdom of Saudi Arabia	Mixed limited liability company	Purchase of corrugated carton	Contractual	Independent	61.69	4.29%
Client 3	Kingdom of Saudi Arabia	Limited liability company	Purchase of corrugated carton	Contractual	Independent	50.80	3.53%
Client 5	Kingdom of Saudi Arabia	Mixed limited liability company	Purchase of corrugated carton	Non-contractual	Independent	36.92	2.57%
Client 4	Kingdom of Saudi Arabia	Foreign limited company	Purchasing corrugated carton and folding carton (duplex)	Non-contractual	Independent	31.87	2.22%
Total						**262.66**	**18.27%**
Financial Year Ended 31 December 2023G							
Client 1	Kingdom of Saudi Arabia	Closed joint stock company	Purchase of corrugated carton	Contractual	Independent	73.09	5.26%
Client 2	Kingdom of Saudi Arabia	Mixed limited liability company	Purchasing corrugated carton and folding carton (duplex)	Contractual	Independent	54.71	3.94%
Client 3	Kingdom of Saudi Arabia	Limited liability company	Purchase of corrugated carton	Contractual	Independent	36.70	2.64%
Client 6	Kingdom of Saudi Arabia	Closed joint stock company	Purchasing corrugated carton and folding carton (duplex)	Contractual	Independent	32.0	2.31%

Client [1]	Client Country	Nature of the Client	Nature of Client Purchases	Nature of Relationship	Client Independence	Revenue Value (SAR Million)	Percentage of Total Revenue [2]
Client 5	Kingdom of Saudi Arabia	Mixed limited liability company	Purchase of corrugated carton	Non-contractual	Independent	31.89	2.30%
Total						**228.39**	**16.45%**
Six-Month Period Ended 30 June 2024G							
Client 1	Kingdom of Saudi Arabia	Closed joint stock company	Purchase of corrugated carton	Contractual	Independent	37.64	5.59%
Client 2	Kingdom of Saudi Arabia	Mixed limited liability company	Purchase of corrugated carton	Contractual	Independent	21.76	3.23%
Client 3	Kingdom of Saudi Arabia	Limited liability company	Purchase of corrugated carton	Contractual	Independent	18.41	2.74%
Client 4	Kingdom of Saudi Arabia	Closed joint stock company	Purchase of corrugated carton	Contractual	Independent	15.13	2.25%
Client 6	Kingdom of Saudi Arabia	Closed joint stock company	Purchasing corrugated carton and folding carton (duplex)	Contractual	Non-independent	13.87	2.06%
Total						**106.81**	**15.87%**

Source: The Company.

(1) The specific names have not been disclosed as they are subject to confidentiality.

(2) The percentages have been rounded to the second decimal place.

4.6.7 Marketing

The Group's marketing strategy plays a pivotal role in increasing its presence in its share of target markets. The Group focuses on building long-term relationships with stakeholders and solidifying its brand identity around high-quality products. The Group's marketing channels are diversified to enhance brand visibility and client engagement:

- **Digital Presence**: The Group's interactive website is an integral part of the client journey. It features advanced quoting and pricing modules, allowing clients to get immediate, tailored information about products and services. This platform is constantly updated with the latest product information, industry news and company achievements, keeping the site dynamic and engaging for visitors. The website reflects the Group's industry expertise, innovative solutions and commitment to environmental responsibility, serving as a digital representation of its sustainable initiatives;
- **Online Customer Portal**: The Group's Online Customer Portal is a pioneering B2B platform that allows clients to place orders anytime, track production and logistics in real-time, and digitally approve designs. This portal, which supports the Group's eco-friendly approach by eliminating hard copies, offers access to various business and financial reports, enhancing transparency and efficiency for clients;
- **Media and Advertisement**: The Group's advertising strategy includes a mix of traditional and digital media to provide valuable insights into the corrugated industry, highlight the UCIC brand and emphasise the Group's commitment to sustainability. The aim is to create an immersive online experience that educates and engages the audience in sustainable packaging practices. Group keep their online followers engaged with deep industry insights and inspiring stories of positive environmental impact;
- **Industry Events**: The Group actively participates in key industrial and packaging exhibitions, such as the Pack Process show in Cairo and the Gulfood Manufacturing Show in Dubai in 2023G. Future events include Saudi Food Manufacturing, Saudi Print & Pack and exhibitions in Dubai and Cairo, where the Group showcases its latest innovations and commitment to sustainable packaging;
- **Client Engagement**: The Group places a high value on client feedback and insights. Regular client surveys, visit reports and feedback mechanisms are in place to gather valuable information. This data is used to understand client needs, perceptions and areas requiring improvement. In its 2023G Customer Service Survey, the Group reached out to 166 clients who contributed to 84.0 per cent. of its sales, ensuring that the survey results reflect the views of its most significant clients. The survey covered crucial aspects of the business relationship, such as lead-time, quality of products, product development, the efficacy of the customer portal and the professionalism of the sales and client service teams. Impressively, the overall satisfaction level reported by the survey stood over 90.0 per cent., indicating a high level of contentment among the Group's client base. Client feedback

gathered from these surveys directly influences product development and service enhancement, making it a key component of the Group's marketing strategy. The Group remains committed to using these insights to drive continuous improvements and maintain high standards of client satisfaction; and

- **Sales and Operations**: With a strategic network of sales offices in Riyadh, Jeddah, Dammam, Al Ahsa, Dubai and additional personnel in Medina, Qassim, Taif and Jazan, the Group effectively manages its sales and operations across different regions, gaining insights into regional market trends and client preferences. They play a critical role in shaping and implementing localised strategies to achieve sales and operational objectives.

Through these diverse and dynamic marketing channels, the Group effectively communicates its commitment to quality and innovation, strengthening its position in the competitive paper and packaging industry.

4.6.8 Geographic Location and Operations

The Company's head office is located in the city of Jeddah. As of the date of this Prospectus, the Group operated from four locations within the Kingdom and two locations in the UAE. The following table contains information on the geographic presence of the Group as of the date of this Prospectus:

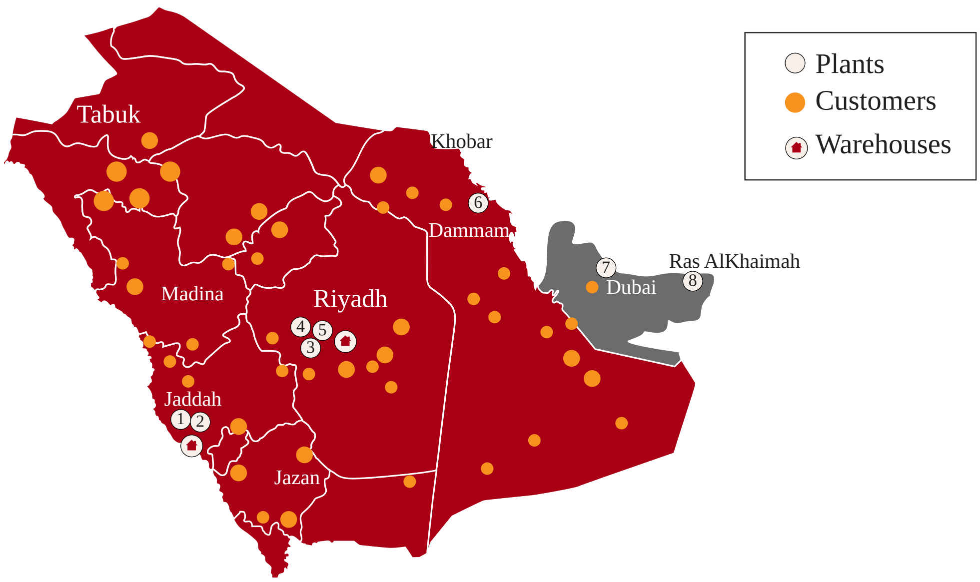
Table 4.39: Details of the Group's Geographical Presence as of the Date of this Prospectus

No	Company	Country	City	Type of Presence	Number of Branches
1	UCIC – Plant 1	Saudi Arabia	Jeddah	Factories Head Office	4
2	UCIC – Plant 2	Saudi Arabia	Jeddah	Factory	-
3	UCIC – Plant 3	Saudi Arabia	Riyadh	Factory	
4	UCIC – Plant 4	Saudi Arabia	Riyadh	Factory Administration	-
5	UCIC – Plant 5	Saudi Arabia	Al Kharj	Factory	-
6	IPIC	Saudi Arabia	Al Ahsa	Factory Administration	1
7	UPIC	UAE	Dubai	Factory Administration	1
8	RAKP CO	UAE	Ras Al Khaimah	Factory Administration	-

Source: The Company.

The following map shows the geographic location of the Group as of the date of this Prospectus:

Exhibit 4.7: Geographic Location of the Group as of the Date of this Prospectus



Source: The Company.

The following table shows the details of the Group's revenues by geographical distribution for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 4.40: Details of the Group's revenues by Geographical Distribution for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-month Periods Ended 30 June 2023G and 2024G

Country/ Region	Group's Revenues (SAR)					Revenues Percentage				
	As of 31 December			As of 30 June		As of 31 December			As of 30 June	
	2021G	2022G	2023G	2023G	2024G	2021G	2022G	2023G	2023G	2024G
Inside Kingdom of Saudi Arabia										
Central Province	456,967,378	639,449,107	577,218,657	307,423,430	273,295,457	43.6%	45.2%	42.4%	44.6%	40.8%
Eastern Province	126,261,525	200,552,415	201,589,504	100,111,024	89,753,996	12.0%	14.2%	14.8%	14.5%	13.4%
Western Province	439,970,413	553,769,356	524,837,548	270,601,584	238,892,725	41.9%	39.2%	38.5%	39.3%	35.6%
Total Revenues within the Kingdom of Saudi Arabia	**1,023,199.317**	**1,393,770.877**	**1,303,645.709**	**678,136,038**	**601,942,178**	**97.5%**	**98.6%**	**95.7%**	**98.4%**	**89.8%**
Outside Kingdom of Saudi Arabia										
United Arab Emirates	675,605	632,465	43,109,656	633,463	55,719,759	0.1%	0.04%	3.2%	0.1%	8.3%
Other Countries	25,696,896[1]	20,269,866[2]	15,041,386[3]	10,340,276[4]	13,019,089[5]	2.4%	1.4%	1.1%	1.5%	1.9%
Total Revenues outside the Kingdom of Saudi Arabia	**26,372,501**	**20,902,331**	**58,151,042**	**10,973,739**	**68,738,848**	**2.5%**	**1.4%**	**4.3%**	**1.6%**	**10.2%**
Total Revenues	**1,049,571.818**	**1,414,673.208**	**1,361,796.751**	**689,109,777**	**670,681,026**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: The Company.

(1) Nine countries namely: Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Malaysia, United Kingdom and Yemen.

(2) Seven countries namely: Bahrain, Djibouti, Iraq, Jordan, Kuwait, Sudan and Yemen.

(3) Eight countries namely: Bahrain, Djibouti, Ethiopia, Jordan, Kuwait, Oman, Sudan and Yemen.

(4) Six countries namely: Bahrain, Djibouti, Jordan, Kuwait, Oman and Yemen.

(5) Eight countries namely: Bahrain, Djibouti, Ethiopia, Jordan, Kuwait, Oman, Sudan and Yemen.

The following table shows the Group's assets owned outside the Kingdom and their percentage of the Group's total assets as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 4.41: The Group's Total Assets Owned by Country and Their Percentage of the Group's Total Assets as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

SAR	As of 31 December			Six-Month Period Ended 30 June
	2021G	2022G	2023G	2024G
Assets Outside the Kingdom	**-**	**-**	**118,281,900**	**143,147,575**
Total Assets Inside the Kingdom	**774,989,974**	**891,697,133**	**807,472,557**	**814,095,519**
Total Assets	**774,989,974**	**891,697,133**	**925,754,457**	**957,243,094**
Percentage of Assets Outside the Kingdom in Proportion to Total Assets	-	-	12.8%	15.0%
Percentage of Assets Inside the Kingdom in Proportion to Total Assets	100.0%	100.0%	87.2%	85.0%

Source: The Company.

The Group's core geographic market is the Kingdom, which is also the largest contributor to its revenue, followed by the UAE. From its operations conducted outside the Kingdom (in the UAE), the Group generated revenue of around SAR 43.1 million and SAR 55.7 million in the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G (as UPIC was acquired in July 2023G), accounting for 3.1 per cent. of the Group's total revenue for the same period. RAKP CO. was acquired in July 2024G and has not generated any revenues as of the date of this Prospectus. For further details regarding the risks related to the Group's operations outside the Kingdom, see Section 2.1.20 (*Risks Related to Operations Outside the Kingdom*).

4.6.9 Certifications and Awards

The Group places significant emphasis on adhering to high quality, safety and environmental standards in all its operational aspects. This commitment is underlined by the implementation of international standards throughout the Group's product development and manufacturing processes. Recognition of these efforts is reflected in the various certifications and awards from respected local and international organisations. The Group continuously works on renewing these certificates by meeting all of the relevant requirements and standards for renewal. These certifications and awards are a testament to the Group's consistent efforts to align with industry best practices and to uphold its reputation as a responsible entity in the sector. The Ministry of Industry and Mineral Resources have recognised UCIC Plant 5 in Al Kharj on 1 Thul-Qi'dah 1445H (corresponding to 9 May 2024G) for achieving an advanced level in the Smart Industry Readiness Index (SIRI) Assessment Audit, which is global measure for Industry 4.0. This plant is among the six factories across the Kingdom to receive this prestigious recognition.

The following tables shows the certifications and awards obtained by the Group as of 30 June 2024G:

Table 4.42: Certifications and Awards Obtained by the Group as of 30 June 2024G

Company/ Factory	Certification	Entity	Details	Validity (up to)
UCIC- Plant 1	ISO/IEC 27001-2013	Intertek	Information Security Management System (ISMS)	30 Rabi' al-Thani 1446H (corresponding to 2 November 2024G)
UCIC-Plant 1	BRC	Intertek	Global Standard for Packaging Materials (BRC)	17 Thul-Qi'dah 1446H (corresponding to 15 May 2025G)
UCIC- Plant 1&2	ISO 9001-2015	Intertek	Quality Management System (QMS)	11 Shawwal 1446H (corresponding to 9 April 2025G)
UCIC-Plant 1&2	ISO 45001-2018	Intertek	Occupational Health & Safety Management System (OHS)	11 Shawwal 1446H (corresponding to 9 April 2025G)
UCIC-Plant 1&2	ISO 14001-2015	Intertek	Environmental Management System (EMS)	11 Shawwal 1446H (corresponding to 9 April 2025G)
UCIC-Plant 4	ISO 14001-2015	Intertek	Environmental Management System (EMS)	28 Jumada al-Ula 1448H (corresponding to 8 November 2026G)
UCIC-Plant 4	ISO 45001-2018	Intertek	Occupational Health & Safety Management System (OHS)	28 Jumada al-Ula 1448H (corresponding to 8 November 2026G)
UCIC-Plant 4	ISO 9001-2015	Intertek	Quality Management System (QMS)	28 Jumada al-Ula 1448H (corresponding to 8 November 2026G)
UCIC-Plant 5	ISO 9001-2015	Intertek	Quality Management System (QMS)	22 Thul-Hijjah 1448H (corresponding to 28 May 2027G)
UCIC-Plant 5	ISO 45001-2018	Intertek	Occupational Health & Safety Management System (OHS)	22 Thul-Hijjah 1448H (corresponding to 28 May 2027G)
UCIC-Plant 5	ISO 14001-2015	Intertek	Environmental Management System (EMS)	22 Thul-Hijjah 1448H (corresponding to 28 May 2027G)
UCIC-Plant 5	BRC	Intertek	Global Standard for Packaging Materials (BRC)	28 Jumada al-Akhirah 1446H (corresponding to 29 December 2024G)
UCIC-Plant 1,2,5 & Kumrah WH	FSC	SCS Global	Forest Stewardship Council (FSC)	11 Rajab 1448H (corresponding to 20 December 2026G)
All Plants	Halal	HQC BV Netherlands	Halal Quality Control (HQC)	18 Rabi' al-Thani 1446H (corresponding to 21 October 2024G)
IPIC	ISO 9001-2015	Intertek	Quality Management System (QMS)	24 Shawwal 1447H (corresponding to 12 April 2026G)
IPIC	BRC	SGS	Global Standard for Packaging Materials (BRC)	23 Rajab 1446H (corresponding to 23 January 2025G)
IPIC	BRC Module 11	SGS	HAVI Global Quality Standard	23 Rajab 1446H (corresponding to 23 January 2025G)
IPIC	ISO 14001-2015	Bureau Veritas	Environmental Management System (EMS)	7 Rajab 1448H (corresponding to 16 December 2026G)

Company/ Factory	Certification	Entity	Details	Validity (up to)
IPIC	ISO 45001-2018	Bureau Veritas	Occupational Health & Safety Management System (OHS)	7 Rajab 1448H (corresponding to 16 December 2026G)
IPIC	JO21/85188	SGS	Global Standard for Packaging Materials	23 Rajab 1446H (corresponding to 23 January 2025G)
IPIC	JO23/00000103 Module 11	SGS	Module 11 - Meeting tms Global Quality Standard Requirements	23 Rajab 1446H (corresponding to 23 January 2025G)
IPIC	FSC	GCL International	Forest Stewardship Council (FSC)	15 Shawwal 1450H (corresponding to 28 February 2029G)
UPIC	FSC	SGS	Forest Stewardship Council (FSC)	9 Jumada al-Ula 1450H (corresponding to 28 September 2028G)
UPIC	ISO 9001:2015	SGS	Quality Management System (QMS)	15 Jumada al-Ula 1448H (corresponding to 26 October 2026G)
UPIC	ISO 45001:2018	SGS	Occupational Health & Safety Management System (OHS)	25 Safar 1449H (corresponding to 29 July 2027G)
UPIC	ISO 14001:2015	SGS	Environmental Management System (EMS)	25 Safar 1449H (corresponding to 29 July 2027G)

Source: The Company.

4.6.10 Research and Development (Innovations)

The Group recognises the critical role of research and development (R&D) in maintaining its competitive edge in its business. The prime purpose of corrugated packaging is to protect goods in transit, storage and distribution, thus preventing waste through breakage, spoilage and contamination. With a focus on sustainability and meeting dynamic market demands, the Group's R&D efforts are geared towards developing innovative products and processes that align with environmental considerations, minimise logistics costs and enhance production efficiency through continuous improvements in printing.

As of 30 June 2024G, the Group's R&D was spearheaded by a team of four seasoned professionals with expertise spanning engineering, design, production and quality control. This diverse skill set, combined with a culture of collaboration and knowledge sharing, empowers the team to handle complex challenges and generate novel ideas. They are well-equipped with the necessary tools and resources for conducting in-depth research, data analysis and conceptualising new product designs.

The Group's R&D main objectives include:

- enhancing product versatility and functionality, ensuring offerings meet evolving client needs while prioritising environmental protection;
- focusing on process improvements to reduce production costs, improve efficiency and quality and minimise environmental impact;
- developing solutions for energy and water conservation and reducing carbon footprints through recycling and innovative practices;
- staying ahead of market trends by integrating cutting-edge technologies into product development; and
- cultivating a culture of innovation, encouraging idea generation and process improvement among employees.

Some of the recent innovative developments by the Group include the following:

- **Point of Sales Display Stands**: Innovatively designed specialised display stands focused on sales promotion to captivate customer attention towards new products, special offers and promote special events during seasonal or holiday sales in retail outlets or supermarkets. These stands are notable for being manufactured from 100 per cent. recyclable corrugated boards, highlighting the Group's commitment to sustainability without compromising on effectiveness and aesthetic appeal;
- **POP Up Display Stands**: A revolutionary design in display stands that features automatic assembly in just a few seconds, a significant improvement over the traditional 15-minute setup time. This innovation not only saves considerable labour costs but also offers ease of transport due to its flat packaging design, reflecting the Group's dedication to efficiency and practicality in sales promotion;
- **Shelf Ready Packaging**: Specially designed corrugated boxes with perforations that allow the cover to be easily ripped off for displaying products on shelves and pallets. This design facilitates quick and easy handling, efficient stocking and sales, underscoring the Group's focus on optimising retail operations and enhancing the shopping experience; and

- **E-commerce Packaging Solutions**: The Group has also innovated in the realm of e-commerce by developing sturdy, compact and durable shipping boxes that not only ensure product safety during transit but also feature high-quality, luxurious looks. These customised boxes are tailored to meet the specific needs of online retailers, offering a premium unboxing experience to end consumers and reinforcing the brand's commitment to quality and customer satisfaction.

By investing in R&D, the Group aims to sustain its market leadership, adapt to changing client demands and industry trends and uphold its commitment to environmental responsibility. This strategic focus on R&D underscores the Group's dedication to continual improvement and innovation in the corrugated packaging sector.

4.7 Future Plans and Initiatives

The importance of peak capacity utilisation cannot be overstated, as it directly impacts the Group's ability to respond flexibly to market demands and client needs. With just-in-time (JIT) delivery becoming increasingly important to clients, the Group continuously looks at capacity and capex, including the following plans and initiatives:

- **Expanding Capacity of Corrugated Production**: The Group plans to significantly bolster its production capabilities in the corrugated boxes segment by introducing two new conversion machines within the 2025G to 2026G timeline. This strategic enhancement is projected to increase the Group's conversion capacity by 35,000 tonnes per annum, enabling it to meet escalating market demands efficiently. By augmenting its manufacturing capacity, the Group aims to solidify its market position, improve its response time to client orders and maintain its competitive edge by leveraging advanced technology to optimise production processes and ensure product quality;
- **Expand Folding Carton (Duplex) Business**: The Group is set to broaden its footprint in the folding carton (duplex) market through strategic acquisitions or by enhancing its existing capacity within the next one to two years. This expansion is aimed at addressing the rising demand in the folding carton (duplex) sector, allowing the Group to diversify its product offerings and tap into new market segments. By expanding its capabilities in this area, the Group intends to provide more comprehensive packaging solutions to its clients, promoting stronger business relationships and driving growth in a sustainable manner;
- **Exploring Geographical Expansion in Corrugated Segment**: Targeting the regional markets, the Group plans to expand its corrugated segment by 2025G, capitalising on the region's growing demand for sustainable and innovative packaging solutions. This strategic move is intended to strengthen the Group's presence in the GCC, enhancing its ability to serve a broader client base with its high-quality, environmentally friendly corrugated products. The expansion will enable the Group to leverage local market insights, adapt to regional preferences and contribute to its overall growth strategy in the corrugated packaging industry;
- **Using Generative AI and Machine Learning to Enhance Client Experience**: The Group is committed to integrating AI and machine learning technologies to revolutionise the client experience on its online portal. By harnessing these advanced technologies, the Group aims to offer more personalised, efficient and intuitive interactions for its clients, enabling features like predictive ordering, real-time tracking and enhanced client support. This digital transformation is expected to not only elevate the client experience but also streamline internal processes, improving overall operational efficiency and responsiveness to market trends; and
- **Central Operations Room**: By 2025G, the Group plans to establish a central operations room dedicated to monitoring and managing the operations and safety protocols of each of its plants. This initiative will enable real-time oversight of production activities, enhancing the Group's ability to swiftly address operational challenges and maintain stringent safety standards. The central operations room will serve as a hub for data-driven decision-making, optimising resource allocation and ensuring the consistent delivery of high-quality products while upholding the Group's commitment to worker safety and environmental stewardship.

Through these initiatives, the Group aims to solidify its position as a leader in the packaging industry, committed to innovation, sustainability and superior client service.

4.8 Administrative Support Departments

The Company has a number of administrative departments that support its various business activities. Below is a brief description of the activities of the Company's departments as of the date of this Prospectus:

4.8.1 Finance Department

The Finance Department plays a pivotal role in the Group by providing accurate and timely financial information to support decision-making processes, ensuring robust internal controls to protect assets and upholding compliance with financial regulations and policies. Its responsibilities span centralised strategy, policy, procedure, treasury management, mergers and acquisitions, alongside the accounting operations. Key tasks include developing and implementing financial policies and controls, generating periodic financial reports, securing banking facilities at competitive prices and maintaining long-standing relationships with stakeholders. The department is instrumental in financial planning and analysis, overseeing treasury functions, maintaining relationships with financial institutions and ensuring timely tax and Zakat filings. Additionally, the department contributes to regulatory compliance, and acts as a catalyst for mergers and acquisitions by providing financial evaluations and due diligence to support strategic growth initiatives. This comprehensive approach underscores the Finance Department's integral role in the Group's stability and growth, ensuring that financial practices align with the Group's overarching goals and strategies.

4.8.2 Procurement Department

The Procurement Department is crucial in enhancing the Group's production and operational efficiency, managing the acquisition of raw materials, consumables, spare parts, machinery and services essential for the Group's activities. The department's strategy includes sourcing materials globally and services locally, except for machine-specific needs catered by original equipment manufacturers. It ensures an undisrupted flow of raw materials and spares while procuring these at the best possible cost. The focus is on diversifying suppliers to mitigate risks and ensure business continuity, with an emphasis on procuring 85.0 to 90.0 per cent. Forest Stewardship Council (FSC) certified paper for carton box manufacturing. The department develops comprehensive procurement strategies that align with production and sales demands and establishes criteria for evaluating suppliers, aiming for optimal cost-efficiency and quality. It also negotiates favourable terms, oversees capex purchases, manages annual maintenance and service contracts to maintain the Group's facilities and machinery and ensures the procurement of quality raw materials based on approved specifications. Through active market monitoring and a robust SAP ERP system, the department ensures timely delivery of materials, aligns with the Sales and Marketing Department for logistical coordination and upholds the Group's commitment to sustainability and market leadership. Additionally, effective inventory management is maintained to balance supply with production needs, supporting the Group's strategic objectives and maintaining its market leadership position.

4.8.3 Sales Department

The Sales Department plays a pivotal role in enhancing the Group's revenue and profitability by creating and implementing robust sales strategies aimed at achieving volume and share growth while maintaining a healthy gross margin. Tasked with consolidating and expanding the client base, the department is dedicated to understanding and responding to client needs effectively. It focuses on client acquisition, exploring new markets and diversifying product offerings to adapt to dynamic market demands. The department is also responsible for providing vital sales data, including periodic reports on sales and inventory, and evaluating the impact of service initiatives. Prioritising client satisfaction and engagement post-purchase ensures the cultivation of long-term client relationships. Additionally, the department ensures timely collections, which is crucial for maintaining the Group's cash flow and financial health. Through these comprehensive activities, the department is instrumental in sustaining the Group's strong market presence and supporting its strategic objectives.

4.8.4 Customer Service Department

The Customer Service Department is integral to the Group's commitment to excellence, managing every aspect of client interaction with a formal and professional approach. This department oversees the comprehensive order management process, from the receipt of purchase orders to the dispatch of finished goods, thus ensuring client satisfaction through the timely delivery of superior products, with a specific focus on achieving on-time delivery in full. In product development, the team actively collaborates with clients to transform unique requirements into customised, innovative packaging solutions, from initial inquiries to the final design. The department meticulously controls inventory levels of finished goods, aligning stock with client dispatch requirements to maintain a consistent supply chain and plans to improve productivity further. Operation planning is a critical function, focusing on optimal production line scheduling and resource management to enhance manufacturing efficiency and reduce trim waste. Moreover, the customer portal provides a sophisticated digital platform for customers to engage with services such as order tracking and design approval, offering transparency and convenience, with plans to enhance the use of this portal. The department's expert consultation emphasises its role as a strategic partner, advising customers on cost-effective and efficient packaging solutions and ensuring all customer queries are answered promptly. Through these services, the Customer Service Department exemplifies the Group's dedication to operational excellence and client-centricity.

4.8.5 Legal, Governance and Compliance Department

The Legal, Governance and Compliance Department plays a crucial role in managing the Company by ensuring proper adherence to legal and regulatory requirements. Key responsibilities include preparing contracts and agreements, representing the Company in legal matters before judicial bodies, advising other departments on the interpretation of applicable laws and regulations and monitoring changes to relevant laws, regulations, circulars and directives. Additionally, the department supervises the holding of General Assembly meetings, liaises with governmental authorities, develops a corporate governance manual to ensure compliance and maintains commitment to applying all manuals, procedures, policies and instructions issued by regulatory authorities. Furthermore, it is responsible for preparing and drafting the Board's annual report, addressing conflict of interest situations, managing relationships with regulators and shareholders and reviewing legal, constitutional and contractual documents. The department also provides legal advice to the Board of Directors and the Company's Senior Management on the Company's legal affairs.

4.8.6 Supply Chain Department

The Supply Chain Department is integral to the Group's operational success, focusing on supplier evaluation and securing advantageous terms, forging strong supplier partnerships and setting precise procurement requirements to align with production schedules and client delivery deadlines. Additionally, the department is responsible for coordinating shipment and receiving operations, maintaining the quality level of inventory and procurement cycle procedures and ensuring that supplies of raw materials and final goods reach the Group's supply chain without interruption. These efforts are essential in enhancing the overall operational efficiency and effectiveness of the Group.

4.8.7 Production Department

The Production Department is tasked with directing and optimising manufacturing processes to enhance productivity across production lines while upholding product quality. This department coordinates with various groups to synchronise production goals, meticulously calculates manufacturing expenses, manages budgets, and plans workflows to meet quality standards and deadlines. It oversees personnel and equipment performance, diligently assesses resource needs, and ensures continuous product quality improvement. The department also leads research and development initiatives aimed at innovating new products and processes, which contribute to cost reduction and quality enhancements. Maintenance and engineering of machines are prioritised to ensure operational efficiency and reduce downtime. Additionally, this department is focused on reducing waste and maintaining costs within budget, aligning financial and operational objectives. The progress in manufacturing and the success in meeting these goals are regularly reported to Senior Management, ensuring transparency and informed decision-making at the highest levels. Through these comprehensive activities, the Production Department supports the Group's commitment to continuous improvement and operational excellence.

4.8.8 Safety, Health, Environment & Quality Department

The Safety, Health, Environment and Quality (SHEQ) Department within the Group plays a crucial role in ensuring a safe working environment for all employees and is responsible for compliance with Environment, Health and Safety (EHS) standards according to the applicable laws and regulations. Tasked with assessing workplace conditions, the department implements strategies to identify all hazards with associated risks, assessing and testing equipment safety mechanism functioning, defective tools and managing potential risks through robust health and safety protocols. Furthermore, the SHEQ Department is instrumental in providing comprehensive safety training to all employees and contractors, promoting a culture of safety and security within the Group. This department's functions are pivotal in maintaining sustainable operational practices, continuously enhancing the Group's environmental performance to align with sustainable practices and regulatory requirements, ultimately safeguarding the well-being of both employees and the environment. To further enhance its effectiveness, the department works on a Zero Harm policy, aims to improve quality and reduce Non-Conformance Reports (NCRs), conducts root cause analysis and corrective actions and ensures all incoming materials meet specified standards. Additionally, it manages certifications and audits to uphold and verify compliance with international standards, reinforcing the Group's commitment to operational excellence and environmental stewardship.

4.8.9 Maintenance Department

The Maintenance Department is dedicated to maintaining the Group's facilities and equipment through appropriate tools and techniques. Its main responsibilities encompass regular inspections of premises and equipment, conducting preventative maintenance to minimise potential issues and performing essential repairs. The department also supervises external contractors, troubleshoots mechanical problems and carries out repairs on machinery, equipment, or structures, ensuring the Group's infrastructure and assets are in prime condition.

4.8.10 Quality Control Department

The Quality Control Department plays a crucial role in ensuring that products or services meet established quality standards and customer expectations. Setting quality standards, the department is responsible for establishing and maintaining quality standards for products or services. These standards are based on industry best practices, regulations and customer requirements. The department collaborates with departments, such as production, engineering and design, to develop quality plans and procedures to meet the established standards. This involves creating quality checklists, inspection procedures and quality assurance processes, and monitoring the production or service delivery process to ensure that quality standards are being met at every stage. This involves conducting inspections, audits and tests to identify and address any quality issues promptly.

The department continuously works on improving quality processes by analysing data, identifying trends, and implementing corrective and preventive actions to address any quality issues or deviations from standards.

The department provides training to employees on quality standards, procedures and best practices to ensure that everyone in the organisation understands and follows quality requirements. It is also responsible for collecting and analysing customer feedback, complaints and quality issues to identify areas for improvement and to ensure customer satisfaction. Overall, the department plays a critical role in upholding and improving the quality of products or services offered by an organisation, ultimately leading to higher customer satisfaction, reduced costs and improved competitiveness in the market.

4.8.11 Human Resources Department

The Human Resources Department manages all aspects of the Group's human resources, covering talent acquisition, recruitment, employee training, development, and retention strategies, all aimed at enabling the Group to reach its strategic targets. It oversees employee compensation and benefits schemes and is responsible for facilitating talent acquisition through the identification, screening, and recruitment of top-tier candidates. The department defines and updates job profiles, classifications, and skill requirements and ensures adherence to human resource policies, procedures and relevant laws, including compliance with regulatory norms. Core activities also include the review and administration of salary frameworks, supporting performance evaluations and reviews, and implementing training and development initiatives aimed at manpower development. Additionally, it coordinates the orientation for new employees, ensures effective Saudisation, employs advanced technology to optimise HR management and continuously aligns HR strategies with both local and global emerging trends. The department also optimises manpower costs through strategic recruitment and policymaking, and it is entrusted with safeguarding the privacy and confidentiality of employee data.

4.8.12 Information Technology Department

The Information Technology Department plays a critical role in aligning the Group's technology use with its operational needs, growth projections and the security of its information technology systems. The department's responsibilities are comprehensive, encompassing the understanding of the Group's strategic goals and determining suitable IT resources and infrastructure in line with established guidelines, procedures and standards. It ensures the maintenance of the Group's systems, servers, storage devices and network infrastructure in prime condition, manages user access and restrictions for IT resources, and supervises the administration, upkeep, and enhancement of the Group's enterprise resource planning systems. Furthermore, the department is responsible for automating processes, generating timely reports for relevant stakeholders, and guaranteeing the protection and security of the Group's information. This includes the implementation of robust IT security measures and cyber resilience strategies, infrastructure and network redundancy to ensure continuous service, and the building of a digital interface and ecosystem that supports the Group's operations. The department is also tasked with the adoption of next-generation technologies, ensuring that the Group stays at the forefront of technological advancements, further securing its competitive edge in the industry.

4.8.13 Product Development & Tools Department

The Product Development & Tools Department has unique in-house facilities in the region for processing dies and printing plates, providing clients with the shortest lead times, quality and supply continuity, thereby reinforcing competitive advantage. The department plays a critical role in ensuring the Group's future growth potential. The department brings clients' packaging requirements to reality with innovative development processes. Backed by specialisation and vast experience, the department provides tailor -made packaging solutions to meet clients' needs with state -of -the -art computer -aided designs and tools. The research and development team designs boxes to match the functionality and aesthetics of clients' vision. The department coordinates with Sales and Production Department to meet their goals in quality and speed of manufacturing, ensuring timely tool deliveries and minimising design waste with optimum development and adequately designed tools. The department constantly synergises and contributes to clients' cost reduction and enhanced quality plans. The department is focused on maintaining costs within budget, aligning with the financial objectives. The department supports the Group's commitment to innovative packaging excellence.

4.8.14 Projects Department

The Projects Department plays a vital role in staying abreast of the latest technologies and evolving demands of the packaging industry in the market. The department supports the implementation of all major CAPEX projects across all plants in a safe and timely manner. The department constantly maintains the upkeep of major infrastructure within the Group's facilities. The department successfully implemented the fifth manufacturing facility for corrugated paper in Al Kharj, a greenfield facility built in 19 months with a fully automatic plant benchmarked against the best in the corrugated segment worldwide.

4.9 Corporate Social Responsibility

The Group's commitment to corporate social responsibility (CSR) is rooted in principles that align with its core values, emphasising a positive impact on society while conducting business. This commitment extends beyond legal compliance to proactive measures that enhance the well-being of employees and their families, contribute to community development and foster sustainable economic growth.

The Group's CSR initiatives include:

- **Workplace Equality and Employee Advancement**: The Group has implemented policies to promote diversity and inclusion in the workplace, ensuring equal opportunities for all employees to advance based on merit and skills. Initiatives such as mentorship programs, training opportunities and career development paths are in place to support the growth and progression of employees;
- **Enhancing Social and Marketing Presence**: The Group actively engages in various social initiatives and marketing campaigns to raise awareness about important social issues and promote its brand in a positive light. By sponsoring events, collaborating with influencers, and leveraging social media platforms, the Group aims to connect with its audience while making a meaningful impact in the community;
- **Ethical Business Practices**: The Group adheres to a strict code of ethics in all aspects of its operations, ensuring transparency, integrity, accountability and professionalism in its business dealings. From supply chain management to customer relations, ethical considerations are at the forefront of decision-making processes to uphold the Group's reputation and build trust among stakeholders;
- **Community Involvement**: The Group participates in various community development projects, partnering with local organisations and charities to address key social issues and support the well-being of the community. Through volunteer programs, donations, and collaborative initiatives, the company aims to make a positive difference in the lives of those in need;
- **Environmental Responsibility**: The Group is committed to sustainability and environmental conservation, implementing eco-friendly practices throughout its operations to reduce carbon footprint, minimise waste, and promote resource efficiency. From recycling programs to energy-saving initiatives, the Group strives to protect the environment for future generations;
- **Encouraging Sports Activities**: The Group promotes a healthy work-life balance by encouraging employees to participate in sports activities and fitness programs. By organising sports events, providing sports facilities, and promoting active lifestyles, the company fosters a culture of well-being and teamwork among its employees;
- **Helping Charities Pack Clothes, Gifts and Toys**: The Group supports charities by participating in donating boxes, enrolling volunteers, and helping in packing clothes, gifts, and toys for those in need. By actively participating in these initiatives, the Group demonstrates its commitment to giving back to the community and supporting vulnerable populations;
- **Distributing Food Baskets at the Start of Ramadan**: During the holy month of Ramadan, the Group distributes free food baskets filled with essential food items to support employees and families in need. This initiative aims to alleviate hunger and provide assistance to those facing food insecurity, reflecting the Group's dedication to social responsibility and compassion for others; and
- **Providing Medical Financial Support to Retired Employees and Needy Individuals through Hospitals and Charities**: The Group extends financial support to retired employees and individuals in need of medical assistance by partnering with hospitals and charities to cover medical expenses. By offering this support, the Group ensures that its stakeholders receive the necessary care and support during challenging times, embodying a sense of corporate social responsibility and care for its community members.

The Group's comprehensive CSR endeavours reflect its commitment to making a positive impact on society while upholding ethical standards, supporting employees, engaging with the community and promoting environmental sustainability. By prioritising workplace equity, social engagement, ethical business practices, community involvement, environmental responsibility, sports activities, charity support and medical assistance, the Group demonstrates its dedication to corporate social responsibility and being a responsible corporate citizen.

4.10 Evolution of Capital

The Company was originally incorporated on 13 Safar 1409H (corresponding to 24 September 1988G) as a limited liability company with a share capital of nine million six hundred thousand Saudi Arabian Riyals (SAR 9,600,000), divided into nine thousand and six hundred (9,600) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share.

The shares of the Company upon incorporation were distributed as follows:

Table 4.43: The Shareholders of the Company as of 13 Safar 1409H (corresponding to 24 September 1988G)

Shareholders	Number of Shares	Ownership Percentage
Hamad Abdullah AlZamil & Brothers Company [(1)]	3,840	40%
Omar Kassem Alesayi and Company	2,880	30%
Abdulrahman Hayel Saeed Anam	2,880	30%
Total	**9,600**	**100%**

Source: The Company.

(1) Hamad Abdullah AlZamil & Brothers Company is currently known as Zamil Group Holding Company.

Pursuant to the shareholders resolution dated 20 Rabi' al-Awwal 1411H (corresponding to 10 October 1990G), the Company's capital was increased from nine million six hundred thousand Saudi Arabian Riyals (SAR 9,600,000) to fourteen million Saudi Arabian Riyals (SAR 14,000,000), divided into fourteen thousand (14,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share through the capitalisation of an amount of four million four hundred thousand Saudi Arabian Riyals (SAR 4,400,000) from retained earnings. The ownership of the Company after the capital increase was as follows:

Table 4.44: The Shareholders of the Company as of 20 Rabi' al-Awwal 1411H (corresponding to 10 October 1990G)

Shareholders	Number of Shares	Ownership Percentage
Hamad Abdullah AlZamil & Brothers Company [(1)]	5,600	40%
Omar Kassem Alesayi and Company	4,200	30%
Abdulrahman Hayel Saeed Anam	4,200	30%
Total	**14,000**	**100%**

Source: The Company.

(1) Hamad Abdullah AlZamil & Brothers Company is currently known as Zamil Group Holding Company.

Pursuant to the shareholders resolution dated 14 Shawwal 1411H (corresponding to 29 April 1991G), the Company's capital was increased from fourteen million Saudi Arabian Riyals (SAR 14,000,000) to nineteen million Saudi Arabian Riyals (SAR 19,000,000), divided into nineteen thousand (19,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share through a cash contribution from the shareholders of five million Saudi Arabian Riyals (SAR 5,000,000). The ownership of the Company after the capital increase was as follows:

Table 4.45: The Shareholders of the Company as of 14 Shawwal 1411H (corresponding to 29 April 1991G)

Shareholders	Number of Shares	Ownership Percentage
Hamad Abdullah AlZamil & Brothers Company [(1)]	7,600	40%
Omar Kassem Alesayi and Company	5,700	30%
Abdulrahman Hayel Saeed Anam	5,700	30%
Total	**19,000**	**100%**

Source: The Company.

(1) Hamad Abdullah AlZamil & Brothers Company is currently known as Zamil Group Holding Company.

Pursuant to the shareholders resolution dated 12 Jumada al-Akhirah 1413H (corresponding to 6 December 1992G), the Company's capital was increased from nineteen million Saudi Arabian Riyals (SAR 19,000,000) to twenty four million Saudi Arabian Riyals (SAR 24,000,000), divided into twenty four thousand (24,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share through the capitalisation of an amount of five million Saudi Arabian Riyals (SAR 5,000,000) from retained earnings. The ownership of the Company after the capital increase was as follows:

Table 4.46: The Shareholders of the Company as of 12 Jumada al-Akhirah 1413H (corresponding to 6 December 1992G)

Shareholders	Number of Shares	Ownership Percentage
Hamad Abdullah AlZamil & Brothers Company (1)	9,600	40%
Omar Kassem Alesayi and Company	7,600	30%
Abdulrahman Hayel Saeed Anam	7,600	30%
Total	**24,000**	**100%**

Source: The Company.

(1) Hamad Abdullah AlZamil & Brothers Company is currently known as Zamil Group Holding Company.

Pursuant to the shareholders resolution dated 30 Rajab 1415H (corresponding to 1 January 1995G), the Company's capital increased from twenty four million Saudi Arabian Riyals (SAR 24,000,000) to thirty million five hundred thousand Saudi Arabian Riyals (SAR 30,500,000), divided into thirty thousand five hundred (30,500) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share through the capitalisation of an amount of six million five hundred thousand Saudi Arabian Riyals (SAR 6,500,000) from retained earnings. The ownership of the Company after the capital increase was as follows:

Table 4.47: The Shareholders of the Company as of 30 Rajab 1415H (corresponding to 1 January 1995G)

Shareholders	Number of Shares	Ownership Percentage
Hamad Abdullah AlZamil & Brothers Company (1)	12,200	40%
Omar Kassem Alesayi and Company	9,150	30%
Abdulrahman Hayel Saeed Anam	9,150	30%
Total	**30,500**	**100%**

Source: The Company.

(1) Hamad Abdullah AlZamil & Brothers Company is currently known as Zamil Group Holding Company.

Pursuant to the shareholders resolution dated 15 Muharram 1417H (corresponding to 1 June 1996G), the Company's capital increased from thirty million and five hundred thousand Saudi Arabian Riyals (SAR 30,500,000) to thirty one million and six hundred thousand Saudi Arabian Riyals (SAR 31,600,000), divided into thirty one thousand and six hundred (31,600) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share through the capitalisation of an amount of one million and one hundred thousand Saudi Arabian Riyals (SAR 1,100,000) from retained earnings. On the same date, Abdulrahman Hayel Saeed Anam transferred all of his shares to Frimex Investment LLC, without consideration. The ownership of the Company after the capital increase and the transfer of shares was as follows:

Table 4.48: The Shareholders of the Company as of 15 Muharram 1417H (corresponding to 1 June 1996G)

Shareholders	Number of Shares	Ownership Percentage
Hamad Abdullah AlZamil & Brothers Company (1)	12,640	40%
Omar Kassem Alesayi and Company	9,480	30%
Frimex Trading Company LLC (2)	9,480	30%
Total	**31,600**	**100%**

Source: The Company.

(1) Hamad Abdullah AlZamil & Brothers Company is currently known as Zamil Group Holding Company.

(2) Frimex Trading Company LLC is currently known as Frimex Investment LLC.

Pursuant to the shareholders resolution dated 23 Shawwal 1424H (corresponding to 17 December 2003G), the Company's capital increased from thirty one million and six hundred thousand Saudi Arabian Riyals (SAR 31,600,000) to fifty million Saudi Arabian Riyals (50,000,000) divided into fifty thousand (50,000) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share through the capitalisation of an amount of eighteen million one four hundred thousand Saudi Arabian Riyals (SAR 18,400,000) from the shareholders' account. The ownership of the Company after the capital increase was as follows:

Table 4.49: The Shareholders of the Company as of 23 Shawwal 1424H (corresponding to 17 December 2003G)

Shareholders	Number of Shares	Ownership Percentage
Hamad Abdullah AlZamil & Brothers Company (1)	20,000	40%
Omar Kassem Alesayi and Company	15,000	30%
Frimex Trading Company LLC (2)	15,000	30%
Total	**50,000**	**100%**

Source: The Company.

(1) Hamad Abdullah AlZamil & Brothers Company is currently known as Zamil Group Holding Company.

(2) Frimex Trading Company LLC is currently known as Frimex Investment LLC.

Pursuant to the shareholders resolution dated 9 Muharram 1430H (corresponding to 6 January 2009G), Saudi Carton Factory Company was merged with the Company, without consideration, along with all its rights and liabilities, and Saudi Carton Factory Company was converted into a branch of the Company while retaining the same name, number and date of its Commercial Registration. As a result, the Company's capital was increased from fifty million Saudi Arabian Riyals (SAR 50,000,000) to fifty six million seven hundred and fifty thousand Saudi Arabian Riyals (SAR 56,750,000), divided into fifty six thousand seven hundred and fifty (56,750) shares with a nominal value of one thousand Saudi Arabian Riyals (SAR 1,000) per share, as the shareholders agreed to add the capital of Saudi Carton Factory Company to the capital of the Company. The ownership of the Company after the merger and the capital increase was as follows:

Table 4.50: The Shareholders of the Company as of 9 Muharram 1430H (corresponding to 6 January 2009G)

Shareholders	Number of Shares	Ownership Percentage
Zamil Group Holding Company	22,700	40%
Omar Kassem Alesayi and Company	17,025	30%
Frimex Investment LLC	17,025	30%
Total	**56,750**	**100%**

Source: The Company.

Pursuant to the shareholders resolution dated 18 Rabi' al-Awwal 1437H (corresponding to 29 December 2015G), the Company's capital increased from fifty six million seven hundred and fifty thousand Saudi Arabian Riyals (SAR 56,750,000) to two hundred million Saudi Arabian Riyals (SAR 200,000,000), divided into twenty million (20,000,000) shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per share, through the capitalisation of an amount of one hundred and forty three million and two hundred fifty thousand Saudi Arabian Riyals (SAR 143,250,000) from the retained earnings account. The ownership of the Company after the capital increase was as follows:

Table 4.51: The Shareholders of the Company as of 18 Rabi' al-Awwal 1437H (corresponding to 29 December 2015G)

Shareholders	Number of Shares	Ownership Percentage
Zamil Group Holding Company	8,000,000	40%
Omar Kassem Alesayi and Company	6,000,000	30%
Frimex Investment LLC	6,000,000	30%
Total	**20,000,000**	**100%**

Source: The Company.

Pursuant to the shareholders resolution dated 6 Rabi' al-Thani 1438H (corresponding to 4 January 2017G), the Company's shareholders agreed to convert the Company from a limited liability company to a closed joint stock company. On the same date, Zamil Group Holding Company transferred one million (1,000,000) shares to Zamil Group Investment Company, without consideration, and transferred one million (1,000,000) shares to Eastern Industrial Investment Company, without consideration. The ownership of the Company after the conversion and the transfer of shares was as follows:

Table 4.52: The Shareholders of the Company as of 6 Rabi' al-Thani 1438H (corresponding to 4 January 2017G)

Shareholders	Number of Shares	Ownership Percentage
Zamil Group Holding Company	6,000,000	30%
Omar Kassem Alesayi and Company	6,000,000	30%
Frimex Investment LLC	6,000,000	30%
Zamil Group Investment Company	1,000,000	5%
Eastern Industrial Investment Company	1,000,000	5%
Total	**20,000,000**	**100%**

Source: The Company.

4.11 Business Continuity

During the 12-month period preceding the date of this Prospectus, there has been no suspension or interruption in the Group's business which would affect or have a significant impact on its financial position and no material change in the nature of its business is contemplated.

Organisational Structure and Corporate Governance

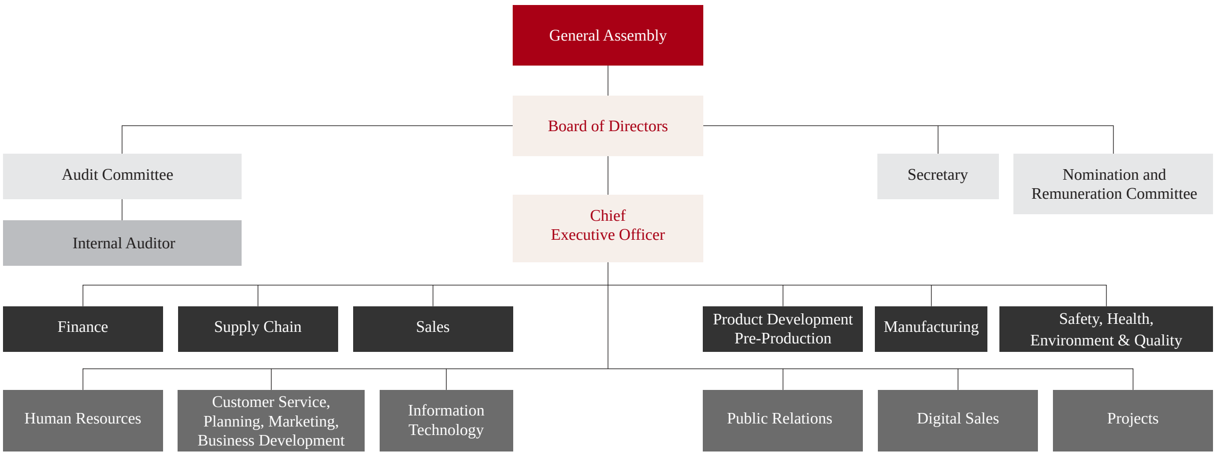
5. Organisational Structure and Corporate Governance

5.1 Organisational Structure

The organisational structure of the Company consists of the General Assembly, the Board of Directors and the Committees derived from it. Without prejudice to General Assemblies' authorities, the Board of Directors has the broadest authorities to manage the Company and has the responsibility for the overall direction, supervision and control of the Company. The Board of Directors delegates responsibility for overall day-to-day management of the Company to the Executive Management of the Company.

The following chart sets out the organisational structure of the Company:

Exhibit 5.1: Organisational Structure of the Company



Source: The Company.

The following table summarises the direct ownership structure of the Company pre- and post-Offering:

Table 5.1: Direct Ownership Structure of the Company Pre- and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	Number of Shares	Ownership (%) (1)	Overall Nominal Value (SAR)	Number of Shares	Ownership (%) (1)	Overall Nominal Value (SAR)
Zamil Group Holding Company	12,000,000	30.0%	120,000,000	8,400,000	21.0%	84,000,000
Omar Kassem Alesayi and Company	12,000,000	30.0%	120,000,000	8,400,000	21.0%	84,000,000
Frimex Investment LLC	12,000,000	30.0%	120,000,000	8,400,000	21.0%	84,000,000
Zamil Group Investment Company	2,000,000	5.0%	20,000,000	1,400,000	3.5%	14,000,000
Eastern Industrial Investment Company	2,000,000	5.0%	20,000,000	1,400,000	3.5%	14,000,000
Public	-	-	-	12,000,000	30.0%	120,000,000
Total	**40,000,000**	**100.0%**	**400,000,000**	**40,000,000**	**100.0%**	**400,000,000**

Source: The Company.

(1) Ownership percentages have been rounded to the nearest decimal place.

5.2 Board of Directors and Secretary of the Board of Directors

5.2.1 Composition of the Board of Directors

The Board of Directors consists of nine (9) Directors who are appointed by the General Assembly by means of cumulative vote (for further details, see Section 11.14 (*Summary of Bylaws*)). The Companies Law, the Corporate Governance Regulations, the Bylaws, and the internal Corporate Governance Manual of the Company determine the duties and responsibilities of the Board of Directors. According to the Company's Bylaws, the term of the Directors' membership in the Board of Directors, including the Chairman, shall be for a maximum period of four (4) years for each term upon the expiry of the existing terms. The current term of the Board of Directors commenced on 17 Rajab 1446H (corresponding to 17 January 2025G) and will end on 1 Ramadan 1450H (corresponding to 16 January 2029G).

The following table sets out the Directors as of the date of this Prospectus:

Table 5.2: Company's Board of Directors

Name	Position	Nationality	Age (years)	Capacity (1)	Direct Share Ownership		Indirect Share Ownership (2)		Date of Appointment (3)
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering	
Adib Abdullah Hamad AlZamil (4)	Chairman	Saudi	71	Non-Executive	-	-	2.84%	1.988%	20 Rajab 1446H (corresponding to 20 January 2025G)
Saeed Omar Kassem Alesayi (5)	Vice Chairman	Saudi	68	Non-Executive	-	-	3.31%	2.317%	20 Rajab 1446H (corresponding to 20 January 2025G)
Ibrahim Hayel Saeed Anam (6)	Director	Yemeni	74	Non-Executive	-	-	1.2%	0.84%	20 Rajab 1446H (corresponding to 20 January 2025G)
Aidroos Hassan Omar Alesayi (7)	Director	Saudi	79	Non-Executive	-	-	2.85%	1.995%	20 Rajab 1446H (corresponding to 20 January 2025G)
Sattam Abdulaziz Abdullah AlZamil (8)	Director	Saudi	50	Non-Executive	-	-	0.41%	0.287%	20 Rajab 1446H (corresponding to 20 January 2025G)
Shawki Ahmed Hayel Saeed (9)	Director	Yemeni	63	Non-Executive	-	-	1.29%	0.903%	20 Rajab 1446H (corresponding to 20 January 2025G)
Khaled Mohammed Khalil Barahmeh	Director	Jordanian	42	Independent	-	-	-	-	20 Rajab 1446H (corresponding to 20 January 2025G)
Khalid Ahmed Abubaker Baeshen	Director	Saudi	68	Independent	-	-	-	-	20 Rajab 1446H (corresponding to 20 January 2025G)
Abdullah Ali Mohammed AlSanea	Director	Saudi	67	Independent	-	-	-	-	20 Rajab 1446H (corresponding to 20 January 2025G)

Source: The Company.

(1) An independent member is a non-executive member of the Board of Directors having complete independence in their position and decisions, and who is free of any of the obstacles to independence set out in the Corporate Governance Regulations, which are as follows:

- Owning five per cent. (5%) or more of the Company's shares or shares in any of its subsidiaries or being related to someone who owns such percentage.
- Being related to any member of the Company's Board of Directors or the board of directors of any of its subsidiaries.
- Being related to any senior executive of the Company or any of its subsidiaries.
- Being a board member of another company within the group of which the company seeking a board member is a part.
- Having been employed by the Company or any of its subsidiaries within the past two years or owning controlling interests in the Company or any party dealing with the Company or any of its subsidiaries, such as auditors or major suppliers, within the past two years.
- Having a direct or indirect interest in the business and contracts carried out on behalf of the Company.
- Receiving payments from the Company, in addition to their Board or committee membership fee, exceeding SAR 200,000 or 50 per cent. of their previous year's fee for board or committee membership, whichever is less.
- Engaging in any activity that competes with the Company or trading in any of the Company's lines of business.
- Having served more than nine consecutive or non-consecutive years on the Company's Board.

(2) Ownership percentages are rounded to the nearest two decimal place or three decimal place. For further details on the Company's ultimate individual owners and their indirect ownership stake in the Company, see Section 4.3.1 (*Current Shareholding Structure*).

(3) Dates listed in this table are the dates of appointment to the current positions in the Board of Directors. Their respective biographies in Section 5.2.4 (*Biographies of the Directors and the Secretary*) describe the dates of their appointment, whether in the Board of Directors or in any other position.

(4) Adib Abdullah AlZamil directly owns 37,218 shares in Al Jadarah Investment Company (representing 7.1 per cent. of its share capital). Al Jadarah Investment Company owns in aggregate 16,000,000 Shares in the Company before the Offering (representing 40 per cent. of the Company's share capital before the Offering): (a) through its ownership of 100 per cent. of Zamil Group Holding Company's share capital via its: (i) direct 99 per cent. ownership in Zamil Group Holding Company's share capital; and (ii) direct ownership of 100 per cent. of the share capital of Eastern Industrial Investment Company Limited which in turn directly owns the remaining one per cent. in Zamil Group Holding Company's share capital; (b) Zamil Group Holding Company directly owns 30 per cent. of the Company's share capital before the Offering; (c) Zamil Group Holding Company directly owns 100 per cent. of Zamil Group Investment Company's share capital which in turn owns five per cent. of the Company's share capital before the Offering; and (d) Al Jadarah Investment Company directly owns 100 per cent. of Eastern Industrial Investment Company Limited's share capital which in turn owns five per cent. of the Company's share capital before the Offering. As a result, Adib Abdullah AlZamil indirectly owns approximately 1,136,000 Shares in the Company prior to the Offering, which represents approximately 2.84 per cent. of the Company's share capital before the Offering.

(5) Saeed Omar Kassem Alesayi directly owns 70 per cent. of the share capital of Masila Company, which in turn directly owns 14.3 per cent. of the share capital of Omar Kassem Alesayi and Company, which in turn directly owns 12,000,000 shares in the Company before the Offering (representing 30 per cent. of the Company's total shares). Additionally, Saeed Omar Kassem Alesayi directly owns 33.3 per cent. of the share capital of Al Falah United Development Company Limited, which in turn directly owns 3.1 per cent. of Omar Kassem Alesayi and Company, which in turn directly owns 12,000,000 Shares in the Company before the Offering (representing 30 per cent. of the Company's share capital). As a result, Saeed Omar Kassem Alesayi indirectly owns approximately 1,324,000 Shares in the Company prior to the Offering, which represents approximately 3.31 per cent. of the Company's share capital before the Offering.

(6) Ibrahim Hayel Saeed Anam directly owns: (a) four per cent. of the share capital of Capital House Investments Limited, which in turn indirectly owns all of the share capital in Frimex Investment LLC (via its 100 per cent. direct ownership in the share capital of Babylon Investment Limited and Oriental Gulf Limited, the parent companies of Frimex Investment LLC). Frimex Investment LLC in turn directly owns 12,000,000 Shares in the Company prior to the Offering, which represents approximately 30 per cent. of the Company's share capital before the Offering; and (b) 16.5 per cent. of the share capital of Anam Holdings Limited, which in turn directly owns 4.6 per cent. of Capital House Investment Limited. Capital House Investments Limited indirectly owns all of the share capital of Frimex Investment LLC (via its 100 per cent. direct ownership in the share capital of Babylon Investment Limited and Oriental Gulf Limited, the parent companies of Frimex Investment LLC), and Frimex Investment LLC in turn owns 12,000,000 Shares in the Company prior to the Offering, which represents approximately 30 per cent. of the Company's share capital before the Offering. As a result, Ibrahim Hayel Saeed Anam indirectly owns approximately 480,000 Shares in the Company prior to the Offering, which represents approximately 1.2 per cent. of the Company's share capital before the Offering.

(7) Aidroos Hassan Omar Alesayi directly owns 76 per cent. of the share capital of Alesayi General Contracting Holding Co., which in turn directly owns 12.5 per cent. of the share capital of Omar Kassem Alesayi and Company, which in turn directly owns 12,000,000 Shares in the Company before the Offering (representing 30 per cent. of the Company's share capital before the Offering). As a result, Aidroos Hassan Omar Alesayi indirectly owns approximately 1,140,000 Shares in the Company prior to the Offering, which represents approximately 2.85 per cent. of the Company's share capital before the Offering.

(8) Sattam Abdulaziz Abdullah AlZamil directly owns 0.95 per cent of the share capital of Al Jadarah Investment Company and indirectly owns 0.24 per cent. of Al Jadarah Investment Company through his 17.5 per cent. ownership of Abdulaziz Abdullah AlZamil & Sons Co., which in turn owns 1.36 per cent. of the share capital of Al Jadarah Investment Company (which is a company that directly owns 99 per cent. and indirectly owns 1 per cent. of the share capital of Al Zamil Holding Group). Accordingly, Sattam Abdulaziz Abdullah AlZamil owns in aggregate of 1.19 per cent. of the share capital of Al Jadarah Investment Company. Al Jadarah Investment Company owns in aggregate 16,000,000 Shares in the Company indirectly before the Offering (representing 40 per cent. of the Company's share capital before the Offering): (a) through its ownership of 100 per cent. of Zamil Group Holding Company's share capital via its: (i) direct 99 per cent. ownership in Zamil Group Holding Company's share capital; and (ii) direct ownership of 100 per cent. of the share capital of Eastern Industrial Investment Company Limited which in turn directly owns the remaining one per cent. in Zamil Group Holding Company's share capital; (b) Zamil Group Holding Company directly owns 30 per cent. of the Company's share capital before the Offering; (c) Zamil Group Holding Company directly owns 100 per cent. of Zamil Group Investment Company's share capital which in turn owns five per cent. of the Company's share capital before the Offering; and (d) Al Jadarah Investment Company directly owns 100 per cent. of Eastern Industrial Investment Company Limited's share capital which in turns owns 5 per cent. of the Company's share capital before the Offering. As a result, Sattam Abdulaziz Abdullah AlZamil indirectly owns approximately 164,000 Shares in the Company prior to the Offering, which represents approximately 0.41 per cent of the Company's share capital before the Offering.

(9) Shawki Ahmed Hayel Saeed directly owns 4.3 per cent. of the share capital of Capital House Investments Limited, which in turn indirectly owns all of the share capital in Frimex Investment LLC (via its 100 per cent. direct ownership in the share capital of Babylon Investment Limited and Oriental Gulf Limited, the parent companies of Frimex Investment LLC). Frimex Investment LLC in turn directly owns 12,000,000 Shares in the Company prior to the Offering, which represents approximately 30 per cent. of the Company's share capital before the Offering. As a result, Shawki Ahmed Hayel Saeed indirectly owns approximately 516,000 Shares in the Company prior to the Offering, which represents approximately 1.29 per cent. of the Company's share capital before the Offering.

The Secretary of the Board of Directors is Bandar Malik Hammad Alshammari, who was appointed pursuant to a resolution by the Board of Directors dated 20 Rajab 1446H (corresponding to 20 January 2025G), and he doesn't own any Shares in the Company. For a summary of his biography, see Section 5.2.4.10 (*Bandar Malik Hammad Alshammari, Board Secretary*)).

5.2.2 Responsibilities of the Board of Directors

The Company is supervised by a Board of Directors consisting of professional and highly experienced persons. Further to powers set by the General Assembly in the Companies Law and its implementing regulations, as well as the Company's Bylaws, the Board of Directors is vested with full powers to manage the business of the Company and supervise its affairs. The Board of Directors delegates responsibility for overall day-to-day management of the Company to the Company's Executive Management.

Some powers are delegated to the Board of Directors' Committees, consisting of the Audit Committee and the Nomination and Remuneration Committee (collectively, the "**Committees**"), and a number of administrative departments with responsibility for dealing with a range of operational and business matters (fur further details about the Company's administrative departments, see Section 4.8 (*Administrative Support Departments*)). In addition, the Board of Directors has the power to form any number of committees it considers necessary for effective governance, oversight and operations of the Company or to delegate some of its powers to one or more of the Directors or to third parties. However, despite any delegation, the ultimate responsibility for the Company rests with the Board of Directors.

The responsibilities of the Board of Directors, the Chairman and the Secretary can be summarised as follows:

5.2.2.1 Board of Directors

Without prejudice to the competencies of the General Assembly, the Board shall have the broadest powers to manage the Company and guiding its activities to achieve its purposes inside and outside the Kingdom. Pursuant to the Corporate Governance Regulations, the main functions and competencies of the Board of Directors include the following:

- laying down the plans, policies, strategies and main objectives of the Company, supervising their implementation and reviewing them periodically, and ensuring that the human and financial resources required to fulfil them are available;
- setting rules and procedures for internal control and generally overseeing them;
- setting forth specific and explicit policies, standards and procedures for membership in the Board, without prejudice to the mandatory provisions of the Corporate Governance Regulations, and implementing them following approval by the General Assembly;
- developing a written policy that regulates the relationship with stakeholders pursuant to the provisions of the Corporate Governance Regulations;
- setting policies and procedures to ensure the Company's compliance with the laws and regulations and the Company's obligation to disclose material information to Shareholders and stakeholders, and ensuring the compliance of the Executive Management with these policies and procedures;
- supervising the management of the Company's finances, its cash flows as well as its financial and credit relationships with third parties;
- providing recommendations to the General Assembly as to what it deems appropriate regarding the following:

  i. increasing or decreasing the share capital of the Company;

  ii. dissolving the Company before the end of its term as specified in its bylaws or deciding the continuity of the Company;

  iii. use of the Company's reserves, if they are not allocated for a specific purpose in the Company's bylaws;

  iv. forming additional financial allocations or reserves for the Company; and

  v. the method of distributing the net profits of the Company.

- preparing the Company's interim financial information and annual financial statements and approving them before publishing them;
- preparing the Board report and approving it before publishing it;
- ensuring the accuracy and integrity of the data and information which must be disclosed pursuant to the applicable policies and systems in respect of disclosure and transparency;
- developing effective communication channels allowing shareholders to continuously and periodically review the various aspects of the Company's businesses as well as any material developments;
- forming specialised committees of the Board pursuant to resolutions that shall specify the term, powers and responsibilities of such committees as well as the manner used by the Board to monitor such committees. Such resolutions shall also specify the names of the members and their duties, rights and obligations and shall evaluate the performance and activities of these committees and their members;

- specifying the types of remunerations granted to the Company's employees, such as fixed remunerations, remunerations linked to performance and remunerations in the form of shares without prejudice to the Implementing Regulation of the Companies Law;
- notifying the Ordinary General Assembly when convened of the businesses and contracts in which any Board member has a direct or indirect interest; the notification provided by the member of the Board shall include the nature and extent of such interest, the names of concerned persons, and the expected benefit to be obtained directly or indirectly from interest whether financial or non-financial; and
- setting the values and standards that govern the work at the Company.

In addition to the above, the Board of Directors shall be vested with the powers and responsibilities stipulated in Chapter Three of the Corporate Governance Regulations.

5.2.2.2 Chairman

The Chairman of the Board shall be responsible for leading the Board and supervising its operations and the effective performance of its duties. Pursuant to the Corporate Governance Regulations, the competencies and duties of the Chairman of the Board shall in particular include the following:

- ensuring that the Board members obtain complete, clear, accurate and non-misleading information in due course;
- ensuring that the Board effectively discusses all fundamental issues in due course;
- representing the Company before third parties in accordance with the Companies Law and its Implementing Regulations and the Company's Bylaws;
- encouraging the Board members to effectively perform their duties in order to achieve the interests of the Company;
- ensuring that there are actual communication channels with shareholders and conveying their opinions to the Board;
- encouraging constructive relationships and effective participation between the Board and the Executive Management on the one hand, and the executive, non-executive and independent Directors on the other hand, and creating a culture that encourages constructive criticism;
- preparing agendas of the Board meetings, taking into consideration any matters raised by Board members or the external auditor and consult with the Board members and the Chief Executive Officer upon preparing the Board's agenda; and
- convening periodic meetings with the Non-Executive Directors without the presence of any executive officers of the Company.

5.2.2.3 Secretary

The responsibilities of the Secretary include the following:

- documenting the Board meetings and preparing minutes therefor, which shall include the discussions and deliberations carried during such meetings, as well as the place, date, times on which such meetings commenced and concluded; and recording the decisions of the Board and voting results and retaining them in a special and organised register, and including the names of the attendees and any reservations they expressed (if any). Such minutes shall be signed by the chairman of the meeting, all of the attending members and the Secretary;
- retaining the reports submitted to the Board and the reports prepared by it;
- providing the Board members with the agenda of the Board meeting and related worksheets, documents and information and any additional information, related to the topics included in the agenda items, requested by any Board member;
- ensuring that the Board members comply with the procedures approved by the Board;
- notifying the Board members of the dates of the Board's meetings within sufficient time prior to the date specified for the meeting;
- presenting the draft minutes to the Board members to provide their opinions on them before signing the same;
- ensuring that the Board members receive, fully and promptly, a copy the minutes of the Board's meetings as well as the information and documents related to the Company;
- coordinating among the Board members;
- regulating the disclosure register of the Board and Executive Management; and
- providing assistance and advice to the Board members.

5.2.3 Service Contracts with Directors

No service or employment contracts were concluded between the Directors and the Company.

5.2.4 Biographies of the Directors and the Secretary

The experience, qualifications and the current and other positions of each of the Directors and the Secretary are set out below:

5.2.4.1 Adib Abdullah Hamad AlZamil, Chairman

Nationality:	Saudi.
Age:	71 years.
Position:	Chairman of the Board of Directors.
Capacity:	Non-Executive.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Bachelor's Degree in Business Administration, Portland State University, Portland, Oregon, United States of America, 1975G.
Current Positions:	– Chairman of the Company's Board of Directors, since 2015G; – Director of the Company, since 1989G; – Chairman of the Board of Directors, East MLM Investment Company, a limited liability company, Investment activities for private account, investment clubs and investment company activities sector, since 2023G; – Chairman of the Board of Directors, Gulf MLM Investment Company, a limited liability company, Investment activities for private account, investment clubs and investment company activities sector , since 2023G; – Chairman of the Board of Directors, United Paper Industries Company FZCO, a limited liability company registered in UAE, industrial sector, since 2023G; – Chairman of the Board of Directors, Integrated Packaging Industries Company, a limited liability company, industrial sector, since 2022G; – Director, Abdullah Hamad AlZamil and Sons Company, a closed joint stock company, construction, maintenance, and operations sector, since 2022G; – Chairman of the Board of Directors, Al Sharqiya Industrial Investment Company, a limited liability company, wholesale distribution of computers and related accessories sector, since 2021G; – Director, Al Jadarah Investment Company, a closed joint stock company, buying and selling land and real estate, dividing them, and selling off-plan activities sector, since 2021G; – Chairman of the Board of Directors, MLM for Investment, a limited liability company, investment company activities and securities advice sector, since 2020G; – Director, Jadwa Industrial Investment Company, a limited liability company, industrial projects manufacturing and maintenance of lubricating oil plants sector, since 2018G; – Chief Executive Officer, Zamil Group Holding Company, a closed joint stock company, subsidiary management sector, since 2018G; – Chairman of the Board of Directors, Jadwa Investment Company, a closed joint stock company, securities dealing, securities arrangement and investment management sector, since 2013G; – Chairman of the Board of Directors, Fajr Capital Company, a private company registered in the Dubai International Financial Centre (DIFC), investment sector, since 2012G; – Chairman of the Board of Directors, Zamil Group Investment Company, a limited liability company, investment activities sector, since 2010G; – Director, Saudi Arabian Investment Company, a closed joint stock company, investment sector, since 2009G; – Director, Guardian Glass International Limited Company, a limited liability company, glass manufacturing sector, since 1995G; – Chairman of the Board of Directors, Gulf Lab Electric Equipment Testing Company, a limited liability company, investment sector, since 1985G; and – Director, Zamil Group Holding Company, a closed joint stock company, subsidiary management sector, since 1977G.
Key Past Professional Experience:	– Managing Director of Finance and Investment, Zamil Group Holding Company, a closed joint stock company, subsidiary management sector, from 2000G to 2018G; – Director, Jadwa Investment Company, a closed joint stock company, investment sector, from 2007G to 2013G; – Managing Director, Zamil Industrial Investment Company, a public joint stock company, industrial sector, from 1998G to 2004G; – Finance Director, Zamil Group Holding Company, a closed joint stock company, subsidiary management sector, from 1975G to 2000G; and – Managing Director, Zamil Air Conditioners Company, a limited liability company, industrial sector, from 1975G to 1998G.

5.2.4.2 Saeed Omar Kassem Alesayi, Vice Chairman

Nationality:	Saudi.
Age:	68 years.
Position:	Vice Chairman of the Board of Directors.
Capacity:	Non-Executive.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Bachelor's Degree in Industrial Engineering, University of Miami, Miami, Florida, United States of America, 1980G.
Current Positions:	– Vice Chairman of the Company's Board of Directors, since 2024G; – Director, the Company, since 1989G; – Director, United Paper Industries Company FZCO, a limited liability company registered in UAE, industrial sector, since 2023G; – Director, Integrated Packaging Industries Company, a limited liability company, industrial sector, since 2022G; – Chairman of the Board of Directors, Omar Kassem Alesayi and Company (OMACO), a closed joint stock company, investment sector, since 2017G; and – Chairman of the Board of Directors, Alesayi Trading Company, a limited liability company, automotive trading sector, since 2016G.
Key Past Professional Experience:	– Director, Yanbu Cement Company, a public joint stock company, cement sector, from 2018G to 2020G; – Director, Al Rajhi Bank, a public joint stock company, banking sector, from 2014G to 2017G; – Chief Executive Officer, Alesayi Trading Company, a limited liability company, automotive trading sector, from 1990G to 2017G; – Chief Executive Officer, Motors Vehicle Periodic Inspection Company (MVPI), a closed joint stock company, automotive sector, from 1986G to 1990G; – Deputy General Manager, Omar Kassem Alesayi and Company (OMACO), a closed joint stock company, investment sector, from 1985G to 1986G; and – Administrative Manager, Omar Kassem Alesayi and Company (OMACO), a closed joint stock company, investment sector, from 1981G to 1984G.

5.2.4.3 Ibrahim Hayel Saeed Anam, Director

Nationality:	Yemeni.
Age:	74 years.
Position:	Director.
Capacity:	Non-Executive.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Master's Degree in Business Administration, University of Central Oklahoma, Edmond, Oklahoma, United States of America, 1977G.
Current Positions:	– Member of the Company's Board of Directors, since 2018G; – Director, United Paper Industries Company FZCO, a limited liability company registered in UAE, industrial sector, since 2023G; – Director, Integrated Packaging Industries Company, a limited liability company, industrial sector, since 2022G; – Vice Chairman of the Board of Directors, Egyptian Company for Propylene and Polypropylene Production, a limited liability company registered in Egypt, petroleum sector, since 2012G; – Director, Misr Cement – Minya Company, a joint stock company registered in Egypt, industrial sector, since 2011G; – Chairman of the Board of Directors, Frimex Investment LLC, a limited liability company registered in UAE, commercial and industrial sector, since 2011G; – Chairman of the Board of Directors, United Warehouse Limited Company, a limited liability company, logistics services sector, since 2006G; and – Chairman of the Board of Directors, National Biscuits and Confectionery Company, a limited liability company, food production sector, since 1987G.
Key Past Professional Experience:	– Director, National Food Industries Limited Company, a limited liability company, food production sector, from 1993G to 2016G; – Vice Chairman of the Board of Directors, United Feed Limited Company, a limited liability company, animal feed sector, from 1985G to 2016G; – Vice Chairman of the Board of Directors, Omar Kassem Alesayi Marketing Company Limited, a limited liability company, marketing services sector, from 1999G to 2013G; and – Director, United Warehouse Limited Company, a limited liability company, logistics sector, from 2006G to 2016G.

5.2.4.4 Aidroos Hassan Omar Alesayi, Director

Nationality:	Saudi.
Age:	79 years.
Position:	Director.
Capacity:	Non-Executive.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	N/A.
Current Positions:	– Director of the Company, since 1989G; – Director, United Paper Industries Company FZCO, a limited liability company registered in UAE, industrial sector, since 2023G; – Director, Integrated Packaging Industries Company, a limited liability company, industrial sector, since 2022G; – Chairman of the Board of Directors, National Food Industries Limited Company, a limited liability company, food production sector, since 2018G; – Chairman of the Board of Directors, Oriental Food Industries Limited, a limited liability company registered in Nigeria, food sector, since 2018G; – Chairman of the Board of Directors, Al Forsan Global Industrial Company, a closed joint stock company, manufacturing of ceramics and sanitary ware sector, since 2012G; – Chairman of the Board of Directors, Mitsubishi Electric Saudi Limited (MELSA), a limited liability company, importing, installing, and maintaining elevators and escalators sector, since 1984G; – Director, Motor Vehicle Periodic Inspection Company (MVPI), a closed joint stock company, vehicle inspection sector, since 1983G; and – Director, Omar Kassem Alesayi and Company (OMACO), a closed joint stock company, investment sector, since 1979G.
Key Past Professional Experience:	N/A.

5.2.4.5 Sattam Abdulaziz Abdullah AlZamil, Director

Nationality:	Saudi.
Age:	50 years.
Position:	Director.
Capacity:	Non-Executive.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Bachelor's Degree in Accounting, King Fahad University of Petroleum and Minerals, Dharan, Kingdom of Saudi Arabia, 1996G.
Current Positions:	– Director of the Company, since 2012G; – Head of the Finance Sector, Zamil Group Holding Company, a closed joint stock company, subsidiary management sector, since 2023G; – Director, United Paper Industries Company FZCO, a limited liability company registered in UAE, industrial sector, since 2023G; – Director, Zamil Industrial Investment Company, a public joint stock company, industrial sector, since 2022G; – Director, Integrated Packaging Industries Company, a limited liability company, industrial sector, since 2022G; – Director, Electrical Industries Company (EIC), a closed joint stock company, electrical appliances production sector, since 2021G; and – Director, Sigma Paints Company, a limited liability company, paints and chemical manufacturing sector, since 2016G.
Key Past Professional Experience:	– Executive Vice President, Zamil Group Holding Company, a closed joint stock company, subsidiary management sector, from 2017G to 2023G; – Vice President, Zamil Group Holding Company, a closed joint stock company, subsidiary management sector, from 2005G to 2017G; and – Financial Analyst, Zamil Group Holding Company, a closed joint stock company, subsidiary management sector, from 1996G to 2005G.

5.2.4.6 Shawki Ahmed Hayel Saeed, Director

Nationality:	Yemeni.
Age:	63 years.
Position:	Director.
Capacity:	Non-Executive.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Bachelor's Degree in Management and Finance, University of California, California, United States of America, 1984G.
Current Positions:	– Director of the Company, since 2018G; – General Manager, Frimex Investment LLC, a limited liability company registered in UAE, commercial and industrial sector, since 2024G; – Director, Frimex Investment LLC, a limited liability company registered in UAE, commercial and industrial sector, since 2024G; – Director, Frimex Global Investment Company, a limited liability company, commercial and industrial sector, since 2023G; – Chairman of the Board of Directors, Tadhamon Bank, a closed joint stock company registered in Yemen, banking sector, since 2021G; – Chairman of the Board of Directors, Tadhamon Capital LLC, a closed joint stock company registered in Bahrain, financing sector, since 2021G; – Director, United Warehouse Limited Company, a limited liability company, logistics services sector, since 2018G; – Director, National Biscuits and Confectionery Company, a limited liability company, food production sector, since 2018G; – Director, Omar Kassem Alesayi Marketing Company Limited, a limited liability company, marketing services sector, since 2018G; – Director, National Food Industries Company, a limited liability company, food production sector, since 2018G; and – General Manager, HSA Corporate Services Limited – Dubai Branch, a branch of a foreign company registered in UAE, commercial and industrial consulting sector, as well as services and consumer goods for the benefit of Hayel Saeed Anam & Co. Group of Companies, since 2015G.
Key Past Professional Experience:	– Deputy General Manager, United Industries Company, a closed joint stock company registered in Yemen, cigarettes sector from 1985G to 1985G; – Deputy General Manager, Yemen Company for Industry and Commerce, a closed joint stock company registered in Yemen, biscuit and confectionary sector, from 1987G to 1990G; – Deputy General Manager of Yemen Region, Hayel Saeed Anam & Co., a private limited company registered in Yemen, fast moving consumer goods, commercial and industrial sector, from 1990G to 2003G; – Chief Financial Officer of Yemen Region, Hayel Saeed Anam & Co. Group of Companies, a private limited company registered in Yemen, fast moving consumer goods, commercial and industrial sector, from 2003G to 2012G; – Managing Director, Tadhamon Bank, a closed joint stock company registered in Yemen, banking sector, from 2016G to 2020G; and – Vice Chairman of the Board of Directors, Tadhamon Capital LLC, a closed joint stock company registered in Bahrain, financing sector, from 2016G to 2020G.

5.2.4.7 Khaled Mohammed Khalil Barahmeh, Director

Nationality:	Jordanian.
Age:	42 years.
Position:	Director.
Capacity:	Independent.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Fellowship, the Saudi Organisation of Chartered and Professional Accountants, Riyadh, Kingdom of Saudi Arabia, 2021G; – Certified Internal Auditor, The Institute of Internal Auditors, Lake Mary, Florida State, United States of America, 2021G; – Master's Degree in Accounting, University of Essex, Essex, United Kingdom, 2006G; and – Bachelor's Degree in Accounting, Birzeit University, Birzeit, Palestine, 2003G.
Current Positions:	– Member of the Company's Board of Directors, since 2024G; – Audit Committee Chairman, the Company, since 2025G; – Audit Committee Member, Omar Kassem Alesayi and Company (OMACO), a closed joint stock company, investment sector, since 2022G; – Audit Committee Member, Alesayi Trading Company, a limited liability company, automotive trading sector, since 2022G; – Audit Committee Member, Omar Kassem Alesayi Marketing Company Limited, a limited liability company, marketing services sector, since 2022G; and – Executive Manager, Baker Tilly MKM & Co, a professional limited liability company, professional consulting sector, since 2016G.
Key Past Professional Experience:	– Audit Committee Member, the Company, from 2016G to 2025G; – Head of Internal Audit Department, Zamil Group Holding Company, a closed joint stock company, subsidiary management sector, from 2011G to 2016G; and – Assistant Manager, Ernst & Young Professional Services, a professional limited liability company, professional consulting sector, from 2007G to 2011G.

5.2.4.8 Khalid Ahmed Abubaker Baeshen, Director

Nationality:	Saudi.
Age:	68 years.
Position:	Director.
Capacity:	Independent.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Master's Degree of Business Administration, Stanford University, California, United States of America, 1981G; and – Bachelor's Degree in Economics, Queen Mary College - University of London, London, United Kingdom, 1978G.
Current Positions:	– Director of the Company, since 2024G; – Chairman of the Board of Directors, Sana Tourism Company, a limited liability company, tourism sector, since 2019G; – Director, Majid Bin Abdulaziz Association for Development and Social Services, a non-profit organisation, since 2018G; and – Chief Executive Officer, Raza International Commercial Investments Co., a limited liability company, investment sector, since 2004G.
Key Past Professional Experience:	– Director, Omar Kassem Alesayi Marketing Company Limited, a limited liability company, marketing services sector, from 2021G to 2024G; – Chairman of the Board of Directors, Arkan United for Healthcare Services, a limited liability company, healthcare sector, from 2019G to 2024G; – Director, Magrabi Hospitals & Centers, a closed joint stock company, healthcare sector, from 2013G to 2021G; – Chairman of the Audit Committee, Magrabi Hospitals & Centers, a closed joint stock company, healthcare sector, from 2013G to 2021G; – Director, Magrabi Hospitals & Optical Centres, a limited liability company, optical retail sector, from 2011G to 2022G; – Chairman of the Board of Directors, A. M. S, Baeshen & Co, a limited partnership company, fast-moving consumer goods sector, from 2012G to 2018G; – General Manager, A. M. S, Baeshen & Co, a limited partnership company, fast-moving consumer goods sector, from 2005G to 2011G; – Deputy General Manager, A. M. S, Baeshen & Co, a limited partnership company, fast-moving consumer goods sector, from 1982G to 2005G; – Chief Executive Officer and Chief Investment Officer, Baeshen Commercial and Industrial Investments Limited, a limited liability company, family investment office, from 1990G to 2003G; – Director, Saudi Industrial Development Company, a public joint stock company, industrial sector, from 1990G to 1995G; – Chairman of Audit Committee, Saudi Industrial Development Company, a public joint stock company, industrial sector, from 1994G to 1995G; – Member of Commercial Committee, Jeddah Chamber of Commerce and Industry, from 1988G to 2004G; – Member of Jeddah Warehouse City Committee, Jeddah Chamber of Commerce and Industry, from 2002G to 2004G; – Director, Ebsar Foundation, a charity organisation, from 2003G to 2009G; and – Director, Ittihad Sports Club, the Kingdom, sports sector, from 1990G to 1992G.

5.2.4.9 Abdullah Ali Mohammed AlSanea, Director

Nationality:	Saudi.
Age:	67 years.
Position:	Director.
Capacity:	Independent.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Bachelor's Degree in Industrial Management Sciences, King Fahad University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia, 1979G.
Current Positions:	– Director of the Company, since 2024G; – President, SAN Consult, a sole proprietorship, management sector, since 2008G; – Chief Executive Officer, AAA Plastics, a sole proprietorship, manufacturing sector, since 2011G; and – Director, Higher Institute for Plastic, a non-profit organisation, education sector, since 2011G.
Key Past Professional Experience:	– General Manager, Zamil Plastic Industries Company, a limited liability company, manufacturing sector, from 1981G to 1994G.

5.2.4.10 Bandar Malik Hammad Alshammari, Board Secretary

Nationality:	Saudi.
Age:	30 years.
Position:	Board Secretary and General Manager of Legal Affairs.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Law Practice Licence, Saudi Ministry of Justice, 2024G; – Professional Disclosure Certification, Financial Academy, Capital Market Authority and Tadawul, 2024G; – Bachelor's Degree in Law, King Abdulaziz University, Jeddah, Kingdom of Saudi Arabia, 2018G; – English Language Program, Eurocentres Institute, London, United Kingdom, 2013G; – Preparatory year, American University, Sharjah, UAE, 2012G; and – Member of the Saudi Bar Association, 2020G.
Current Positions:	– Secretary of the Board of Directors since 2025G; and – General Manager of Legal Affairs in the Company, since 2024G.
Key Past Professional Experience:	– Legal Counsel, GES Logistics Services Company, a limited liability company, supply chain, logistics, and maritime transportation sector, from 2019G to 2023G; – Lawyer and Legal Counsel, Zuhair Al-Mufti Law Firm, a sole proprietorship, legal services and regulatory consulting sector, from 2020G to 2023G; and – General Legal Counsel, Soybean Crushing & Derivatives Company, a limited liability company, manufacturing sector, from 2023G to 2024G.

5.3 Board of Directors Committees

The Board of Directors has established the Committees to optimise the management of the Company and to meet relative regulatory requirements. Each Committee is required to have clear rules identifying their role, powers and responsibilities. Minutes must be prepared for each meeting of each Committee.

The following is a summary of the structure, responsibilities and current members of each permanent Committee:

5.3.1 Audit Committee

5.3.1.1 Responsibilities of the Audit Committee

The Audit Committee oversees: (i) the integrity, effectiveness and accuracy of the Company's financial statements, reports, and internal control system; (ii) the Company's compliance with legal and regulatory requirements, and the rules of professional conduct; (iii) the qualifications and independence of the Company's external auditors; (iv) the performance of the Company's internal audit and external auditors; and (v) evaluating and supervising the risk management system in the Company and the relevant procedures in this regard. The Audit Committee charter was approved by the General Assembly on 19 Shawwal 1445H (corresponding to 28 April 2024G).

The responsibilities of the Audit Committee further include the following:

(a) Financial Reports:

- Analysing the Company's interim financial information and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency;
- providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy;
- analysing any important or non-familiar issues contained in the financial reports;
- accurately investigating any issues raised by the Company's Chief Financial Officer or any person assuming his/her duties or the Company's compliance officer or external auditor;
- examining the accounting estimates in respect of significant matters that are contained in the financial reports; and
- examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.

(b) Internal Audit:

- Examining and reviewing the Company's internal and financial control systems and risk management system;
- analysing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports;
- monitoring and overseeing the performance and activities of the internal auditor and internal audit department of the Company to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties; and
- providing a recommendation to the Board on appointing the manager of the internal audit unit or department, or the internal auditor and suggest his/her remunerations.

(c) External Auditor:

- Providing recommendations to the Board to nominate external auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts;
- verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;
- reviewing the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical, administrative or consulting works that are beyond its scope of work, and provides its opinion thereon;
- responding to queries of the Company's external auditor; and
- reviewing the external auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.

(d) Ensuring Compliance:

- Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;
- ensuring the Company's compliance with the relevant laws, regulations, policies and instructions;
- reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith; and
- reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

In addition to the above, the Audit Committee, in order to perform its duties may:

- review the Company's records and documents;
- request any clarification or statement from the Board members or the Executive Management; and
- request that the Board calls for a General Assembly Meeting if its activities have been impeded by the Board or if the Company has suffered significant losses and damages.

5.3.1.2 Audit Committee Members

The Audit Committee shall be formed by a resolution from the Board of Directors and comprised of members from among the Shareholders or others; provided that (i) at least one member is an Independent Director; (ii) neither an Executive Director nor the Chairman is a member; (iii) the number of members is not less than three members and not more than five members; (iv) one of its members is specialised in finance and accounting; (v) a person who works or has worked in the Company's finance Department, the Executive Management or for the Company's external auditor during the preceding two years may not be a member of the Audit Committee; and (vi) a member of the Audit Committee shall not be a member of the audit committees of more than five listed joint stock companies at the same time. The Audit Committee convenes periodically; provided that at least four meetings are held during the Company's financial year. The internal auditor and the external auditor may call for a meeting with the Audit Committee at any time as may be necessary.

The Audit Committee was formed on 7 Ramadan 1437H (corresponding to 12 June 2016G), and its current members were appointed by a Board of Directors resolution dated 20 Rajab 1446H (corresponding to 20 January 2025G), for a term of four years. The Audit Committee comprises the following members as of the date of this Prospectus:

Table 5.3: Audit Committee Members

Name	Capacity	Role
Khaled Mohammed Khalil Barahmeh	Independent	Chairman of the Audit Committee
Sattam Abdulaziz Abdullah AlZamil	Non-Executive	Member of the Audit Committee
Firas Wael Badie Alabwah	Non-Executive	Member of the Audit Committee

Source: The Company.

5.3.1.3 Biographies of the Members of the Audit Committee

The experience, qualifications and the current and other positions of the members of the Audit Committee are set out below:

(a) Khaled Mohammed Khalil Barahmeh, Chairman of the Audit Committee

See Section 5.2.4.7 ("*Khaled Mohammed Khalil Barahmeh, Director*"), for further details regarding experiences, qualifications and the current and previous positions of Khaled Mohammed Khalil Barahmeh.

(b) Sattam Abdulaziz Abdullah AlZamil, Member of the Audit Committee

See Section 5.2.4.5 ("*Sattam Abdulaziz Abdullah AlZamil, Director*"), for further details regarding experiences, qualifications and the current and previous positions of Sattam Abdulaziz Abdullah AlZamil.

(c) Firas Wael Badie Alabwah, Member of the Audit Committee

Nationality:	Jordanian.
Age:	51 years.
Position	Audit Committee Member.
Appointment Date (Current Term):	20 Rajab 1446H (corresponding to 20 January 2025G).
Academic and Professional Qualifications:	– Strategic Planning Professional (SPP), The Association for Strategic Planning, Toronto, Canada, 2021G; – International Certified Valuation Specialist, International Association of Certified Valuation Specialists, Toronto, Canada, 2016G; and – Master's Degree in Accounting and Finance, The Arab Academy for Banking and Financial Sciences, Amman, Hashemite Kingdom of Jordan, 1999G.
Current Positions:	– Company Audit Committee Member, since 2022G; – Head of the Internal Audit Committee, National Food Industries Company, a limited liability company, food production sector, since 2023G; – Head of the Internal Audit Committee, National Biscuits and Confectionery Company, a limited liability company, food production sector, since 2023G; – Head of the Internal Audit Committee, United Warehouse Limited Company, a limited liability company, logistics services sector, since 2023G; – Head of the Internal Audit Committee, Omar Kassem Alesayi Marketing Company Limited, a limited liability company, marketing services sector, since 2023G; – Audit Committee Member, Mitsubishi Electric Saudi Limited (MELSA), a limited liability company, importing, installing, and maintaining elevators and escalators sector, since 2021G; – Director, Omar Kassem Alesayi Marketing Company Limited, a limited liability company, marketing services sector, since 2019G; – Director, TechnoVal Company, a limited liability company, information technology sector, since 2019G; – Chief Financial Officer, Omar Kassem Alesayi Group Holding Company, a closed joint stock company, investment sector, since 2018G; and – Executive Committee Member, Motor Vehicle Periodic Inspection Company (MVPI), a closed joint stock company, vehicle inspection sector, since 2003G.
Key Past Professional Experience:	– Group Financial Advisor, Dallah Al Baraka Group Company, a closed joint stock company, investment sector, from 2014G to 2018G; – Group Chief Financial Officer, OMMAT Group, a limited liability company, poultry sector, from 2013G to 2014G; – Group Chief Financial Officer, United Arab Investor Company, a public joint stock company registered in Jordan, investment sector, from 2011G to 2013G; – Group Chief Financial Officer, United Holding Company, a limited liability company in UAE, investment sector, from 2008G to 2011G; and – Senior Vice President, Amlak Finance Company, a public joint stock company in UAE, financial sector, from 2005G to 2008G.

5.3.2 Nomination and Remuneration Committee

5.3.2.1 Responsibilities of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee oversees the nomination of Directors to the Board of Directors and the remuneration of Directors and Senior Executives. The duties and responsibilities of the Nomination and Remuneration Committee are mainly to: (i) lead the process of nominating and evaluating the Directors and Senior Executives of the Company; (ii) ensure the effectiveness and soundness of the Company's Board and Executive Management structures and the relevant internal policies and procedures; and (iii) assist the Board in the review and determination (or recommendation, as appropriate) of the remuneration of Directors, members of the Committees of the Board, Senior Executives and employees of the Company. The Nomination and Remuneration Committee charter was approved by the General Assembly on 19 Shawwal 1445H (corresponding to 28 April 2024G).

The competencies of the Nomination and Remuneration Committee further include the following:

(a) Nomination

- Suggesting clear policies and standards for membership of the Board and the Executive Management (the "**Nomination Policy**"), which shall be presented before the General Assembly for approval;
- providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty;
- preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions;
- determining the amount of time that the member shall allocate to the activities of the Board;
- annually reviewing the skills and expertise required of the Board members and the Executive Management;
- reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
- annually ensuring the independence of the Independent Directors and the absence of any conflicts of interest if a Board member also acts as a member of the Board of directors of another company;
- providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management;
- setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant; and
- determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.

(b) Remuneration

- Preparing a clear policy for the remunerations of the Board members and its committees and the Executive Management, (the "**Remuneration Policy**"), and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that linked to performance, and disclosing and ensuring the implementation of such policy;
- clarifying the relation between the paid remunerations and the adopted remuneration policy, and highlighting any material deviation from that policy;
- periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives; and
- providing recommendations to the Board in respect of the remunerations of its members, the Committees members and Senior Executives, in accordance with the approved policy.

5.3.2.2 Nomination and Remuneration Committee Members

The Nomination and Remuneration Committee consists of at least three and no more than five members. Members of the Nomination and Remuneration Committee must not be executive members of the Board of Directors; provided that there shall be at least one independent member among them. Additionally, the Chairman of the Board of Directors may not chair the Nomination and Remuneration Committee. The Nomination and Remuneration Committee must be chaired by an Independent Director. The Nomination and Remuneration Committee shall convene periodically at least every six months. Additional meetings may be held from time to time at the request of the Board or any of the members.

The Nomination and Remuneration Committee was formed 12 Shawwal 1445H (corresponding to 21 April 2024G), and its members were appointed pursuant to the Board of Directors' resolution dated 20 Rajab 1446H (corresponding to 20 January 2025G) for a term of four years. The Nomination and Remuneration Committee comprises the following members as of the date of this Prospectus:

Table 5.4: Nomination and Remuneration Committee Members

Name	Membership	Role
Abdullah Ali Mohammed AlSanea	Independent	Chairman of the Nomination and Remuneration Committee
Saeed Omar Kassem Alesayi	Non-Executive	Member of the Nomination and Remuneration Committee
Sattam Abdulaziz Abdullah AlZamil	Non-Executive	Member of the Nomination and Remuneration Committee
Khalid Ahmed Abubaker Baeshen	Independent	Member of the Nomination and Remuneration Committee

Source: The Company.

5.3.2.3 Biographies of the Members of the Nomination and Remuneration Committee

The experience, qualifications and the current and other positions of the members of the Nomination and Remuneration Committee are set out below:

(a) Abdullah Ali Mohammed AlSanea, Chairman of the Nomination and Remuneration Committee

See Section 5.2.4.9 (*Abdullah Ali Mohammed AlSanea, Director*) for the biography of Abdullah Ali Mohammed AlSanea.

(b) Saeed Omar Kassem Alesayi, Member of the Nomination and Remuneration Committee

See Section 5.2.4.2 (*Saeed Omar Kassem Alesayi, Vice Chairman*) for the biography of Saeed Omar Kassem Alesayi.

(c) Sattam Abdulaziz Abdullah AlZamil, Member of the Nomination and Remuneration Committee

See Section 5.2.4.5 (*Sattam Abdulaziz Abdullah AlZamil, Director*) for the biography of Sattam Abdulaziz Abdullah AlZamil.

(d) Khalid Ahmed Abubaker Baeshen, Member of the Nomination and Remuneration Committee

See Section 5.2.4.8 (*Khalid Ahmed Abubaker Baeshen, Director*) for the biography of Khalid Ahmed Abubaker Baeshen.

5.4 Executive Management

5.4.1 Overview of Executive Management

The Executive Management of the Company comprises qualified and experienced members with the necessary knowledge and expertise to run the Company's business in line with the objectives and directives of the Board of Directors and the Shareholders. The Company has been successful in recruiting and retaining its Executive Management team, developing qualified employees and promoting them to senior positions in the Company.

5.4.2 Members of the Executive Management

The following table sets out the details of the members of the Company's Executive Management:

Table 5.5: Details of Senior Executives

Name	Position	Appointment Date	Nationality	Age (Years)	Number of Shares Held			
					Direct Ownership		Indirect Ownership	
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
Mohnish Rikhy	Chief Executive Officer	6 Thul-Hijjah 1438H (corresponding to 28 September 2017G)	Indian	60	-	-	-	-
Abdul Ghani Abdul Samad	General Manager of Finance	26 Muharram 1439H (corresponding to 16 October 2017G)	Pakistani	45	-	-	-	-

Name	Position	Appointment Date	Nationality	Age (Years)	Number of Shares Held			
					Direct Ownership		Indirect Ownership	
					Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
Ali Asgar Hebatullah Jariwala	Supply Chain Senior Vice President	22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G)	Indian	52	-	-	-	-
Jan Willem Knuefken	General Manager of Manufacturing	27 Muharram 1444H (corresponding to 25 August 2022G)	Dutch	59	-	-	-	-
Tareq Mohammed Omar Abuasbeh	Vice President of Sales	19 Jumada al-Akhirah 1445H (corresponding to 1 January 2024G)	Jordanian	49	-	-	-	-
Mohammed Abdulrahman Abdullah AlZamil	General Manager of Digital Sales and Special Projects	19 Sha'ban 1442H (corresponding to 1 April 2021G)	Saudi	38	-	-	-	-
Ziyad Fuhaid Alhodayani	General Manager of Human Resources and Administration	16 Rabi' al-Thani 1443H (corresponding to 21 November 2021G)	Saudi	39	-	-	-	-
Vacant	Head of Internal Audit Department (1)	-	-	-	-	-	-	-

Source: The Company.

(1) The Company has outsourced its internal audit function to Dr Mohamed Al-Amri & Co., under an agreement dated 13 Thul-Qi'dah 1445H (corresponding to 21 May 2024G) and ending on 15 Thul-Hijjah 1448H (corresponding to 21 May 2027G) for a period of three years. The Company's internal audit coordinator is responsible for liaising with Dr Mohamed Al-Amri & Co. In addition, the Company will appoint a Head of Internal Audit during the first quarter of 2025G.

5.4.3 Biographies of Senior Executives

The experience, qualifications and the current and other positions of each Senior Executive are set out below:

5.4.3.1 Mohnish Rikhy, Chief Executive Officer

Nationality:	Indian.
Age:	60 years.
Position	Chief Executive Officer.
Appointment Date (Current Term):	6 Thul-Hijjah 1438H (corresponding to 28 September 2017G).
Academic and Professional Qualifications:	– Master's Degree in Business Administration, Kingston University, London, United Kingdom, 2005G; – Post Graduate Diploma in Management Studies, Institute of Management Studies, Delhi, India, 1991G; and – Bachelor's Degree in Commerce, University of Rajasthan, Jaipur, India, 1983G.
Current Positions:	– Chief Executive Officer of the Company since 2017G.
Key Past Professional Experience:	– General Manager, the Company, from 2015G to 2017G; – Interim General Manager, the Company, from 2014G to 2015G; – Head of Sales, the Company, from 2010G to 2014G; – Sales Manager, the Company, from 2006G to 2010G; – Commercial Director, Algro International LLC, a limited liability company registered in the Russian Federation, consumer goods sector, from 1998G to 2006G; – Regional Sales Manager, PepsiCo Inc. - North India, a public limited company registered in India, consumer goods sector, from 1996G to 1998G; – Area Sales Manager, Hindustan Unilever Ltd, a public limited company registered in India, consumer goods sector, from 1991G to 1996G; and – Sales and Distribution Officer, Nestlé India, a public limited company in registered in India, consumer goods sector, from 1985G to 1991G.

5.4.3.2 Abdul Ghani Abdul Samad, General Manager of Finance

Nationality:	Pakistani.
Age:	45 years.
Position	General Manager of Finance.
Appointment Date (Current Term):	26 Muharram 1439H (corresponding to 16 October 2017G).
Academic and Professional Qualifications:	– Associate Forensic Accountant (AFA), Institute of Forensic Accountants, Islamabad, Pakistan, 2010G; – Master's Degree in Commerce, Higher Education Commission, Islamabad, Pakistan, 2003G; – Fellow Chartered Accountant (FCA), Institute of Chartered Accountants, Karachi, Pakistan, 2002G; – Fellow Public Finance Accountant (FPFA), Pakistan Institute of Public Finance Accountants, Karachi, Pakistan, 2002G; and – Bachelor's Degree in Commerce and Business Administration, University of Karachi, Karachi, Pakistan, 1998G.
Current Positions:	– General Manager of Finance of the Company, since 2017G; and – Senior Vice President of Finance, the Company, since 2024G.
Key Past Professional Experience:	– Vice President of Finance, the Company, from 2017G to 2024G; – Head of Finance, the Company, from 2014G to 2017G; – Director and Audit Committee Member, B.F. Modaraba Company, a public joint stock company registered in Pakistan, financial sector, from 2002G to 2015G; – Head of Finance, Al Othman Agriculture Production and Processing Company (NADA), a limited liability company, food and beverages sector, from 2012G to 2014G; – Chief Financial Officer, Cnergyico (Byco) Group, a public joint stock company registered in Pakistan, oil and gas sector, from 2006G to 2012G; – Head of Accounts and Board Secretary, TOTAL Oil Company, a liability limited company registered in Pakistan, lubricants sector, from 2006G to 2006G; – Chief Internal Auditor, Adamjee Insurance Company, a public joint stock company registered in Pakistan, insurance sector, from 2005G to 2005G; – Marketing and Finance Manager, Philip Morris Pakistan Limited, a joint stock company registered in Pakistan, consumer goods sector, from 2003G to 2005G; and – Auditor, Ernst & Young Global Limited, a professional partnership, professional services sector, from 1998G to 2003G.

5.4.3.3 Ali Asgar Hebatullah Jariwala, Supply Chain Senior Vice President

Nationality:	Indian.
Age:	52 years.
Position	Supply Chain Senior Vice President.
Appointment Date (Current Term):	22 Rabi' al-Awwal 1444H (corresponding to 18 October 2022G).
Academic and Professional Qualifications:	– Bachelor's Degree in Industrial Engineering, Maharaja Sayaji Rao University, Baroda, India, 1993G; – Post Graduate Diploma in Materials Management, Indian Institute of Materials Management, Bangalore, India, 1998G; and – Executive Master's Degree in Business Administration, International Institute of Management Development, Lausanne, Switzerland, 2016G.
Current Positions:	– Supply Chain Senior Vice President of the Company, since 2022G; and – General Manager, Integrated Packaging Industries Company, a limited liability company, industrial sector, since 2022G.
Key Past Professional Experience:	– Supply Chain Vice President, the Company, From 2017G to 2022G; – Head of Supply Chain, the Company, from 2016G to 2017G; – Head Of Purchase, the Company, from 2008G to 2016G; – Purchase Manager, the Company, from 2003G 2008G; – Purchase Manager, Isagro Asia Agrochemicals Private Limited, a limited liability company registered in Italy, agrochemical sector, from 1999G to 2003G; – Deputy Manager, Vijayjoyot Seats Limited, private limited company registered in India, industrial sector, from 1997G to 1999G; – Senior Engineer, Alembic Glass Limited, public limited company registered in India, consumer services sector, from 1995G to 1997G; and – Materials Engineer, Baroda Rayon Corporation Limited, a joint stock company registered in India, textiles sector, from 1993G to 1995G.

5.4.3.4 Jan Willem Knuefken, General Manager of Manufacturing

Nationality:	Dutch.
Age:	59 years.
Position	General Manager of Manufacturing.
Appointment Date (Current Term):	27 Muharram 1444H (corresponding to 25 August 2022G).
Academic and Professional Qualifications:	– Lieutenant Artillery, Netherlands Army School for Officers, Arnhem, Netherlands, 1987G; – Bachelor's Degree in Science, HAN University for Applied Sciences, Arnhem, Netherlands, 1986G; – Master's Degree of Science in Lean Operations, Cardiff University, Cardiff, United Kingdom, 2013G; and – Master's Degree of Science in Operational Excellence, University of Buckingham, Buckingham, United Kingdom, 2020G.
Current Positions:	– General Manager of Manufacturing of the Company, since 2022G.
Key Past Professional Experience:	– Regional Manager, Orora Packaging Australia, a public company, registered in Australia, packaging products sector, from 2019G to 2022G; – General Manager, Colep Scitra Aerosols, a limited liability Company, registered in UAE, consumer goods sector, from 2017G to 2019G; – Plant Manager, the Company, from 2015G to 2016G; – General Manager, Colourtone Aries, a limited liability company registered in South Africa, corrugated board and cartons sector, from 2012G to 2015G; and – General Manager, SCA Packaging, a public company registered in Sweden and the United Kingdom, corrugated board and cartons sector, from 1988G to 2011G.

5.4.3.5 Tareq Mohammed Omar Abuasbeh, Sales Vice President

Nationality:	Jordanian.
Age:	49 years.
Position	Sales Vice President
Appointment Date (Current Term):	19 Jumada Al Akhirah 1445H (corresponding to 1 January 2024G).
Academic and Professional Qualifications:	– Bachelor's Degree in Pharmacy, University of Jordan, Amman, Jordan, 1998G; and – Master's Degree of Business Administration in Marketing Studies, Oxford Brookes University, Oxford, United Kingdom, 2000G.
Current Positions:	– Sales Vice President of the Company, since 2024G; and – Regional Sales Manager of the Company, since 2012G.
Key Past Professional Experience:	– Head of Sales of the Company, from 2018G to 2023G; – Regional Sales Manager of the Company, from 2012G to 2018G; – Direct Sales Manager, STC Specialized, a limited liability company, telecommunication sector, from 2008G to 2012G; and – Senior Medical Representative, AstraZeneca Company, a public limited company registered in the United Kingdom, pharmaceutical sector, from 2002G to 2005G.

5.4.3.6 Mohammed Abdulrahman Abdullah AlZamil, General Manager of Digital Sales and Special Projects

Nationality:	Saudi.
Age:	38 years.
Position	General Manager of Digital Sales and Special Projects.
Appointment Date (Current Term):	19 Sha'ban 1442H (corresponding to 1 April 2021G).
Academic and Professional Qualifications:	– Bachelor's Degree in Mechanical Engineering, King Saud University, Riyadh, Kingdom of Saudi Arabia, 2008G; and – Master's Degree of Business Administration, London Business School, London, United Kingdom, 2020G.
Current Positions:	– General Manager of Digital Sales and Special Projects of the Company, since 2021G.
Key Past Professional Experience:	– Special Projects Manager, the Company, from 2016G to 2021G; – Acting Credit Team Leader, Saudi Industrial Development Fund, a Saudi Governmental entity, from 2014G to 2016G; and – Credit Analyst, Saudi Industrial Development Fund, a Saudi Governmental entity, from 2009G to 2014G.

5.4.3.7 Ziyad Fuhaid Mohammed Alhodayani, General Manager of Human Resources and Administration

Nationality:	Saudi.
Age:	39 years.
Position	General Manager of Human Resources and Administration.
Appointment Date (Current Term):	16 Rabi' al-Thani 1443H (corresponding to 21 November 2021G).
Academic and Professional Qualifications:	– Chartered Member, Chartered Institute of Personnel and Development, London, United Kingdom, 2019G; – Bachelor's Degree in Business Administration, Imam Muhammad Ibn Saud Islamic University, Riyadh, Kingdom of Saudi Arabia, 2017G; and – Diploma in Human Resources Management, Chamber of Commerce, Riyadh, Kingdom of Saudi Arabia, 2012G.
Current Positions:	– General Manager of Human Resources and Administration of the Company, since 2021G.
Key Past Professional Experience:	– Head of Human Resources, Aster Sanad Hospital, a limited liability company, health care sector, from 2021G to 2022G; and – Senior Manager – HR Strategies and Implementation of the Company, from 2013G to 2020G.

5.4.3.8 Employment Contracts with the Chief Executive Officer and the Chief Financial Officer

The following table shows a summary of the employment contracts between the Company and the Chief Executive Officer and the Chief Financial Officer:

Table 5.6: Summary of Employment Contracts Concluded with the Company and the Chief Executive Officer and the Chief Financial Officer

Name	Title	Appointment Dated	Date of Contract Conclusion	Contract Term
Mohnish Rikhy	Chief Executive Officer	8 Muharram 1439H (corresponding to 28 September 2017G).	21 Jumada al-Ula 1445H (corresponding to 5 December 2023G).	1 year
Abdul Ghani Abdul Samad	General Manager of Finance	26 Muharram 1439H (corresponding to 16 October 2017G).	25 Rajab 1445H (corresponding to 6 February 2024G).	1 year

Source: The Company.

The duties and responsibilities of the Chief Executive Officer can be summarised as follows:

- managing the day-to-day affairs and business of the Company;
- managing the strategic matters, customers services, business transformation of the Company and adopting digital transformation;
- proposing and developing the Company's short- and long-term strategy and overall commercial objectives, in close consultation with the Board of Directors;
- implementing the resolutions of the Board of Directors and the Committees;
- providing input to the Chairman on the Board of Directors meeting agenda;
- ensuring the provision of accurate and clear information to the Board of Directors in a timely manner; and
- ensuring that all material matters affecting the Company are brought to the attention of the Board of Directors.

The duties and responsibilities of the Chief Financial Officer can be summarised as follows:

- assisting in the formulation of the Company's objectives and lead the Company's financial planning process;
- leading the financial reporting process and strengthening the Company's internal control systems;
- optimising the Company's cash flow, liquidity and working capital facilities; and
- managing the financial forecast and budget processes and supervising the preparation of the Company's financial statements.

5.5 Remuneration of Directors and Senior Executives and Employees

Remuneration of the Directors shall be determined in accordance with the Companies Law, Corporate Governance Regulations, CMA's rules and relevant instructions, the Company's Bylaws and Remuneration Policy.

The following table sets out the remuneration of the Directors and top five Senior Executives (including the Chief Executive Officer and the Chief Financial Officer) granted by the Company for the financial years ended 31 December 2021G, 2022G, and 2023G and the six-month period ended 30 June 2024G. Neither the Directors, nor Committee Members, nor Senior Executives received any in-kind rewards or benefits.

Table 5.7: Directors and Top Five Senior Executives Remuneration in the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

	Financial Year Ended 31 December			Six-Month Period Ended 30 June
	2021G	2022G	2023G	2024G
	(SAR)			(SAR)
Directors	1,200,000	1,200,000	2,200,000	1,100,000
Members of the Committees	30,000	30,000	30,000	-
Top Five Senior Executives	5,538,574	5,926,349	7,370,697	3,743,916
Total	**6,768,574**	**7,156,349**	**9,600,697**	**4,843,916**

Source: The Company.

5.6 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Company's Board of Directors undertakes to comply with the Corporate Governance Regulations issued by the CMA on 16 Jumada al-Ula 1438H (corresponding to 13 February 2017G), as amended on 25 Jumada al-Akhirah 1444H (corresponding to 18 January 2023G).

The Corporate Governance Regulations set out the rules and standards that regulate the management of the Company to ensure compliance with the best corporate governance practices to protect the rights of Shareholders and other stakeholders. The provisions of the Corporate Governance Regulations are mandatory, except for certain provisions that are designated as guiding provisions.

The Company has adopted its internal Corporate Governance Manual pursuant to the Board of Directors' resolution dated 12 Shawwal 1445H (corresponding to 21 April 2024G). The Company also adopted the Audit Committee Charter and the Nomination and Remuneration Committee Charter pursuant to the General Assembly's resolution dated 19 Shawwal 1445H (corresponding to 28 April 2024G). It also adopted the Remuneration Policy, Nomination Policy and Standards for Competing Business pursuant to the General Assembly's resolution dated 19 Shawwal 1445H (corresponding to 28 April 2024G).

The Company's internal Corporate Governance Manual contains provisions related to the following:

- rights of the Shareholders;
- the Board of Directors (including the Board formation, membership, meetings, working procedures, competencies, duties and powers, development, support, evaluation and remuneration);
- committees of the Board of Directors;
- management;
- internal control and audit; and
- internal policies.

Further, and as of the date of this Prospectus, the Company complies with the mandatory provisions of the Corporate Governance Regulations, except for the following articles:

- Article 8(a) on the Company announcing information about the nominees for the membership in the Board of Directors on the Exchange's website upon the invitation or calling for the General Assembly;
- Article 8(b) on limiting the General Assembly voting to candidates whose information was announced according to Article 8(a);
- Article 13(d) on publishing the invitation to the General Assembly on the websites of the Exchange and Company;
- Article 13(e) on amending the agenda of the General Assembly;
- Article 14(c) on making information related to the General Assembly's agenda available to the Shareholders through the websites of the Exchange and Company;
- Article 15(d) on granting the Shareholders and the CMA access to the minutes of the General Assembly meetings;
- Article 15(e) on announcing to the public and notifying the CMA and Exchange of the results of the General Assembly as soon as it ends;
- Article 17(d) on notifying the CMA of the names of the members of the Board of Directors, a description of their memberships, as well as any changes in their memberships;
- Article 19(b) on the Board of Directors annually evaluating the extent of the Board member's independence and ensuring that there are no relationships or circumstances that affect or may affect his/her independence;
- Article 30(b) on the Board of Directors convening no less than four meetings per year, and at least one meeting every three months;
- Article 54 on the Audit Committee meeting at least four times during the Company's financial year, as well as meeting periodically with the Company's external and internal auditors;
- Article 55 on the Audit Committee developing arrangements that enable the Company's employees to confidentially provide their remarks in respect of any inaccuracies in the financials;
- Article 65 on the Company publishing the Board membership nomination announcement on the websites of the Company and the Exchange to invite those interested in being nominated for Board membership, provided that the nomination period shall remain open for at least a month from the date of the announcement;

- Articles 73 to 75 on the composition of the internal audit department, and the approval of the audit plan as well as the audit report;
- Article 78 on the appointment of the external auditor by the Ordinary General Assembly based on a recommendation from the Board; and
- Article 88(b) on the Board of Directors making copies of the Audit Committee's report available at the Company's head office and publishing it on the Company's and the Exchange's websites.

The Company is currently not complying with the above requirements of the Corporate Governance Regulations applicable to listed companies because it is not yet a listed company as of the date of this Prospectus. The Directors undertake to comply with such requirements, with effect from Admission, as soon as the approval is issued for the listing of the Shares. In addition, the Directors confirm that the Company is currently complying with all the other provisions of the Corporate Governance Regulations and the Companies Law.

The Company has two Board Committees (the Audit Committee and the Nomination and Remuneration Committee), which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and recommendations to the Board of Directors (for further details, see Section 5.3 (*Board of Directors Committees*)).

The Company's Board of Directors consists of nine Directors, most of whom are non-executive Directors, including three independent Directors in accordance with the provisions of the Corporate Governance Regulations. The Board of Directors ensures, among other things, that:

- all the Committees have clear competencies and that the roles and responsibilities of each Committee shall be detailed; and
- minutes of all meetings will be prepared, reviewed and signed by the Board of Directors in accordance with the Bylaws.

Cumulative voting method must be used in relation to the appointment of Directors as reflected in the Company's Bylaws (for further details, see Section 11.14 (*Summary of Bylaws*)) as required by the Implementing Regulations of the Companies Law for Listed Joint Stock Companies. This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. Each Shareholder has the right to use all of his/her voting rights for one nominee or to divide such voting rights between his/her selected nominees without any duplication of such votes. This method increases the chances for minority Shareholders to be represented in the Board of Directors through the right to accumulate votes for one nominee.

5.7 Conflicts of Interest

Neither the Company's Bylaws nor the Company's internal regulations and policies grant a Director the power to vote on any contract or transaction in which he/she has a direct or indirect interest. This is in compliance with Article 71 of the Companies Law. The Directors confirm that:

(a) they are compliant with the Articles 27 and 71 of the Companies Law and the Articles 42 and 44 of the Corporate Governance Regulations;

(b) they will not vote on General Assembly resolutions that relate to any Related Party transaction or contract in which the Directors have a direct or indirect interest; and

(c) they will not compete with the Company's business without the approval of the Ordinary General Assembly in accordance with the Article 27 of the Companies Law.

As of the date of this Prospectus, none of the Directors, Senior Executives, Board Secretary nor any of their relatives have any direct or indirect interest in the Shares of the Company or any matter that may in any way affect the business of the Company, except as disclosed in Section 11.11 (*Conflicts of Interest*). As of the date of this Prospectus, none of the Directors, Senior Executives or the Current Shareholder is a party to any agreement, arrangement or understanding under which they are subject to any obligation that prevents them from competing with the Company or any similar obligation in relation to the Company's business.

The Directors also declare that, as of the date of this Prospectus, the Directors do not conduct any business competing with the Company's business, and to engage in businesses competing with the Company, the Directors must obtain approval from the General Assembly in accordance with Article 44 of the Corporate Governance Regulations and Article 27 of the Companies Law.

5.8 Bankruptcy/Insolvency

None of the Directors, Senior Executives or the Secretary has at any time been declared bankrupt or been subject to bankruptcy proceedings.

None of the companies in which any of the Directors, Senior Executives or Secretary was employed in a managerial or supervisory capacity, was declared insolvent or bankrupt during the past five years preceding the date of this Prospectus.

5.9 Employees

The Company adopted an employment policy aimed at building and continuously enhancing relations between the Company and its employees. This policy covers all aspects of recruitment, working hours, health insurance, social insurance benefits, salaries and other allowances, including accommodation and transportation allowances and rewards.

5.9.1 Number of Employees

The Company employed 1,170 employees (33 per cent. of whom were Saudi nationals) as of 31 December 2023G and employed 1,163 (33 per cent. of whom were Saudi nationals) as of 30 June 2024G.

The following table shows the number of employees of the Company by department as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 5.8: Number of Company Employees by Department as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Division	31 December															Six-Month Period Ended 30 June				
	2021G					2022G					2023G					2024G				
	Saudi	Non-Saudi	Contract labour	Total	Saudisation Percentage	Saudi	Non-Saudi	Contract labour	Total	Saudisation Percentage	Saudi	Non-Saudi	Contract labour	Total	Saudisation Percentage	Saudi	Non-Saudi	Contract labour	Total	Saudisation Percentage
General Management	-	2	-	2	-	-	2	-	2	-	-	2	-	2	-	-	2	-	2	-
Internal Audit	-	1	-	1	-	-	1	-	1	-	-	-	-	-	-	-	-	-	-	-
Finance & Accounting	10	9	-	19	53%	9	9	-	18	50%	9	10	-	19	47%	10	9	-	19	53%
Sales & Marketing	28	42	-	70	40%	27	40	-	67	40%	39	39	-	78	50%	37	33	-	70	53%
Information Technology	3	10	-	13	23%	4	9	-	13	31%	4	8	-	12	33%	4	7	-	11	36%
Human Resource & Administration	48	41	42	131	54%	49	44	43	136	53%	48	38	33	118	56%	47	35	8	90	57%
Production, Planning and Maintenance	170	443	141	754	28%	177	487	132	796	27%	157	462	133	752	25%	161	477	136	774	25%
Supply Chain	34	78	36	148	30%	35	79	38	152	31%	37	73	41	151	34%	40	77	40	157	34%
SHEQ	11	16	-	27	41%	21	16	0	37	57%	22	16	-	38	58%	24	16	-	40	60%
Total	**304**	**642**	**219**	**1,165**	**32%**	**322**	**687**	**213**	**1,222**	**32%**	**316**	**648**	**207**	**1,170**	**33%(1)**	**323**	**656**	**184**	**1,163**	**33%**

Source: The Company.

(1) Including special needs citizens ratio to Nitaqat.

Table 5.9: Number of Employees at IPIC by Department as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period ended 30 June 2024G

Section	Financial Year Ended 31 December										Six-Month Period Ended 30 June									
	2021G					2022G					2023G					2024G				
	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate
General Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internal Audit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Accounting	2	2	-	4	50%	2	3	-	5	40%	2	3	-	5	40%	2	3	-	5	40%
Sales and Marketing	5	13	-	18	28%	4	13	-	17	24%	2	13	-	15	13%	2	14	-	16	13%
Information Technology	-	-	-	-	-	1	0	-	1	100%	1	-	-	1	100%	1	-	-	1	100%
Human Resources	7	4	-	11	64%	9	4	2	15	69%	11	1	-	12	92%	10	1	-	11	91%
Production, Planning and Maintenance	46	171	15	232	21%	42	165	-	208	21%	45	162	10	217	22%	43	150	12	205	22%
Supply Chain	3	11	-	14	21%	3	9	28	39	25%	2	10	-	12	17%	4	11	-	15	27%
Safety, Health, Environment and Quality	5	15	3	23	25%	4	13	3	20	24%	4	15	6	25	21%	6	15	5	26	29%
Total	**68**	**216**	**18**	**302**	**24%**	**65**	**207**	**33**	**305**	**24%**	**67**	**204**	**16**	**287**	**30%**	**68**	**194**	**17**	**279**	**26%**

Source: The Company.

Table 5.10: Number of Employees at UPIC by Department as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Section	Financial Year Ended 31 December															Six-Month Period Ended 30 June				
	2021G					2022G					2023G					2024G				
	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate
General Management	-	1	-	1	-	-	1	-	1	-	-	4	-	4	-	-	4	-	4	-
Internal Audit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Accounting	-	2	-	2	-	-	2	-	2	-	-	2	-	2	-	-	2	-	2	-
Sales and Marketing	-	3	-	3	-	-	3	-	3	-	-	3	-	3	-	-	4	-	4	-
Information Technology	-	-	-	-	-	-	0	-	-	-	-	-	-	-	-	-	1	-	1	-
Human Resources	-	8	-	8	-	-	8	-	8	-	-	8	-	8	-	-	8	-	8	-
Production, Planning and Maintenance	-	100	-	100	-	-	106	-	106	-	-	104	-	104	-	-	94	-	94	-
Supply Chain	-	16	-	16	-	-	15	-	15	-	-	18	-	18	-	-	18	-	18	-
Safety, Health, Environment and Quality	-	4	-	4	-	-	4	-	4	-	-	4	-	4	-	-	13	-	13	-
Total	**-**	**134**	**-**	**134**	**-**	**-**	**139**	**-**	**139**	**-**	**-**	**143**	**-**	**143**	**-**	**-**	**144**	**-**	**144**	**-**

Source: The Company.

Table 5.11: Number of Employees at RAKP CO. by Department as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Section	Financial Year Ended 31 December															Six-Month Period Ended 30 June				
	2021G					2022G					2023G					2024G				
	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate	Saudi	Non-Saudi	Contract Employees	Total	Saudisation Rate
General Management	-	1	-	1	-	-	1	-	1	-	-	1	-	1	-	-	1	-	1	-
Internal Audit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance and Accounting	-	3	-	3	-	-	3	-	3	-	-	3	-	3	-	-	3	-	3	-
Sales and Marketing	-	3	-	3	-	1	6	-	7	14%	1	6	-	7	14%	1	5	-	6	17%
Information Technology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Human Resources	-	8	-	8	-	-	9	-	9	-	1	9	-	10	10%	1	9	-	10	10%
Production, Planning and Maintenance	-	58	2	60	-	-	63	6	69	-	-	64	4	68	-	-	63	6	69	-
Supply Chain	-	9	-	9	-	-	13	-	13	-	-	14	-	14	-	-	13	-	13	-
Safety, Health, Environment and Quality	-	1	-	1	-	-	2	-	2	-	-	3	-	3	-	-	4	-	4	-
Total	**-**	**83**	**2**	**83**	**-**	**1**	**97**	**6**	**104**	**1%**	**2**	**100**	**4**	**106**	**2%**	**2**	**98**	**6**	**106**	**2%**

Source: The Company.

The following table shows the number of employees of the Group and the achieved Saudisation percentages as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 5.12: Number of Employees of the Group and the Achieved Saudisation Percentages as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Entity	31 December															Six-Month Period Ended 30 June				
	2021G					2022G					2023G					2024G				
	Saudi	Non-Saudi	Contract Labour	Total	Saudisation Percentage	Saudi	Non-Saudi	Contract Labour	Total	Saudisation Percentage	Saudi	Non-Saudi	Contract Labour	Total	Saudisation Percentage	Saudi	Non-Saudi	Contract Labour	Total	Saudisation Percentage
The Company	304	642	219	1,165	32%	322	687	213	1,222	32%	316	648	207	1,170	33%(1)	323	656	184	1,163	33%
Integrated Packaging Industries Company	-	-	-	-	-	65	207	33	305	24%	67	204	16	287	30%(1)	68	194	17	279	26%
United Paper Industries Company FZCO	-	-	-	-	-	-	-	-	-	-	-	141	-	141	-	-	144	-	144	-
Ras Al Khaimah Packaging LLC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	98	6	106	2%
Total	**304**	**642**	**219**	**1,165**	**32%**	**387**	**894**	**246**	**1,527**	**30%**	**383**	**993**	**223**	**1,598**	**28%**	**393**	**1,092**	**207**	**1,692**	**60.81%**

Source: The Company.

(1) Including special need citizens ratio to Nitaqat.

5.9.2 Employees Share Schemes

As of the date of this Prospectus, the Company or its subsidiaries do not have any employee share schemes in place for its employees or any other existing similar arrangement involving the employees in the capital of the Company.

Management Discussion and Analysis of Financial Condition and Results of Operations

6. Management Discussion and Analysis of Financial Condition and Results of Operations

6.1 Introduction

This Section presents an analytical review of the Group's operational performance and financial position during the years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G. This Section has been prepared on the basis of the Company's audited financial statements for the financial year ended 31 December 2021G, and the Group's audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G, and the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G and related disclosures.

The Company's financial statements for the financial year ended 31 December 2021G have been prepared in accordance with IFRS as endorsed in the Kingdom and other standards and pronouncements endorsed by SOCPA and were audited by Ernst & Young Professional Services (Professional LLC).

The consolidated financial statements for the financial years ended 31 December 2022G and 2023G have been prepared by the Group in accordance with IFRS as endorsed in the Kingdom and other standards and pronouncements endorsed by SOCPA and were audited by PricewaterhouseCoopers - Public Accountants. The unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G were prepared in accordance with IFRS 34 "Interim Financial Reporting" as endorsed in the Kingdom and other standards and pronouncements issued endorsed by SOCPA.

Neither Ernst & Young Professional Services (Professional LLC) and PricewaterhouseCoopers - Public Accountants nor any of their subsidiaries, employees (who are part of the team providing services to the Group) or relatives thereof own any shares or interests of any kind in the Group that may affect their independence, as of the date of the Independent Auditor's report on the Company's financial statements. Ernst & Young Professional Services (Professional LLC) has given and, as of the date of this Prospectus, has not withdrawn its written consent to the reference in the Prospectus to its role as the Company's auditor for the financial year ended 31 December 2021G, and PricewaterhouseCoopers - Public Accountants has given and, as of the date of this Prospectus, has not withdrawn its written consent to the reference in the Prospectus to its role as the Group's auditor for the financial years ended 31 December 2022G and 2023G, and the six-month period ended 30 June 2024G.

The aforementioned financial statements are an integral part of this Prospectus which should be read in conjunction with these statements and their supplementary explanations. These financial statements can be reviewed in Section 19 (*Financial Statements and Independent Auditors' Reports*).

All figures in this Section have been presented in Saudi Arabian Riyals in millions and the figures and percentages are rounded to the nearest first decimal point or the second decimal point, where applicable, unless otherwise stated. Accordingly, where numbers have been rounded up or down, there may be differences between the figures set out in this Prospectus and the Financial Statements. As such, the summation of the numbers and the variance computations may differ from those stated in the tables. In instances where the variances and percentages thereof have been calculated based on whole numbers as opposed to the rounded numbers, these are subject to rounding differences when compared with such calculations performed using rounded numbers presented in the Prospectus. In respect of period-on-period movements where one or both periods contain nil balance or N/A., the resulting variation has been shown as "+/-100%" or "N/A" or "-".

The financial information for the financial year ended 31 December 2021G was extracted from the Company's audited financial statements for the financial year ended 31 December 2021G. The financial information for the financial year ended 31 December 2022G, except as disclosed in Section 6.5 (*Restatement of Financial Information*), was derived from the Group's consolidated audited financial statements for the financial year ended 31 December 2023G. The financial information for the financial year ended 31 December 2023G, was derived from the Group's consolidated audited financial statements for the financial year ended 31 December 2023G, while the financial information for the six-month period ended 30 June 2024G were extracted from the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G.

Certain comparative financial information for the financial year ended 31 December 2022G have been reclassified to conform to the presentation adopted in the audited financial statements for the financial year ended 31 December 2023G and hence differ from the financial information included in the audited financial statements for the financial year ended 31 December 2022G. There was no material impact on profit or loss for the financial year ended 31 December 2022G and 2023G or total equity as a result of such reclassifications.

This Section might contain forward-looking statements in connection to the Group's future forecasts, based on the management's plans and expectations regarding the Group's growth, results of operations and financial position as well as related risks and uncertainties. The Group's actual results could differ materially from those anticipated as a result of numerous factors, risks and future events, including those discussed in this Section or elsewhere, particularly Section 2 (*Risk Factors*).

The Group accounted for leased assets and liabilities by amending the calculation of the lease terms related to applying IFRS 16 "Leases" for the Integrated Packaging Industries Company (IPIC) during 2022G had an impact on the Group's financial position and results and hence led to restating certain 2022G numbers.

This change had no material impact on the statement of financial position, statement of profit or loss, statement of changes in equity and statement of cash flows as of and for the years ended 31 December 2022G and 31 December 2023G.

See Section 6.5 (*Restatement of Financial Information*) for the financial impact of this restatement.

6.2 Key Factors Affecting the Group's Operations

United Carton Industries Company is a closed joint stock company registered in the Kingdom under Commercial Registration number 4030065231 dated 18 Ramadan 1409H (corresponding to 24 April 1989G). The Company's registered office is located at Industrial Area- Phase No. 5, P.O. Box 31503, Jeddah 21418, the Kingdom and is engaged in the manufacturing and sale of corrugated carton packaging.

The Company has four subsidiaries namely: (i) Integrated Packaging Industries Company ("**IPIC**"), a company based in the Kingdom, which was acquired effective 30 March 2022G and is engaged in the business of folding cartons and pulp products; (ii) United Paper Industries FZCO ("**UPIC**"), a company based in Jebel Ali, Dubai, UAE, was acquired effective 28 July 2023G and is engaged in the manufacturing of containerboards (paper); (iii) Ras Al Khaimah Packaging LLC ("**RAKP CO.**"); and (iv) Integrated Paper Industry Company in the Kingdom (referred to as "**the Group**").

The following is a discussion of the most significant factors that have affected or are expected to affect the Group's financial position and results of operations. These factors are based on the information currently available to the Group and may not represent all the factors that may have an impact on the Group's business. Besides the below, refer to Section 2 (*Risk Factors*) of this Prospectus for further details on the Group's risks factors.

6.2.1 Factors Related to Fluctuations in the Raw Materials Prices or Inadequate Availability

The Group's revenues and profitability are significantly affected by fluctuations in the prices of raw materials used in its manufacturing processes, including but not limited to paper, recycled paper, starch, inks, borax, caustic soda and glue. These materials accounted for a major portion of the Group's total purchases, at 74.8 per cent., 80.0 per cent. and 72.2 per cent. and 72.2 per cent of the Group's total purchases in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. In the financial year ended 31 December 2023G, the Group experienced a net decline in consolidated revenue of SAR 52.9 million, representing 3.7 per cent. of its total revenue, primarily due to an SAR 116.5 million, representing 8.7 per cent. reduction in corrugated carton products revenue. This decline was driven by a 12.5 per cent. drop in average sales prices, following a 30.5 per cent. decrease in average paper costs after the second quarter of 2023G, reflecting a global downturn in paper prices. Similarly, in the six-month period ended 30 June 2024G, the Group's consolidated revenues fell by SAR 18.4 million, representing negative 2.7 per cent., due to a SAR 57.5 million, representing negative 9.1 per cent. decline in revenues from corrugated carton products. This was attributed to a negative 16.0 per cent. reduction in sales prices per tonne, mirroring a negative 20.2 per cent. decrease in the average cost of paper per tonne, which may lead to a decrease in revenues and net profit for the Group. Additionally, the decrease in paper costs led to an increase in the gross profit margin from 10.3 per cent. in the financial year ended 31 December 2021G to 10.9 per cent. in the financial year ended 31 December 2022G, to 20.9 per cent. in the financial year ended 31 December 2023G and to 19.9 per cent. in the six-month period ended 30 June 2024G.

The prices of these essential raw materials are influenced by various factors, including domestic and global market conditions, geopolitical factors and commodity price indices. Particularly, the cost of fibre — vital component in paper manufacturing - is subject to price variability due to market and industry conditions. Demand for fibre has fluctuated in the past and may increase due to, among other factors, increased consumption resulting from increasing demand for products made with paper that are manufactured from fibre. The market price of fibre varies depending on availability and the source and, among other factors, weather conditions and the state of the market. In addition, costs for key chemicals used in the Group's manufacturing operations fluctuate which in turn impacts its manufacturing costs. Certain published indices contribute to price setting for some of the Group's raw materials and future changes in how these indices are published or maintained, as well as their performance, could adversely impact the pricing of these raw materials. The Group's purchases from its five largest suppliers overall represented 53.8 per cent., 63.7 per cent., 58.9 per cent. and 67.7 per cent. of the Group's total purchases of raw materials for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively (see also Section 2.1.18 (*Risks Related to Supplier Concentration*) for further details regarding the risks related to supplier concentration). Such concentration can expose the Group to supplier-specific risks, including potential disruptions in supply or changes in terms and conditions, which could adversely affect the Group's operational capabilities and financial performance.

Given these factors, if the price of raw materials increases, sales and profit margins may decrease, which would have a material adverse effect on the Group's business, financial position, results of operations and/or prospects. Commodity prices significantly impact profitability, as increases are sometimes not fully passed on to clients, further squeezing margins. The Group has limited flexibility in adjusting product pricing after accepting client orders, which can lead to profitability pressures if raw material costs increase unexpectedly. These prices are influenced by demand and supply dynamics in the global market, geopolitical factors, production capacities in the region and accessible countries, as well as import, exports and tariffs. Additionally, supply chain disruptions, unexpected increases in raw material costs or delivery due to high demand, regulatory changes, production stoppages or force majeure events, such as wars or natural disasters, could result in production slowdowns or halts.

Moreover, the Group's production and manufacturing processes are highly sensitive to the unavailability of raw materials. Accordingly, the unavailability of any of the raw materials, the Group's failure to obtain them due to high demand by manufacturers, or the inability of the suppliers of raw materials to provide them for any reason, whether temporarily or permanently, will lead to a reduction or suspension of the Group's production operations. Moreover, in the event of any other negative developments related to suppliers or raw materials, including but not limited to, the issuance of new laws or regulations related to the production of raw materials, the extent to which the Group's main suppliers deal with other purchasers and give them preference over the Group, the inability of suppliers to provide the required quantities at the times agreed with the Group, production stoppages for any reason, material accidents arising in the suppliers' production or supply chain, stoppages due to wars, natural disasters, political disturbances and similar events of force majeure, would fundamentally affect the Group's ability to procure raw materials in the form required for its production. This would have a material adverse effect on the Group's business, financial position, results of operations and/or prospects.

6.2.2 Factors Related to Production Costs and Their Impact on Gross Profit Margin

Major cost components in the Group's operations are the costs of raw materials, fuel, electricity and labour. Significant increases in the abovementioned production costs could materially and adversely affect the Group's sales and operating profits. Prices for these production costs have in some cases been subject to significant changes in a short period of time for reasons outside the Group's control. For example, prices for fuel and electrical power, which are significant components of the costs of sale, have increased in recent years and may increase in the future (see further Section 2.2.5 (*Risks Related to Changes in Energy Prices*)). In addition, labour costs may be affected by changes in minimum wages or additional Government fees for the employment of foreign workers (see further Section 2.1.40 (*Risks Related to Employing and Sponsoring Non-Saudi Employees*)). In the event of large or rapid increases in prices, the Group may not be able to pass the increases through to its customers in full, which would have a material adverse effect on its business, financial position, results of operations and/or prospects.

The main components of cost of sales are paper costs which accounted for 79.1 per cent., 75.7 per cent., 63.0 per cent. and 58.0 per cent. of total cost of sales in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively, while other direct costs comprised 20.9 per cent., 24.3 per cent., 37.0 per cent. and 42.0 per cent. of total consolidated cost of sales during the same periods. There was a relative concentration on paper suppliers during the same periods, with the top ten suppliers comprising 74.6 per cent. in the financial year ended 31 December 2021G, 89.7 per cent. in the financial year ended 31 December 2022G and 97.0 per cent. in the financial year ended 31 December 2023G and 98.17 per cent. for the six-month period ended 30 June 2024G, while the top three suppliers accounted for 59.8 per cent. of all paper purchases in the financial year ended 31 December 2023G. Other costs include other materials, inks, pallets and delivery costs.

Gross profit increased from SAR 108.0 million (10.3 per cent. of revenue) in the financial year ended 31 December 2021G to SAR 153.7 million (10.9 per cent. of revenue) in the financial year ended 31 December 2022G, to SAR 284.3 million (20.9 per cent. of revenue) in the financial year ended 31 December 2023G and to SAR 133.8 million (19.9 per cent. of revenue) in the six-month period ended 30 June 2024G.

This was mainly due to a decrease in the cost of corrugated cardboard per tonne in the financial year ended 31 December 2023G compared to the financial year ended 31 December 2022G, resulting from a global decline in paper prices. Other direct costs remained relatively stable (other materials, inks, pallets, delivery and packaging) and indirect costs (rent, depreciation, amortisation and utilities) remained broadly stable between the financial year ended 31 December 2021G and the financial year ended 31 December 2022G, therefore, decreased as a percentage of revenue and led to an increase in gross margin. The decline in paper prices coupled with management's ability to maintain prices at the 2022G level contributed to the growth in gross margin. It generally takes three to six months for the global paper price movement to have an impact on the sales price.

On the other hand, gross margin was slightly impacted by reclassifying delivery costs (SAR 31.5 million) in the financial year ended 31 December 2022G to cost of sales starting from the financial year ended 31 December 2022G onwards. Similarly, IPIC gross margin improved from 13.1 per cent. in the financial year ended 31 December 2022G to 16.9 per cent. in the financial year ended 31 December 2023G benefiting from the decline in paper prices, while maintaining a broadly stable selling price which decreased at a slower pace than cost of sales (from SAR 210 per thousand piece in the financial year ended 31 December 2022G to SAR 180 per thousand piece in the financial year ended 31 December 2023G). UPIC had an adverse impact on gross margin, as it was negatively impacted by the drop in paper prices (as it produces paper only), which resulted in a decrease in gross margin from 13.7 per cent. in the financial year ended 31 December 2022G to 5.4 per cent. in the financial year ended 31 December 2023G.

As a result, the Group's gross margin is at risk if there are unexpected rises in production costs, especially paper prices, which may not be swiftly passed on to customers due to existing contracts or competitive market conditions. Furthermore, the heavy reliance on a concentrated group of suppliers for paper increases the risk of supply disruptions or price increases, potentially resulting in higher costs that cannot be easily mitigated. Such conditions would have a material adverse effect on the Group's business, financial position, results of operations and/or prospects.

6.2.3 Factors Related to Supplier Concentration

The top ten suppliers of the Group collectively accounted for 52.9 per cent., 70.4 per cent., 61.8 per cent. and 65.5 per cent. of the Group's total purchases for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. As a result of the concentration of key suppliers, the sustainability of the Company's operations depend heavily on the availability of raw material supplied by these key suppliers. In the corrugated segment, the main revenue driver of the Group, the top 10 suppliers comprised 74.6 per cent., 89.7 per cent., 97.0 per cent. and 74.6 per cent. of the Group's paper purchases the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. The top three suppliers accounted for 59.8 per cent. of all paper purchases in the financial year ended 31 December 2023G. For further details regarding the Group's suppliers, see Section 4.6.5 (*Suppliers*).

The number of paper suppliers decreased from 35 in 2021G to 27 in 2022G and further to 20 in 2023G. This reduction was mainly due to the Group having to source paper from multiple suppliers in 2021G and 2022G, as the supply of paper was limited during these periods, following supply chain disruptions caused by the COVID-19 pandemic. The Group switched back to its core suppliers when global paper supply began to stabilise between 2022G and 2023G. The Group has fixed quarterly quantity contracts with local, regional and international paper suppliers which are reviewed every three months. Should challenges related to paper supply continue in the future, this would lead to increased operating costs and production delays, which would have a material adverse effect on the Group's competitive position in the market.

For the folding carton (duplex) sector, the top 10 suppliers accounted for 47.9 per cent., 65.5 per cent., and 75.3 per cent. of the total purchases of IPIC for the financial years ended 31 December 2021G, 2022G and 2023G, while the top three suppliers accounted for 46.0 per cent. of purchases in the financial year ended 31 December 2023G. During the COVID-19 pandemic, the Group was forced to source materials from multiple suppliers due to supply chain disruptions. However, it reverted to its primary suppliers during the financial year ended 31 December 2023G. Reliance on a limited number of primary suppliers poses a significant risk. Any unexpected changes in the availability or performance of these suppliers could lead to production disruptions, increased costs, and fluctuations in material quality, negatively impacting the Group's operational efficiency and future profitability.

6.2.4 Factors Related to Asset Depreciation Rate

The Group operates with specialised machinery and equipment across its plants, which are subjected to varying rates of depreciation, ranging from 5.0 per cent. to 25.0 per cent. annually depending on the asset type. As of 30 June 2024G, the significant depreciation of these assets necessitates ongoing and increased capital expenditures to ensure operational continuity and adherence to production capacity targets. The plants under the Company, where a considerable portion of the Group's revenue is generated, illustrate the challenges posed by high depreciation rates. The utilisation rates of three factories (Plant 1, Plant 2 and Plant 4) reached more than 85.0 per cent. In spite of their contribution to 74.2 per cent., 69.5 per cent., 66.9 per cent., and 61.9 per cent. of the Group's total revenues for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, these high utilisation rates may expose the Group to the risk of over-reliance on these plants, which may lead to reduced operational flexibility and increased maintenance costs, thereby having a negative impact on the Group's financial performance. As of 30 June 2024G, the Group's plants had an average depreciation rate of 75.3 per cent.

The financial commitment to maintaining, renewing, and replacing these depreciated assets is underscored by the Group's strategic capital expenditure (capex) planning, which is categorised into business upkeep and maintenance to ensure the continuity of the production cycle, strategic enhancements and safety improvements within plants. In the financial year ended 31 December 2023G, the Company allocated substantial funds for repairs, maintenance and capex replacements to manage the aging infrastructure, including SAR 39.3 million for maintenance alongside SAR 20.9 million for replacement capex. This level of expenditure reflects a proactive approach to asset management but also indicates the financial burden of high depreciation rates. The Group has also allocated a capital expenditure budget for its plants in the amount of SAR 26.6 million and SAR 29.7 million for the years 2022G and 2023G, of which SAR 15.4 million and SAR 28.8 million were spent during the years 2022G and 2023G. The Company relies heavily on original equipment manufacturers to conduct periodic inspections and specialised maintenance. Although these operations are considered part of capital expenditure, reliance on these services may have a negative impact on operational continuity. In addition, the Company has stockpiled large quantities of spare parts to reduce downtime resulting from unexpected breakdowns. Though the Company had applied for a technical assessment of the operating efficiency of the plants, the assessment was not possible due to a lack of local expertise required for such specialised assessments, and this may adversely affect the Company's ability to manage its operations effectively.

Further complicating financial management are the strict maintenance schedules and the reliance on internal cash flows to fund these capex needs, without resorting to external financing. This strategy, while preserving financial autonomy, places additional pressure on the Group's liquidity and financial planning. Additionally, the average downtime in the Group's plants, representing 2.0 per cent. of productive hours in 2023G, though minimal, highlights the operational risks associated with aging assets.

In the event of the Group's failure to replace, renew or maintain old assets in a timely manner, the Company's available capacity could create an obstacle in meeting clients' demands on time. This limitation would adversely affect the ability of the Group to increase its sales and operating income, thus materially and adversely affecting its business, financial position, results of operations and prospects.

6.2.5 Factors Related to Dependency on Sales Volume and EBITDA Fluctuation

The Group's operations depend on sales volumes, which are inherently susceptible to macroeconomic conditions and market-specific supply and demand dynamics. Given the Group's substantial fixed operating costs, fluctuations in sales volumes have a direct impact on its financial performance, particularly affecting its earnings and EBITDA. This relationship introduces several specific risks:

- **Vulnerability to Sales Volume Shifts**: The Group's profitability is closely tied to its sales volumes. For instance, a downturn in market demand in the juice and carbonated beverages sector in 2020G by 20.3 per cent. compared to the market demand in 2019G due to the implementation of a tax which came into effect on 1 December 2019G led to a significant reduction in revenues of the juice and carbonated beverages sector as a result of the increased cost to consumers. Thus, any sudden change in macroeconomic conditions could cause a significant decrease in revenues and have an adverse effect on the Group's profits;
- **EBITDA Sensitivity**: The Group's EBITDA is directly influenced by its sales volumes. EBITDA is a critical measure of the Group's operational profitability and its capacity to generate cash flow from its core business activities;
- **Impact of Macroeconomic Conditions**: Economic fluctuations, sectoral downturns, or broader market instabilities can precipitate a decline in the demand for the Group's offerings, subsequently affecting its sales volumes and financial standing;
- **Influence of Supply and Demand Dynamics**: Variabilities in supply chain efficiencies, raw material availability or consumer preference shifts can lead to changes in sales volumes, thereby impacting the Group's operational and financial outcomes;
- **Proportional Effect of Fixed Operating Costs**: The Group's fixed operating costs mean that any decrease in sales volumes can disproportionately impact its profit margins, leading to significant financial performance variability; and
- **Forecasting Challenges**: The inherent unpredictability in sales volumes complicates the Group's ability to forecast financial results accurately, posing challenges for strategic planning and potentially undermining investor confidence.

Additionally, demand for products, particularly within the fast-moving consumer goods (FMCG) and durables sectors, is influenced by factors such as inflation, disposable income, consumer sentiment, and geopolitical situations which may impact the packaging demand. These interconnected factors underscore the Group's vulnerability to shifts in sales volumes and their subsequent impact on EBITDA and overall financial position. Such variability can significantly affect the Group's ability to sustain growth, manage its debt and execute strategic initiatives, potentially resulting in a material adverse effect on the Group's business, financial position, results of operations and/or prospects.

6.2.6 Factors Related to Capacity at the Group's Manufacturing Facilities

The Group's future success and earnings growth depend, in part, on its ability to increase sales volumes and respond flexibly to market demands and client needs. The Group's ability to increase the sales volume of its products is limited, at least in part, by the production capacity at its manufacturing facilities. The Group's production capacity for corrugated cardboard was 381 thousand tonnes, 381 thousand tonnes, 381 thousand tonnes and 190.6 thousand tonnes for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. Utilisation rates were 78.2 per cent., 76.9 per cent., 80.1 per cent. and 84.2 per cent. for the same periods. The Group's folding carton production capacity was 20.2 thousand tonnes, 20.2 thousand tonnes, 20.2 thousand tonnes and 10.2 thousand tonnes, with utilisation rates of nil per cent., 70.2 per cent., 77.7 per cent. and 50.9 per cent. for the same periods. The Group's pulp products production capacity was 2.2 thousand tonnes, 2.2 thousand tonnes, 2.2 thousand tonnes and 1.2 thousand tonnes, with utilisation rates of nil per cent., 77.4 per cent., 69.7 per cent. and 69.7 per cent. for the same periods. The Group's production capacity for testliner and fluting paper reached 70 thousand tonnes, 70 thousand tonnes, 70 thousand tonnes and 35 thousand tonnes, with utilisation rates of 94.7 per cent., 93.4 per cent., 94.3 per cent. and 98.1 per cent. for the same periods. For more details on the production capacity of each business segment within the Group, please refer to Section 4.6.2.4(a) (*Manufacturing Facilities and Capacity*).

Although the Group is undertaking initiatives to expand its production capacity for: (i) the corrugated boxes segment by an extra 35,000 tonnes per annum by 2025G to 2026G; (ii) the folding carton (duplex) segment within the next one to two years; and (iii) the corrugated boxes segment in the UAE by 2024G, there can be no assurance that it will be able to do so in the timeframes expected, or that it will be sufficient to meet the growing demand once completed (see further Section 4.7 (*Future Plans and Initiatives*) for a discussion of the Group's expansion plans and initiatives)). Failure to properly calculate the capacity, anticipate demand in the future, or inability to add production capacity (either organically or through acquisition) in a timely manner to meet demand as it arises, would limit the Group's growth and lead to a loss of business opportunities.

Moreover, information relating to the Group's production capacities and historical capacity utilisation of its manufacturing facilities is based on various assumptions and estimates of its management, including proposed operations, assumptions relating to availability and quality of raw materials and assumptions relating to operational efficiencies. Actual production levels and utilisation rates may differ significantly from the estimated production capacities or historical estimated capacity utilisation information. Accordingly, undue reliance should not be placed on the Group's installed capacity or historical estimated capacity utilisation information.

6.2.7 Factors Related to Potential Future Acquisitions

As part of its growth strategy, the Group has been constantly evaluating various growth opportunities. Depending on the right strategic fit and financial profile, the Company may decide to acquire new businesses, assets, technologies, services and products from time to time, such as its acquisition of IPIC, UPIC and RAKP CO. While these acquisitions are intended to enhance the Group's market position and operational capabilities, they come with inherent risks, including but not limited to:

- **Valuation and Due Diligence Risks**: The Group might face challenges in accurately valuing potential acquisition targets, potentially leading to overpayments or unforeseen integration challenges. Inadequate due diligence can result in a failure to identify material issues related to the target's financials, legal, operations, or liabilities;
- **Integration Challenges**: Successfully integrating an acquired company, its culture, systems, and processes can be complex and resource intensive. There may be difficulties in aligning business practices, which could disrupt the Group's ongoing operations;
- **Synergy Realisation**: The anticipated synergies from an acquisition may not materialise as planned. This could include cost savings, revenue enhancements, or strategic benefits that fail to meet expectations, affecting the Group's financial performance;
- **Financial Implications**: Acquisitions could lead to significant expenditure and potentially strain the Group's financial resources. There might be unanticipated costs associated with the integration process or unforeseen liabilities associated with the acquired entity;
- **Regulatory and Compliance Risks**: Acquiring new businesses, especially in different countries, could introduce complex regulatory compliance challenges, including antitrust reviews, which could delay or prevent the completion of acquisitions;
- **Employee Retention**: Retaining key personnel from the acquired entity can be crucial for the success of the acquisition. There is a risk of losing key talent, which can impact the acquired entity's performance and value;
- **Legal and Contractual Liabilities**: The Group may inherit legal challenges, disputes, or contingent liabilities that could affect its financial stability and reputation;

- **Cultural Integration**: Merging different corporate cultures can pose significant challenges and impact employee morale and productivity in both the acquired and acquiring entities. Cultural and safety norms may vary, requiring capital expenditure and time to meet required standards;
- **Impairment of Assets**: The Group may encounter impairment issues with assets at acquired companies, leading to lower asset performance and financial adjustments; and
- **Challenges Posed by Minority Investors**: The involvement of minority investors in acquired companies can complicate decision-making processes, potentially delaying strategic actions or leading to governance disputes.

These factors, individually or collectively, could divert management's attention, result in increased expenses and disrupt the Group's existing business operations, which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

6.2.8 Factors Related to Concentration of Sales to Major Clients

The Group had one client accounting for more than 5 per cent. of the Group's revenue in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, where the Group generated revenue of SAR 56.8 million, SAR 81.4 million, SAR 73.1 million and SAR 37.6 million, respectively, representing 5.3 per cent., 5.7 per cent., 5.3 per cent. and 5.6 per cent. of its revenue in the same periods. The Group's top fifteen clients generated revenue of SAR 381.7 million, SAR 499.1 million, SAR 445.7 million and SAR 201.5 million, representing 35.9 per cent., 34.7 per cent., 32.1 per cent. and 29.9 per cent. of the Group's revenue in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024, respectively. The total number of clients in the same periods ranged between 1,114 and 1,136. For further details about the Group's clients, see Section 4.6.6 (*Clients*).

The Group's revenue from its top fifteen clients is sensitive to fluctuations in paper costs which may necessitate adjustments to selling prices. The Group is generally able to pass on paper cost fluctuations to its clients. However, if the Group faces difficulties in implementing these price adjustments with its clients, it will impact revenues and gross profit margin.

The Group's sales and operating profits could be adversely affected if it were to lose one of its major clients or experience a significant decrease in the volume of business contracted with such clients. As of 31 December 2023G, the Group had purchase agreements with 50.2 per cent. of its clients in the corrugated cardboard sector (based on sales volume) but did not impose minimum purchase levels or obligations on these clients. There is no guarantee that the Group will be able to renew these agreements on the same terms. Clients may terminate or fail to renew their agreements if the Group fails to meet its contractual obligations, such as delivering products in the required quantities and quality at the specified time. Furthermore, a high concentration of sales can significantly impact pricing and profitability. If the Group were to lose any of these major clients, it could result in a substantial loss of sales that may not be offset by other clients. The occurrence of such events could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

6.2.9 Factors Related to the Concentration of Sales in the Group's Product Line

Revenues from corrugated carton products represented 100.0 per cent., 94.0 per cent., 89.2 per cent. and 85.7 per cent. of the Group's total revenue for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. Sales from folding cartons (duplex) and pulp products accounted for 6.3 per cent., 8.1 per cent. and 5.9 per cent. of the Group's total revenue in the financial years ended 31 December 2022G and 2023G, and the six-month period ended 30 June 2024G, and there were no sales in the financial year ended 31 December 2021G. Sales from containerboard (paper) products represented 3.1 per cent. and 8.2 per cent. of the Group's total revenue in the financial years ended 31 December 2023G and the six-month period ended 30 June 2024G, and there were no sales in the financial years ended 2021G and 2022G. The Company sells its corrugated products to over 20 sectors in the market, with the majority of the Group's revenue concentrated in the water, food, laundry, healthcare, industrial products and dairy sectors. The Group generated revenues of SAR 674.6 million, SAR 903.0 million, SAR 788.5 million, and SAR 367.1 million from these sectors, representing 63.5 per cent., 66.9 per cent., 63.7 per cent. and 63.5 per cent. of the Group's total revenue for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. If any of the aforementioned sectors were to experience a downturn, it could result in the Group losing its major clients, leading to financial losses. Consequently, this would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

The Group's sales and operating profits could be adversely affected if there is a significant decline in sales from these key product categories. Given the Group's reliance on carton products, any downturn in sales of this category could have a substantial impact. Furthermore, the concentration of sales in a limited range of products may affect pricing strategies, which could negatively impact profitability. If sales in these core categories decline without being offset by other products, it could significantly impact the Group's business, financial condition, results of operations and prospects.

6.2.10 Factors Related to Reliance on Key Suppliers Outside the Kingdom

The Group relies on five primary suppliers, of which three suppliers are based outside the Kingdom. The total number of suppliers is 1,433, of which 1,085 are local suppliers and 348 are international suppliers. Supply operations are concentrated in the paper sector, as the main international suppliers accounted for 25.4 per cent., 35.6 per cent., 33.13 per cent., and 36.83 per cent. of the Group's total purchases during the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively. This reliance on international suppliers for raw materials exposes the Group to risks associated with the laws, regulations, and policies of the countries in which they are based. Additionally, the political and economic situation in these countries can increase the risks associated with the supply of raw materials. In the event of losing business with these suppliers or if they are unable to deliver materials to the Group on time and to the required specifications due to operational disruptions, supply shortages or geopolitical risks related to maritime shipping lanes, the Group may find it difficult to secure alternative suppliers or enter into new contracts quickly or on favourable terms. This could result in production disruptions, which would have a material adverse effect on the Group's ability to supply its clients. Furthermore, reliance on international suppliers can significantly impact raw material prices, which in turn affects the Group's profitability. Domestic suppliers may exploit any international crisis to increase prices, while international suppliers may change their pricing strategies based on global market conditions and crises, which could significantly affect the Group's cost structure and profitability.

If these events occur, they will have a material adverse effect on the Group's business, financial position, results of operations, and future prospects. For more information on how geopolitical risks and disruptions in global shipping and supply chains can be exacerbated, please refer to Section 2.2.3 (*Risks Related to Geopolitical Instability and Security Concerns in the Middle East Region*).

6.2.11 Factors Related to Operations Outside the Kingdom

The Group manufactures its products in the Kingdom and the United Arab Emirates and sells them to clients in several countries (see Section 4.6.8 (*Geographic Location and Operations*) for more information on the details of the Group's revenues by geographical distribution)). From its commercial operations outside the Kingdom, the Group generated sales of SAR 26.4 million, SAR 20.9 million, SAR 58.2 million and SAR 68.7 million in the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, accounting for 2.5 per cent., 1.4 per cent., 4.3 per cent., and 10.2 per cent. of the Group's total sales in the same periods. No revenue were generated from its manufacturing operations in the UAE prior to 2023G. Accordingly, the Group is subject to various foreign market risks related to doing business outside the Kingdom, including:

- **Adverse Tax Consequences**: Potential adverse tax consequences, including taxes resulting from changes in taxation policies or consequences from erroneous enforcement thereof. For example, the UAE introduced a new corporate tax on business profits effective on 12 Thul-Qi'dah 1444H (corresponding to 1 June 2023G). This corporate tax on business profits is generally applied at a rate of nil per cent. to 9 per cent., while different rates are applied to large multinational companies according to regulatory standards set by the relevant authorities. While UPIC, located within the free zone and subject to a special law, is currently exempt, it cannot be excluded that this tax will not be extended in future to apply to UPIC or that a new tax is introduced applicable to UPIC;
- **Compliance with Various Laws and Regulations**: Compliance with different and changing laws, regulations and court systems of jurisdictions in which the Group operates, as well as unforeseen changes in regulatory requirements;
- **Political and Economic Changes**: Changes in governmental policies, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar events;
- **Differences in End Customer Preferences**: End customer preferences that may differ from those within the Kingdom, including as a result of purchasing power differences;
- **Enforceability of Contractual Rights**: Lack of clarity as to whether certain contractual rights and provisions are lawful and enforceable in foreign jurisdictions;
- **Restrictions on the Transfer of Profits**: Local authorities may impose restrictions on the transfer of profits made in local currency outside their borders, which may prevent the Group from receiving profits from its investments outside the Kingdom; and
- **Understanding of Local Markets**: Lack of understanding of the markets, its end customers and specific needs of that market, which could impair the Group's ability to effectively cater to local preferences and requirements.

The Group's failure to effectively manage these foreign market risks associated with the Group's operations outside the Kingdom would impede the future growth of the Group's business, increase operating costs or expose the Group to incur losses as a result thereof, which would have a material adverse effect on its business, financial position, results of operations and/or prospects.

6.2.12 Factors Related to Collecting Accounts Receivable from the Group's Clients

The Group may face difficulties in collecting accounts receivable from its customers. The following table shows the aging of accounts receivable as of 31 December 2021G, 2022G and 2023G and as of 30 June 2024G (for further details about the aging of accounts receivable, see Section 6.7.14 (*Current Assets*)).

While the Company has allocated provisions for credit losses amounting to SAR 8.0 million, SAR 9.45 million, SAR 10.2 million and SAR 10.86 million as of 31 December 2021G, 2022G and 2023G and as of 30 June 2024G, respectively, there is no assurance that these provisions are sufficient. If any of the Group's debtors experience financial difficulties, they may fail to pay their debts to the Group when due. For accounts receivable whose due dates are in excess of 365 days, the Group appoints a specialised law firm to collect such accounts receivable from the customer and carry out all necessary legal procedures for its collection. However, the Group cannot provide assurance that it will be able to collect such accounts receivable.

Additional complexities arise as finance costs and liquidity in the markets also impact the timeliness of receivables. Flexible and extended credit terms offered by competition can also affect the Group's cash flows adversely. A failure by the Group's clients to make payment when due, the bankruptcy or insolvency of its customers, especially its major customers, or the inability to collect such debts for any reason could have a material adverse effect on the Group's business, financial position, results of operations and prospects.

6.2.13 Factors Related to Accounts Payables

The balance of accounts payables owing by the Group as of 31 December 2021G, 2022G and 2023G and as of 30 June 2024G accounted for 53.1 per cent., 37.9 per cent., 39.1 per cent. and 54.3 per cent. of total liabilities, respectively, which amounted to SAR 211.8 million, SAR 176.1 million, SAR 173.4 million and SAR 224.0 million as of the respective dates, the percentage of accounts payable owing to the Group's five largest suppliers accounted for 77.0 per cent., 63.5 per cent., 66.6 per cent. and 70.9 per cent. of the total accounts payable balance, respectively. The repayment period granted to the Group by its suppliers generally ranges from 30 to 120 days.

A reduction in payment terms by suppliers could significantly affect the liquidity position of the Group, which would in turn negatively affect its working capital. Such changes may impact the operating cycle and cash flow of the Group adversely. Moreover, if the Group is not able to pay in full its accounts payable or settle them during the agreed period, this may prevent the Group from obtaining advance purchase agreements on suitable terms in the future. This could have a material adverse effect on the Group's business, results of operations, financial position and prospects.

6.2.14 Factors Related to Related Party Transactions and Agreements

In its ordinary course of business, the Group enters into agreements with certain Related Parties, including with counterparties that have the Company's Directors on its boards or as a shareholder. As of the date of this Prospectus, the Company and IPIC have a number of transactions and agreements with Related Parties. The total value of these transactions with Related Parties for the Group amounted to SAR 44.6 million, SAR 55.1 million, SAR 53.5 million and SAR 24.8 million during the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, respectively, representing 4.2 per cent., 3.9 per cent., 3.9 per cent. and 3.7 per cent. of the Group's total consolidated revenues during the same periods. The total value of transactions between the Company and UPIC amounted to AED 0.3 million. The total value of transactions between UPIC and RAKP CO. amounted to AED 0.8 million (for further details about transactions and agreements with Related Parties, see Section 11.10 (*Related Party Contracts and Transactions*)). All these transactions were entered into pursuant to written agreements, with the exception of the transactions concluded between the Company, Zamil Central Air Conditioner Company, and Zamil Air Conditioner and Home Appliances which were concluded based on purchase orders. All these transactions are on arm's length terms governing the contractual relationship between the parties. Related Party transactions are reflected and recorded in the financial statements in accordance with IFRS endorsed in the Kingdom and other standards and pronouncements issued by SOCPA, as applicable (see Section 19 (*Financial Statements and Independent Auditors' Reports*)).

Accounts payables to Related Parties amounted to SAR 0.8 million for the financial year ended 31 December 2022G, comprising 0.46 per cent. of total accounts payables of the Group in the same period. There were no payables to Related Parties as of 31 December 2021G and 2023G and the six-month period ended 30 June 2024G. Receivables from Related Parties amounted to SAR 7.9 million, SAR 10.3 million, SAR 9.0 million and SAR 8.7 million as of 31 December 2021G, 2022G and 2023G, and as of 30 June 2024G, respectively, representing 4.1 per cent., 4.9 per cent., 4.0 per cent. and 4.0 per cent. of the Group's total receivables as of the same dates.

If transactions with Related Parties are not documented with written contracts or purchase orders, not concluded on arm's length terms or not approved by the General Assembly (to the extent any Director has a direct or indirect interest), this could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

6.2.15 Factors Related to General Economic Conditions

Any substantial deterioration in global and/or domestic economic conditions, financial uncertainty in the international and domestic markets, decrease in wages, employment levels, reduction in availability of consumer credit, inflation, higher interest rates, higher value added tax, government austerity measures or political events that diminish consumer spending and confidence in any of the geographies in which the Group operates will have an adverse impact on the demand for the Group's products. Additionally, changes in consumer behaviour and disposable income due to regulatory or non-regulatory measures may influence purchasing decisions, potentially reducing demand for the Group's products. In response to such conditions, competitors may reduce prices and promote discounts, putting further pressure on the Group. These factors may result in lower sales and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

6.2.16 Factors Related to Industry Cyclicality

Macroeconomic conditions and fluctuations in the paper and packaging industry capacity can create changes in prices, sales volumes and margin for most of the Group's products, particularly paper reels, corrugated boxes and folding cartons. The prices for the Group's products are driven by many factors, including demand, industry capacity and decisions by other producers with respect to capacity and production. These factors are affected by general global and domestic economic conditions, client purchasing decisions and operating conditions in the Group's business and industry. The Group has little influence over the timing and extent of price changes in its products, which may be unpredictable and volatile. Moreover, cycles can also be impacted by speculation, rumours, economic shifts and geopolitical atmosphere, adding layers of unpredictability to market conditions. As many of the Group's client agreements include price adjustment provisions based on the published international price of paper, the Group's selling prices are influenced by price levels determined and published by trade publications. Published paper prices declined in/since Q4 2022G, resulting in lower paper and packaging product prices and lower profitability. In case of a downturn, this could have a material adverse effect on the Group's business, financial condition, results of its operations and prospects.

6.2.17 Factors Related to Geopolitical Instability and Security Concerns in the Middle East Region

The Group's assets, operations and client base are located in the Middle East and North Africa ("**MENA**") Region. The wider MENA Region is subject to a number of geopolitical and security risks that may impact the GCC countries, including the Kingdom.

Furthermore, the recent series of attacks in the Bab al-Mandab Strait, a crucial maritime lane in the Red Sea, has introduced significant risks and disruptions for global shipping and supply chain operations. The targeting of commercial and military vessels by Houthi forces, including attacks on multiple ships, underscores a heightened threat level in this strategic waterway. Such incidents not only pose immediate dangers to maritime personnel and assets but also have broader implications for the Group's logistics and supply chain. Given the Bab al-Mandab Strait's critical role in international trade, any disruption can lead to significant shipping delays, increased transportation costs and potential rerouting of vessels. As the Group is reliant on timely raw material deliveries, these disruptions could exacerbate supply chain vulnerabilities, impact production schedules and inflate operational costs, in particularly in connection with its purchases of paper.

Moreover, as the political, economic and social environments in the MENA Region remain subject to continuing changes, investment in the MENA Region is a high risk. Any unexpected changes in the political, social, or economic conditions in the MENA Region may have a material adverse effect on the markets in which the Group operates, its ability to retain and attract clients in such regions and investments that the Group has made or may make in the future, which in turn will have a material adverse effect on the Group's business, financial position, results of operations and prospects (for further details on the transactions value with each country, please see Section 4.6.8 (*Geographic Location and Operations*).

6.2.18 Factors Related to Competition and Market Share of the Group

The paper and packaging industry in which the Group operates is marked by intense competition and is characterised by the presence of numerous players, ranging from small local entities catering to niche markets to large multinational corporations with extensive global reach. Some of these competitors, may have greater financial, technical and human resources and could pose significant challenges to the Group, especially if they offer more competitive pricing, superior quality or innovative products that better meet client demands.

Competition in the industry is driven by various factors including price, quality, delivery timelines, reliability of supply, capacity, innovation and client service. Some of the Group's competitors may benefit from lower cost structures, enabling them to offer their products at more competitive prices. Additionally, the rapid pace of technological advancement and changing consumer preferences pose a constant challenge, as competitors may introduce new materials or packaging solutions that could potentially render the Group's offerings less attractive or obsolete.

A significant aspect of this competitive landscape is the risk of product substitution, particularly the shift from paper to alternative packaging solutions, such as plastics or biodegradable materials. This shift is influenced by various factors, including environmental concerns, material durability, cost-effectiveness and regulatory changes promoting sustainable packaging options. As these alternatives continue to evolve and gain market acceptance, the demand for traditional paper packaging could diminish, impacting the Group's market share and profitability. Moreover, the availability and access of technology for all competitors can level the technological playing field, thus intensifying competition even further.

To maintain its competitive edge and market position, the Group must continuously innovate, ensuring its products align with market trends and client expectations. Failure to adapt to these industry dynamics and to effectively counter the threats posed by product substitution and competitive pressures could significantly impact the Group's business, potentially leading to a loss of market share, reduced revenue, and diminished profitability, thereby having a material adverse effect on the Group's business, financial condition, results of operations and prospects.

6.2.19 Factors Related to Changes in Energy Prices

The Group is sensitive to increases in fuel prices which it uses to operate all production equipment at its plants and to distribute its products by diesel-powered trucks. As part of the Fiscal Balance Programme Plan, the Ministry of Energy issued a statement on 24 Rabi' al-Awwal 1439H (corresponding to 12 December 2017G) to reform prices of energy products. As a result, the prices of energy products in the Kingdom are adjusted monthly in accordance with the procedures for the adjustment of energy and water products prices. In accordance with such procedures, effective 1 January 2024G, Saudi Arabian Oil Group (Saudi Aramco) again raised the retail price of diesel from SAR 0.75 per litre to SAR 1.15 per litre, representing a 53 per cent. price increase. Further, the fuel prices in UAE are also adjusted on a monthly basis. The change in energy prices, including the increase in January 2024G has significantly impacted the Group's operating costs. Consequently, when energy costs increase, it results in an increase in the Group's operating costs, thereby making its products less competitive compared to similar or alternative products offered by competitors. Accordingly, any further increases in diesel prices would have a material adverse effect on the Group's business, financial position, results of operations and prospects.

6.2.20 Factors Related to Exchange Rates

The Group's results of operations are affected by volatility in currency exchange rates and its ability to effectively manage its currency risks. The Group purchases a significant portion of its raw materials from suppliers based outside the Kingdom, as well as local suppliers that purchase raw materials from abroad in foreign currencies. As of the date of this Prospectus, the SAR and AED are pegged to the USD at an exchange rate of SAR 3.75 for USD 1 and AED 3.68 for USD 1. The fluctuations in the exchange rates of the EUR against the SAR and USD impact the Group's purchases of raw materials. If the Kingdom's or UAE policy of pegging the SAR or AED to the USD were to change in the future, the Group may experience a significant increase in the SAR-denominated costs of its operations. As the Group continues to expand, its exposure to USD and other currencies may increase. Accordingly, adverse exchange rate movements could lead to a significant increase in the costs of the Group's operations. As the Group has not concluded any hedging agreements to reduce its currency risk exposure, changes in foreign exchange rates could have a material adverse effect on its business, financial position, results of operations and prospects.

6.3 Directors' Declarations on the Financial Statements

The Directors declare that the financial information presented in this Section is extracted without material change and is presented consistent with the Company's audited financial statements for the financial year ended 31 December 2021G and the audited consolidated financial statements of the Group for the financial years ended 31 December 2022G and 2023G, and the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G (except for certain accounts restatement and reclassifications as presented in Section 6.5 (*Restatement of Financial Information*)) and the accompanying notes, which were prepared in accordance with the IFRS as endorsed in the Kingdom.

The Directors also declare that the Group has sufficient working capital for the next 12 months following the date of this Prospectus.

The Directors declare that there has been no material change in the financial or business position of the Group during the three financial years immediately preceding the date of filing the application for registration and offering of the securities subject to this Prospectus and during the period from the end of the period covered in the independent auditors' report to the date of this Prospectus, except for what was presented in Section 2 (*Risk Factors*) in this Prospectus.

The Directors declare that all material facts related to the Group and its financial performance have been disclosed in this Prospectus and that there is no other information, documents or facts the omission of which would make any statement herein misleading.

The Directors declare that the Group does not have any properties, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which significantly affects the evaluation of the financial position.

The Directors confirm that the Group did not provide any commissions, discounts, brokerage fees or any other non-cash compensation in connection with the issuance or offering of any securities within the three years immediately preceding the date the application for admission and offering of the securities subject to this Prospectus was submitted.

The Directors declare that the Group does not have any loans or other liabilities, whether covered by a personal guarantee or non-personal guarantee or covered by a mortgage, including bank account overdrafts, nor guaranteed liabilities, liabilities under acceptance, acceptance credits or any hire purchase commitments, except as disclosed in Section 11 (*Legal Information*), Section 2 (*Risk Factors*) and Section 6 (*Management Discussion and Analysis of Financial Condition and Results of Operations*).

The Directors declare that there is no contemplated material change to the nature of the Group's business except for a potentially insignificant acquisition in the same line of business that is expected to take place during 2024G.

The Directors declare that the Group's operations have not been discontinued in such a way as to affect or have significantly affected the financial position in the last 12 months.

The Directors declare that, based on information provided by the Shareholders, none of the Group's shares are under option as of the date of this Prospectus.

The Directors declare that the Group has provided comprehensive details in this Section of any contingencies and has calculated and recognised a provision for the liabilities set out in management discussion and analysis of financial position and results of operations.

The Directors declare that the properties of the Group are not subject to any mortgages, rights or encumbrances as of the date of this Prospectus.

The Directors declare that the Group has presented comprehensive details in this Section of all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate.

The Directors declare that the Group does not hold existing or approved but unissued debt instruments, term loans or secured or unsecured mortgages, except as disclosed in Section 11 (*Legal Information*) in this Prospectus.

Except as disclosed in this Prospectus, neither the Directors nor any of their relatives have any shares or interest of any kind in the issuer.

The Directors acknowledge that the Group has no information about any seasonal factors or economic cycles related to its business activity and that may have an impact on the Group's business and financial position, except those disclosed in Section 2 (*Risk Factors*) in this Prospectus.

The Directors acknowledge that the Group has no information about any governmental, economic, financial, monetary or political policies or any other factors that have affected or could materially affect (directly or indirectly) the Group's operations except the information disclosed in Section 2 (*Risk Factors*) in this Prospectus.

The Directors acknowledge that the Group has provided comprehensive details in this Section of any potential liabilities, has calculated and recorded a provision for the obligations contained in the management's discussion and analysis of the financial position and results of operations. For more information, see Section 2 (*Risk Factors*) and Section 6 (*Management Discussion and Analysis of Financial Condition and Results of Operations*) in this Prospectus.

The Directors acknowledge that the Group has not undergone any changes in the capital during the past three years directly before the date of submission of the registration application and offering of securities subject to this Prospectus. However, subsequent to year ended 31 December 2023G, the Board of Directors and shareholders have approved the increase of capital from SAR 200.0 million to SAR 400.0 million, which the capital was increased during the second quarter of 2024G.

The above declarations are made by the Board of Directors in addition to any other declarations expressly set out in this Prospectus.

6.4 Summary of Material Accounting Policies

6.4.1 Basis of Preparation

The material accounting policies applied by the Group in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

6.4.1.1 Statement of Commitment

These consolidated financial statements have been prepared in accordance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA.

6.4.1.2 Historical Cost Principle

These consolidated financial statements have been prepared on a historical cost convention and ongoing concern basis, unless stated otherwise. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

6.4.2 Basis of Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

6.4.2.1 Acquisition of United Paper Industries Company FZCO (Previously Known as "Gulf Paper Manufacturing FZCO")

During 2023G, the Group company signed an agreement to acquire 100 per cent. of the shares of United Paper Industries Company FZCO ("**UPIC**") (previously known as "Gulf Paper Manufacturing FZCO"), United Arab Emirates, for a total consideration of SAR 104.7 million. The control was transferred to the Group on 28 July 2023G. The Group acquired UPIC to expand its operations in the Middle East market and as a first step towards backward integration as well as regional expansion. Management believes that this acquisition will partially mitigate supply risk of brown paper.

The net identifiable assets of UPIC at the date of acquisition were as follows:

Table 6.1: Net Identifiable Assets of UPIC at the Date of the Acquisition

Currency: SAR million	2023G
Property, plant and equipment	59.4
Customer relationships	4.1
Right-of-use assets	14.7
Inventories	8.2
Trade receivables and prepayments	38.3
Bank balances and cash	13.2
Employee benefit obligations	(5.2)
Lease liabilities	(15.1)
Trade payables and accruals	(12.8)
Net identified assets acquired	**104.7**
Goodwill computation:	
Purchase consideration	104.7
Less: Value of net assets acquired	(104.7)
Goodwill arising on acquisition	-

Source: Audited Consolidated Financial Statements for the financial year ended 31 December 2023G.

(a) Acquisition-Related Costs

Acquisition-related costs of SAR 0.4 million are included in administrative expenses in profit or loss and in operating cash flows in the consolidated statement of cash flows.

(b) Measurement Period Adjustment – Integrated Packaging Industries Company ("IPIC")

During the financial year of 2023G, management finalised the purchase price allocation of net assets and liabilities attributable to Integrated Packaging Industries Company, acquired during 2022G and recognised a fair value adjustment of SAR 12.4 million with a corresponding increase in the recognised amount of bargain purchase gain. Accordingly, the carrying value of property, plant and equipment was retrospectively adjusted to reflect the fair value adjustment less the additional depreciation that would have been recognised if the assets' fair value had been recognised from the acquisition date.

The bargain purchase gain is resulting mainly from the reduction in working capital between 31 December 2019G (the date used for working capital) and the finalisation date, which is 30 March 2022G.

The fair value impact of allocating the purchase price to each item in the financial statements as of the year ended 31 December 2022G, has been presented in Section 6.5 (*Restatement of Financial Information*).

6.4.3 Business Combination and Goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. 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 recognised 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 recognised immediately in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

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 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 of the operation.

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.

6.4.4 Application of New and Amended Standards and Interpretations

6.4.4.1 New and Amended Standards Adopted by the Group

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the condensed consolidated interim financial information of the Group and accordingly, the Group did not have to change its accounting policies or make and retrospective adjustments:

- Classification of liabilities as current or non-current – Amendments to IAS 1;
- Leases on sales and leaseback – Amendments to IFRS 16;
- Supplier finance arrangements - Amendments to IAS 7 and IFRS 7; and
- Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments.

The above amendments (covering the first three standards) are effective from the annual period commencing 1 January 2024G, while the amendments relating to the last standard are effective from the annual period commencing 1 January 2026G.

6.4.4.2 New Standards and Interpretations Not Yet Effective

Certain amendments to accounting standards have been published that are not mandatory as of 30 June 2024G, reporting periods and have not been early adopted by the Group. The standards, interpretations issued that are relevant to the Group, but are not effective are disclosed below:

- Amendments to IAS 21 – Lack of Exchangeability;
- IFRS 18 – Presentation and Disclosure in Financial Statements; and
- IFRS 19 – Subsidiaries without Public Accountability.

The above amendments (covering the first standard) are effective from the annual period commencing 1 January 2025G, while the amendments relating to the second and third standard are effective from the annual period commencing 1 January 2027G.

6.4.5 Foreign Currencies

6.4.5.1 Functional and Presentation Currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entities operate (the "functional currency"). The consolidated financial statements are presented in SAR.

(a) Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group companies 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.

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 that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

(b) 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 and other comprehensive income are translated at the average exchange rates. The exchange differences arising on the translation of foreign operations are recognised in other comprehensive income. On partial or full disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

6.4.6 Current vs Non-Current Classifications

The Group presents assets and liabilities in the consolidated 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 normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within 12 months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

The Group classifies all other assets as non-current. A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

6.4.7 Property, Plant and Equipment

Property, plant and equipment is initially recognised as an asset when and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees, and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the consolidated statement of profit and loss and other comprehensive income.

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried at its cost, less any accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Useful lives of property plant and equipment are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

Table 6.2: Property, Plant and Equipment useful lives

Category	Useful life
Buildings	20 years
Motor vehicles	4 years
Machinery and equipment	From 4 to 10 years
Furniture and office equipment	From 4 to 10 years

Source: Management information.

6.4.7.1 Capital Work-in-Progress

Assets in the course of construction or development are capitalised in the capital work-in-progress within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and/or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of capital work-in-progress comprises its purchase price, construction / development cost and any other costs directly attributable to the construction or acquisition of an item intended by management. Capital work-in-progress is measured at cost less impairment and is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

6.4.8 Intangible Assets

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired in a business combination are recognised at their fair value as of the date of acquisition.

Following initial recognition, intangible assets having a finite useful life are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any.

Intangible assets are amortised using the straight-line method over their estimated useful lives as follows:

Table 6.3: Intangible Assets Categories Useful Lives

Category	Useful life
Computer software	From 4 to 10 years
Customer relationships	8 years

Source: Management information.

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

6.4.9 Leases

At the inception of the contract, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

For short term leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, warranty and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing; and
- makes adjustments specific to the lease, for example term, country, currency and warranty.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, initial direct costs and renewal costs, if any. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 'Impairment of Assets' to determine whether a right-of-use asset is impaired and accounts for any impairment loss identified.

6.4.10 Impairment of Non-Financial Assets Other Than Inventories

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 cash-generating unit's fair value less costs of disposal and its value in use. It 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. Where the carrying amount of an asset or cash-generating unit 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 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 such as valuation multiples (including earnings multiples), quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed projections which are prepared separately for each of the Group's cash-generating unit to which the individual assets are allocated. These projections are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit'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 profit or loss.

6.4.11 Inventories

6.4.11.1 Finished Goods

Finished goods are carried at the lower of cost and net realizable value. Cost is determined on the weighted average method. The cost of finished products includes the cost of raw materials, direct labour and manufacturing overheads, and all other costs necessary to bring the goods to their existing condition and location.

6.4.11.2 Raw Materials and Spare Parts

Raw materials and spares are valued at the lower of cost and net realizable value. Cost is determined on the weighted average cost basis.

6.4.11.3 Work in Progress

Work in progress is measured using estimated manufacturing cost including appropriate overheads based on normal level of activity.

6.4.11.4 Goods in Transit

Goods-in-transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

6.4.12 Trade and Other Receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. Other receivables are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. The carrying amount of trade and other receivables is tested for impairment in accordance with the policy described in Note 2.15.1 of the Group consolidated financial statements for the year ended 31 December 2023G.

Other portfolios of trade receivables originated to be placed under factoring arrangements are initially measured at their transaction price unless they contain a significant financing component in which case they are measured initially at fair value. These are subsequently measured at fair value through profit or loss as they are originated with a business model of selling to finance institutions therefore cannot be measured at amortised cost or fair value through other comprehensive income.

6.4.13 Prepayments

Prepayments are initially recognised at the transaction price.

6.4.14 Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three-months or less, that are readily convertible to known amounts of cash with insignificant risk of changes in value if any.

6.4.15 Financial Instruments

6.4.15.1 Financial Assets

The Group classifies its financial assets under the following categories:

- amortised cost; and
- fair value through profit or loss.

These classifications are on the basis of the business model of the Company for managing the financial assets and contractual cash flow characteristics.

The Group measures a financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

(a) Recognition and Derecognition

The Group initially recognises financial assets on the date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

(b) Measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss and other comprehensive income.

(c) Impairment of Financial Assets

The Group applies the expected credit loss model for measurement and recognition of impairment loss on the financial assets that are debt instruments and are measured at amortised cost. The Group follows the '**simplified approach**' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component. The application of the simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on the lifetime expected credit loss at each reporting date, right from its initial recognition. Lifetime expected credit loss is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the expected credit loss on financial assets to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering the probability of default and loss given default, which are derived from historical data of the Group and are adjusted to reflect the expected future outcome. Expected credit loss impairment loss allowance (or reversal) recognised during the period is recognised in profit or loss.

6.4.15.2 Financial Liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability and the difference in respective carrying amounts is recognised in the profit or loss of the consolidated statement of profit or loss and other comprehensive income.

6.4.15.3 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

6.4.16 Employee Benefits Obligations

Provision is made for benefits accruing to employees in respect of salaries and wages, vacation leaves, ticket and other benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, if any, are measured at an undiscounted amount using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the date of issuance of the consolidated financial statements.

The Group operates a defined benefit scheme for its employees in accordance with the applicable labour regulations. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method.

Actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income 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;
- the date that the Group recognises related restructuring costs;
- Interest expense is calculated by applying the discount rate to the net employees defined benefit liabilities. The Group recognises the following changes in the net defined benefit obligation under "**Cost of sales**", "**General and administrative expenses**" and "**Selling and distribution expenses**" in the consolidated statement of profit or loss and other comprehensive income (by function);
- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- net interest expense or income.

6.4.17 Trade Payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

6.4.18 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. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in profit or loss, net of reimbursements.

6.4.19 Zakat and Taxes

Zakat and income tax is provided for in accordance with ZATCA regulations. And income tax for the foreign entity is provided for in accordance with the Federal corporate tax regime in UAE. Adjustments arising from final zakat and income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences arising from the initial recognition of assets and liabilities in a transaction that: (i) is not a business combination; (ii) affects neither the taxable profit nor accounting profit; and (iii) does not create equal and opposite deferred tax assets and liabilities. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognised as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from or payable to, ZATCA is included as part of other receivables or other payables.

6.4.20 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

6.4.21 Revenue Recognition

Revenue comprises sale of goods and services to its customers and is measured based on the considerations specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Certain customers are eligible for volume rebates once their purchases during the period exceeds a threshold specified in the respective contracts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates and discounts.

The Group recognises revenues based on a five-step model as set out in IFRS 15:

Requiring that revenue is recognised from contracts with customers based on a five-step model as follows:

- identification of contracts with customers;
- identification of performance obligations in the contract;
- determination of transaction price;
- allocation of transaction price to performance obligations in the contract; and
- recognition of revenue when the Group satisfies the performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company’s performance as the Company performs;
- the Company’s performance creates or enhances an asset that the customer controls as the asset is created; and
- the Company’s performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where any of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. In determining the transaction price for the sale of goods or services, the Group considers the effects of the existence of significant financing components, variable consideration, non-cash consideration and consideration payable to the customer (if any). The Group also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

The Group has identified the transportation service as a separate performance obligation for the sales of goods which the Group transfers control to the customer over-time and promised to deliver the goods to the customer destination.

The Group does not have contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year and as a result, the Group does not adjust transaction prices for the time value of money.

6.4.21.1 Main Activities from Which the Group Generates Its Revenues

The following is a description of the principal activities, from which the Group generates its revenues:

(a) Sale of Corrugated Carton, Plates, Duplex Cartons and Pulp Products

Revenue from the sale of these products that do not have an alternate use to the Group and that the Group has a legally enforceable right to payment for such goods, is recognised over a period of time.

(b) Sale of Paper Packing and Packaging Materials

Revenue is recognised when a customer obtains control of the goods or services (i.e. when it has the ability to direct the use of and obtain benefits from the goods or services). Customers obtain control when goods are delivered to and have been accepted by the customers as per the applicable delivery terms, and accordingly, revenue is recognised at that point-in-time.

(c) Delivery and Transportation Services

The Group recognises revenue from delivery and transportation services over the period of time when the goods are delivered to the customer destination.

6.4.21.2 Variable Consideration

The Group provides volume rebates to certain customers on the products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Group estimates the expected volume rebate using the "**most likely amount**" method. These estimates are reviewed on a regular basis and updated, if deemed necessary. These estimates are adjusted against revenue with the additional payable amount recorded under accrued and other liabilities. Such payable is de-recognised against a trade receivable at the point in time at which the actual final price is determined.

6.4.22 Cost of Sales

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labour and other attributable overhead costs.

6.4.23 Selling and Distribution Expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group's products and services. All other expenses are classified as general and administrative expenses.

6.4.24 General and Administrative Expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales or selling and distribution expenses. Allocations between general and administrative expenses, selling and distribution expenses and cost of sales, when required, are made on a consistent basis.

6.4.25 Operating Profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes finance costs and income taxes.

6.4.26 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Group.

6.4.27 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance and for which discrete financial information is available.

The Board of Directors of the Group assesses the financial performance and position of the Group and makes strategic decisions. The Board has been identified as being the chief operating decision maker.

Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6.4.28 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

6.4.29 Critical Accounting Estimates and Judgements

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of revenue, costs, assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amount of revenue and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next 12 -month period are discussed below:

6.4.29.1 Useful Lives of Property, Plant and Equipment

The useful lives of property, plant and equipment is estimated for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. The residual value and useful lives are reviewed annually and future depreciation charges are adjusted where useful lives may differ from previous estimates. At year-end, if the useful life increased / decreased by 10 per cent. against the current useful life with all other variables held constant, profit for the year would have been higher or lower by SAR 6.1 million.

6.4.29.2 Allowance for Impairment of Financial Assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. At year-end, if the loss rates increased / decreased by 10 per cent. with all other variables held constant, the profit for the year would have been lower or higher by SAR 1.0 million.

6.4.29.3 Employee Benefit Obligations

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate and salary increment rate. As the Kingdom does not have a deep corporate bonds market, the management has used a proxy discount rate based on yields of the Kingdom Sukuk Bonds rates of the duration equal to the duration of liability. The expected future payments are discounted using market yields at the end of the reporting period of Government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The management uses historical data and salary growth trends in the Kingdom to determine the salary increment rate. See Note 14 for the sensitivity of the assumptions used.

6.4.29.4 Key Accounting Judgements – Goodwill or Bargain Purchase Gain

Acquisition of subsidiaries involve use of judgement in determining the fair value of net assets and liabilities of acquired investees. Measurement of fair value is a significant estimate that involves the use of models and data inputs. The Group engages external consultants to perform fair value assessment of net identifiable assets of subsidiaries on the date of acquisition. The goodwill or bargain purchase gain on the acquisition transaction is initially determined using book value of net assets on the date of acquisition. The Group uses the measurement period exemption of 12 months to finalise the purchase price allocation when the fair value of identified assets including goodwill or bargain purchase gain is determined.

In the prior year, the acquisition of IPIC resulted in a bargain purchase gain. This gain was increased by way of a restatement in these financial statements as a result of finalising the measurement period adjustments. The Company also reassessed all aspects of the transaction as required by IFRS 3 before concluding that this was indeed a bargain purchase. The reasons for this bargain purchase were:

- the acquiree operated in a non-core sector for the sellers and so they were keen to divest;
- at the time that the pricing was negotiated other operations existed within the acquired company (divested before closing of the deal) making it harder to assess the past performance of the business ultimately acquired and leading to a reduced purchase price; and
- it took a significant period of time to negotiate and complete the deal and target working capital and net debt amounts remained unchanged even after the acquiree completed some agreed divestitures, which led to downward adjustments to the purchase price.

The Company is satisfied that all aspects of the business combination have been appropriately identified and accounted for. The bargain purchase is further supported by the fact that consideration was lower than even the book value of net assets acquired and the acquiree has been profitable since purchased.

6.5 Restatement of Financial Information

The following Section set out below should be read together with the audited financial statements for the financial years ended 31 December 2021G, 2022G and 2023G.

The following table presents the reconciliation of the restated figures with the reported figures for the financial years ended 31 December 2021G and 2022G (including the reclassification impact on certain accounts as per 2023G audited financial statements):

Table 6.4: Reconciliation of Restatement of Financial Information of the Group for the Year 2022G

Currency: SAR millions	2022G (Reported)	Adjustment	Restatement	Reclassification	2022G (Restated) [1]
Statement of profit and loss					
Revenue	1,414.7	-	-	-	1,414.7
Cost of sales	(1,227.3)	(2.2)	(31.5)	-	(1,261.0)
Gross profit	**187.4**	**(2.2)**	**(31.5)**	**-**	**153.7**
Selling and distribution expenses	(50.5)	(0.3)	31.5	-	(19.3)
General and administrative expenses	(68.7)	(0.6)	1.2	-	(68.1)
Allowance for impairment of trade receivables	(1.5)	-	-	-	(1.5)
Fair value losses on financial assets	-	-	(1.9)	-	(1.9)
Bargain purchase gain on acquisition of a subsidiary	-	12.4	-	2.4	14.8
Other income - net -net	3.5	-	(0.9)	(2.4)	0.2
Operating profit	**70.2**	**9.4**	**(1.6)**	**-**	**78.0**
Finance costs	(5.0)	-	1.5	-	(3.6)
Profit before zakat and income tax	**65.2**	**9.4**	**(0.2)**	**-**	**74.4**
Zakat expense	(2.3)	-	-	-	(2.3)
Income tax	(2.6)	-	-	-	(2.6)
Net profit for the year	**60.3**	**9.4**	**(0.2)**	**-**	**69.5**

Source: Financial statements and Management information.

(1) Reported in 2023G Consolidated financial statements.

Table 6.5: Reconciliation of Restatement of Financial Position of the Group for the Year 2022G

Currency: SAR millions	2022G (Reported)	Adjustment	Restatement	Reclassification	31 December 2022G (Restated) [(1)]
Property, plant and equipment	337.4	10.3	-	-	347.7
Goodwill	38.2	-	-	-	38.2
Right-of-use assets	11.5	-	1.0	-	12.5
Deferred tax assets	6.0	(0.9)	-	-	5.0
Intangible assets	0.3	-	-	-	0.3
Total non-current assets	**393.4**	**9.4**	**1.0**	**-**	**403.8**
Inventories	240.6	-	-	-	240.6
Trade receivables	210.7	-	-	-	210.7
Advances, prepayments and other receivables	26.7	-	(0.1)	-	26.6
Cash and cash equivalents	10.1	-	-	-	10.1
Total current assets	**488.1**	**-**	**(0.1)**	**-**	**487.9**
Total assets	**881.5**	**9.4**	**0.8**	**-**	**891.7**
Share capital	200.0	-	-	-	200.0
Retained earnings	158.2	9.4	(0.2)	-	167.4
Statutory reserve	60.0	-	-	-	60.0
Total equity	**418.2**	**9.4**	**(0.2)**	**-**	**427.4**
Employee benefit obligations	54.2	-	-	-	54.2
Lease liabilities	14.8	-	1.0	-	15.8
Trade payables	176.1	-	-	-	176.1
Short term borrowings	139.7	-	-	-	139.7
Accrued and other liabilities	72.0	-	-	-	72.0
Zakat and tax payable	6.5	-	-	-	6.5
Total liabilities	**463.3**	**-**	**1.0**	**-**	**464.3**
Total liabilities and equity	**881.5**	**9.4**	**0.8**	**-**	**891.7**

Source: Financial statements.

(1) Reported in 2023G consolidated audited financial statements.

6.6 Summary of Financial Information and Key Performance Indicators

The selected financial information and key performance indicators of the Group set out below should be read together with the audited financial statements for the financial years ended 31 December 2021G, 2022G and 2023G, and the three-month and six-month periods ended 30 June 2024G.

6.6.1 Summary of Financial Information of the Group

The following table presents the summary of financial information of the Group as of and for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.6: Summary of Financial Information of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Statement of other comprehensive income								
Revenue	1,049.6	1,414.7	1,361.8	34.8%	(3.7%)	689.1	670.7	(2.7%)
Cost of sales	(941.6)	(1,261.0)	(1,077.5)	33.9%	(14.6%)	(540.5)	(536.9)	(0.7%)
Gross profit	**108.0**	**153.7**	**284.3**	**42.3%**	**85.0%**	**148.6**	**133.8**	**(10.0%)**
Selling and distribution expenses	(43.1)	(19.3)	(23.4)	(55.2%)	21.2%	(10.8)	(13.2)	22.2%
General and administrative expenses	(59.6)	(68.1)	(85.7)	14.3%	25.8%	(41.7)	(45.1)	8.2%
Fair value losses on financial assets	-	(1.9)	(2.8)	100.0%	47.4%	(1.4)	(1.3)	(7.1%)
Allowance for impairment of trade receivables	(0.7)	(1.5)	(0.8)	114.3%	(46.7%)	(0.4)	(0.7)	75.0%
Bargain purchase gain on acquisition of a subsidiary	-	14.8	-	100.0%	(100.0%)	-	-	-
Other income - net	4.3	0.2	3.0	(95.3%)	1,400.0%	0.7	0.5	(28.6%)
Operating profit	**8.9**	**78.0**	**174.7**	**776.4%**	**124.0%**	**94.9**	**74.1**	**(21.9%)**
Finance costs	(2.3)	(3.6)	(7.7)	56.5%	113.9%	(4.2)	(1.8)	(57.1%)
Profit before zakat and income tax	**6.6**	**74.4**	**166.9**	**1,027.3%**	**124.3%**	**90.8**	**72.2**	**(20.5%)**
Zakat expense	(1.6)	(2.3)	(3.8)	43.8%	65.2%	(1.9)	(2.1)	10.5%
Income tax	2.1	(2.6)	(6.4)	(223.8%)	146.2%	(5.2)	(7.4)	42.3%
Net profit for the year	**7.0**	**69.5**	**156.7**	**892.9%**	**125.5%**	**83.6**	**62.7**	**(25.0%)**
Other comprehensive income								
Net profit for the year	**7.0**	**69.5**	**156.7**	**892.9%**	**125.5%**	**83.6**	**62.7**	**(25.0%)**
Item that will be reclassified to profit or loss:								
Exchange differences on translation of foreign operations [1]	-	-	(0.5)	-	(100.0%)	-	(0.0)	0.0%
Item that will not be reclassified to profit or loss:								
Remeasurement (loss)/ gain on employee benefit obligations	2.7	6.8	(2.0)	151.9%	(129.4%)	-	-	-
Deferred tax relating to remeasurement (loss) / gain	(0.2)	(0.4)	0.1	100.0%	125.0%	-	-	-

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Total comprehensive income for the year	**9.6**	**75.9**	**154.3**	**690.6%**	**103.3%**	**83.6**	**62.7**	**(25.0%)**
Summary of the statement of financial position								
Total equity	**376.5**	**427.4**	**482.1**	**13.5%**	**12.8%**	**511.0**	**544.8**	**13.0%**
Total non-current assets	385.8	403.8	478.7	4.7%	18.5%	389.4	455.4	(4.9%)
Total current assets	389.2	487.9	447.1	25.4%	(8.4%)	514.1	501.8	12.2%
Total assets	**775.0**	**891.7**	**925.8**	**15.1%**	**3.8%**	**903.5**	**957.2**	**3.4%**
Total non-current liabilities	58.6	63.2	106.3	7.8%	68.2%	65.7	104.3	(1.9%)
Total current liabilities	340.0	401.2	337.3	18.0%	(15.9%)	326.8	308.1	(8.7%)
Total liabilities	**398.5**	**464.3**	**443.7**	**16.5%**	**(4.4%)**	**392.5**	**412.42**	**(7.1%)**
Total equity and liabilities	**775.0**	**891.7**	**925.8**	**15.1%**	**3.8%**	**903.5**	**957.2**	**3.4%**
Summary of the statement of cash-flows								
Net cash inflow from operating activities	17.9	13.6	323.8	(24.0%)	2,280.9%	162.4	81.0	(50.1%)
Net cash (outflow) from investing activities	(27.5)	(54.8)	(84.3)	99.3%	53.8%	(67.8)	(48.0)	(29.1%)
Net cash (outflow) / inflow from financing activities	11.6	37.8	(218.8)	225.9%	(678.8%)	(96.9)	(34.1)	(64.8%)
Cash and cash equivalents at the beginning of the year	10.8	12.8	10.1	18.5%	(21.1%)	10.1	30.6	203.0%
Cash and cash equivalents of an acquired subsidiary	-	0.6	-	100.0%	(100.0%)	-	-	-
Cash and cash equivalents at the end of the year	**12.8**	**10.1**	**30.6**	**(21.1%)**	**203.0%**	**7.8**	**29.5**	**278.2%**
Key Performance Indicators								
Corrugated cartons capacity (thousand tons per annum / period)	381	381	381	-	-	190.5	190.5	-
Corrugated average utilisation	78.2%	76.9%	80.1%	(1.4) ppt	3.2 ppt	77.8%	84.2%	6.4 ppt
Folding cartons capacity (thousand tons per annum / period)	20.2	20.2	20.2	-	-	10.1	10.1	-
Folding cartons average utilisation	N/A	70.2%	77.7%	70.2 ppt	7.5 ppt	75.9%	50.9%	(25.0%) ppt
Pulp capacity (thousand tons per annum / period)	2.2	2.2	2.2	-	-	1.1	1.1	-
Pulp cartons average utilisation	N/A	77.4%	69.7%	77.4 ppt	(7.7) ppt	N/A	N/A	N/A
Containerboard cartons capacity (thousand tons per annum / period)	70	70	70	-	-	35.0	35.0	-
Containerboard average utilisation	94.7%	93.4%	94.3%	(1.3) ppt	0.9 ppt	92.5%	98.1%	5.6 ppt
Gross profit margin	10.3%	10.9%	20.9%	0.6 ppt	10.0 ppt	21.6%	20.0%	(1.6) ppt
Operating profit margin	0.8%	5.5%	12.8%	4.7 ppt	7.3 ppt	13.8%	11.0%	(2.8) ppt
Net profit margin	0.7%	4.9%	11.5%	4.2 ppt	6.6 ppt	12.1%	9.4%	(2.7) ppt

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Return on average capital employed (ROACE) (2)	1.6%	13.7%	29.0%	11.1 ppt	15.3 ppt	N/A	22.7%	22.7 ppt
Current ratio	1.1	1.2	1.3	9.1%	8.3%	N/A	1.7	100%
Total assets to total liabilities(3)	1.9	1.9	2.1	0.0%	10.5%	N/A	2.3	100%
Cash conversion cycle (CCC) (4)	50	71	43	42.0%	(39.4%)	N/A	53	100%
Adjusted total debt to total equity (5)	0.19	0.33	0.06	73.7%	(81.8%)	N/A	-	N/A
Return on assets (6)	0.9%	7.8%	16.9%	6.9 ppt	9.1 ppt	N/A	6.6%	100%
Return on equity (7)	1.9%	16.3%	32.5%	14.4 ppt	16.2 ppt	N/A	11.5%	N/A

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management and Group's information.

(1) Exchange differences on translation of foreign operations were SAR 8 thousand in the period ended 30 June 2024G.

(2) ROACE for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G is calculated as net profit for the year / (average net debt (calculated as: net debt at the end of the current financial year + net debt at the end of the previous financial year) / 2 + average total equity (calculated as: total equity at the end of the current financial year + total equity at the end of the previous financial year) / 2).

(3) Total assets to total liabilities is calculated as total assets divided by total liabilities as of the end of the financial year.

(4) Cash conversion cycle is defined as DSO + DIO – DPO.

(5) Adjusted total debt to total equity is calculated as adjusted total debt (comprising total current and non-current borrowings) divided by total equity as of the end of the financial year.

(6) Return on assets is calculated based on net profit for the year divided by total assets (as of the end of the financial year).

(7) Return on equity is calculated based on net profit for the year divided by total equity as of the end of the financial year).

Ppt: percentage point

Table 6.7 and Table 6.8 in section 6 (*Management Discussion and Analysis of Financial Condition and Results of Operations*) for the calculation of the remaining disclosed KPIs above.

6.7 Result of Operations of the Group

6.7.1 Statement of Profit or Loss and Other Comprehensive Income Data of the Group

The following table presents the Group's statements of Profit and Loss and other comprehensive income data for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.7: Statement of Profit or Loss and Other Comprehensive Income Data for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Revenue	1,049.6	1,414.7	1,361.8	34.8%	(3.7%)	689.1	670.7	(2.7%)
Cost of sales (1)	(941.6)	(1,261.0)	(1,077.5)	33.9%	(14.6%)	(540.5)	(536.9)	(0.7%)
Gross profit	**108.0**	**153.7**	**284.3**	**42.3%**	**85.0%**	**148.6**	**133.8**	**(10.0%)**
Selling and distribution expenses (1)	(43.1)	(19.3)	(23.4)	(55.2%)	21.2%	(10.8)	(13.2)	22.4%
General and administrative expenses	(59.6)	(68.1)	(85.7)	14.3%	25.8%	(41.7)	(45.1)	8.2%
Allowance for impairment of trade receivables	(0.7)	(1.5)	(0.8)	114.3%	(46.7%)	(0.4)	(0.7)	75.0%
Impairment losses of financial assets						(0.4)	(0.7)	75.0%

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Fair value losses on financial assets	-	(1.9)	(2.8)	(100.0%)	47.4%	(1.4)	(1.3)	(7.0%)
Bargain purchase gain on acquisition of a subsidiary	-	14.8	-	100.0%	(100.0%)	-	-	0.0%
Other income - net [1]	4.3	0.2	3.0	(95.3%)	1,400.0%	0.7	0.5	(28.6%)
Operating profit	**8.9**	**78.0**	**174.7**	**776.4%**	**124.0%**	**94.9**	**74.1**	**(21.9%)**
Finance costs	(2.3)	(3.6)	(7.7)	56.5%	113.9%	(4.2)	(1.8)	(57.1%)
Profit before zakat and income tax	**6.6**	**74.4**	**166.9**	**1,027.3%**	**124.3%**	**90.8**	**72.2**	**(20.5%)**
Zakat expense	(1.6)	(2.3)	(3.8)	43.8%	65.2%	(1.9)	(2.1)	10.5%
Income tax	2.1	(2.6)	(6.4)	(223.8%)	146.2%	(5.2)	(7.4)	42.31%
Net profit for the year	**7.0**	**69.5**	**156.7**	**892.9%**	**125.5%**	**83.6**	**62.7**	**(25.0%)**
Other comprehensive income								
Net profit for the year	**7.0**	**69.5**	**156.7**	**892.9%**	**125.5%**	**83.6**	**62.7**	**(25.0%)**
Items that will be reclassified to profit or loss:								
Exchange differences on translation of foreign operations [5]	-	-	(0.5)	-	(100.0%)	-	(0.0)	0.0%
Items that will not be reclassified to profit or loss:								
Remeasurement gain/ (loss) on employee benefit obligations	2.7	6.8	(2.0)	151.9%	(129.4%)	-	-	-
Deferred tax relating to remeasurement (loss)/gain	(0.2)	(0.4)	0.1	100.0%	(125.0%)	-	-	-
Total comprehensive income for the year	**9.6**	**75.9**	**154.3**	**690.6%**	**103.3%**	**83.6**	**62.7**	**(25.0%)**
KPIs								
Gross profit margin [2]	10.29%	10.86%	20.88%	0.57 ppt	10.01 ppt	21.6%	19.9%	(1.6 ppt)
Operating profit margin [3]	0.85%	5.5%	12.8%	4.67 ppt	7.3 ppt	13.8%	11.0%	(2.8ppt)
Net profit margin [4]	0.67%	4.91%	11.5%	4.25 ppt	6.59 ppt	12.1%	9.4%	(2.8ppt)

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Group information.

(1) Certain reclassifications took place in the consolidated audited financial statements for the financial year ended 31 December 2023G that impacted cost of sales, selling and distribution expenses, finance costs and other income, which were presented differently in the consolidated audited financial statements for the financial year ended 31 December 2023G (and the comparative figures of the financials for the financial year ended 31 December 2022G) than the presentation as per the financial statements for the financial year ended 31 December 2021G audited financial statements. The details are mentioned in the following relevant tables and sections.

(2) Gross profit margin is calculated by dividing the gross profit for the year / period by revenue for the year / period.

(3) Operating profit margin is calculated by dividing the operating profit for the year / period by revenue for the year / period.

(4) Net profit margin is calculated by dividing the net profit for the year / period by revenue for the year / period.

(5) Exchange differences on translation of foreign currency were SAR 8 thousand in the period ended 30 June 2024G.

The following table presents a comparison of the Group's KPIs and operational metrics for the years ended 31 December 2021G, 2022G, and 2023G, and six-month periods ended 30 June 2023G and 2024G of the Group:

Table 6.8: EBITDA for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Net profit for the year	7.0	69.5	156.7	892.9%	125.5%	83.6	62.7	(25.0%)
Add:								
Finance costs	2.3	3.6	7.7	56.5%	113.9%	4.2	1.8	(57.1%)
Zakat expense	1.6	2.3	3.8	43.8%	65.2%	1.9	2.1	10.5%
Income tax	(2.1)	2.6	6.4	(223.8%)	146.2%	5.2	7.4	42.7%
Depreciation	57.5	60.7	70.3	5.6%	15.8%	33.8	36.5	8.0%
Amortisation	2.3	2.0	0.4	(13.0%)	(80.0%)	0.1	0.3	200.0%
Earnings before interest, tax depreciation and amortisation	**68.7**	**140.7**	**245.4**	**104.8%**	**74.4%**	**128.8**	**110.9**	**(14.0%)**
EBITDA margin [(1)]	6.5%	9.9%	18.0%	3.4 ppt	8.1 ppt	18.7%	16.5%	(2.2) ppt
Net debt to EBITDA [(2)]	1.06	1.03	0.2	(3.0%)	(83.0%)	N/A	0.16	N/A

Source: Group information.

(1) EBITDA margin is calculated by dividing the earnings before interest, tax, depreciation and amortisation for the year / period by revenue for the year / period.

(2) The net debt to EBITDA ratio is calculated based on the net debt (which includes the current and non-current portions of borrowings and lease liabilities net of cash and cash equivalents) divided by the earnings before interest, tax, depreciation and amortisation for the year / period.

The following table compares the Company's key performance indicators (on standalone basis) and operational metrics for the years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.9: The Group's Key Performance Indicators and Operational Metrics for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Key performance indicators (KPIs)	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Total approximate production capacity of corrugated cartons plant production (thousand tons per annum / period)	381	381	381	-	-	190.5	190.5	-
Total average utilisation	78.2%	76.9%	80.1%	(1.4) ppt	3.2 ppt	77.8%	84.2%	6.4 ppt
Folding cartons plant approximate production capacity (thousand tons per annum / period)	20.2	20.2	20.2	-	-	10.1	10.1	-
Average utilisation	N/A	70.2%	77.7%	N/A	7.5 ppt	75.9%	50.9%	(25) ppt
Pulp plant approximate production capacity (thousand tons per annum / period)	2.2	2.2	2.2	-	-	1.1	1.1	-
Average utilisation	N/A	77.4%	69.7%	N/A	(7.7) ppt	N/A	N/A	N/A
Containerboard plant approximate production capacity (thousand tons per annum / period)	70	70	70	-	-	35.0	35.0	-
Average utilisation	94.7%	93.4%	94.3%	(1.3) ppt	0.9 ppt	92.5%	98.1%	5.6 ppt

Source: Group information.

(1) Plant 3 is a conversion plant associated with Plant 4.

6.7.1.1 Revenue

Between 2021G and 2023G, the Group generated its revenue from four product categories – corrugated cartons, folding cartons (duplex), pulp and containerboard (paper).

The Group's revenue mainly comprised sales of corrugated products which accounted for 100.0 per cent.in 2021G, 94.1 per cent. in 2022G and 88.9 per cent. in 2023G of total net revenue.

The Group's consolidated revenue increased by SAR 365.1 million or 34.8 per cent., from SAR 1,049.6 million in the year 2021G to SAR 1,414.7 million in 2022G primarily driven by: (i) an increase in corrugated product revenues by SAR 277.1 million as a result of the Company raising sales prices by an average of 29.5 per cent. in response to an increase in the average purchase price of paper by 28.9 per cent. As global paper prices increased during the year; and (ii) an increase in folding carton and pulp sales by SAR 88.0 million in 2022G resulting from the Group acquiring IPIC in March 2022G.

The Group's sales quantity of corrugated remained largely stable between 2021G and 2022G.

Subsequently the revenue declined by SAR 52.9 million or 3.7 per cent., to SAR 1,361.8 million in 2023G mainly due to a decrease in corrugated revenue by SAR 114.1 million, primarily on account of a decrease in sales prices by 12.4 per cent. On average during the year, following a decline in the average cost of paper by 30.5 per cent. during the later part of the year.

The smaller decline in corrugated selling prices as compared to the decline in paper costs was primarily due to greater flexibility by the Group in negotiating prices with its key customers during periods of declining global paper prices, as well as a time lag of up to six months between changes in the global paper prices and the corresponding change in the corrugated selling prices.

The decline was partially offset by: (i) an increase in volumes sold in 2023G (by 4.2 per cent. compared to 2022G) across multiple segments, including food, juice, confectionery and sweets and other segments; (ii) the Group's acquisition of UPIC in 2023G, which resulted in the Group generating paper revenue of SAR 42.2 million during the year; and (iii) an increase in folding carton and pulp revenue by SAR 20.6 million which was driven by the full year revenue generated from IPIC as compared to 2022G where the Group generated folding carton and pulp revenue beginning from March 2022G (the acquisition date of IPIC).

Revenue decreased by SAR 18.4 million or 2.7 per cent. from SAR 689.1 million in the six-month period ended 30 June 2023G to SAR 670.7 million in the six-month period ended 30 June 2024G mainly due to (i) a decrease in revenue from corrugated products by SAR 57.0 million driven by a decrease in average selling prices (by 16.3 per cent. on average) as a result of the decrease in average paper costs (by 20.5 per cent.,) (ii) a decrease in folding cartons and pulp revenue from SAR 57.4 million in the six-month period ended 30 June 2023G to SAR 41.1 million in the six-month period ended 30 June 2024G due to a fire incident at one of IPIC's production halls during February 2024G. This led to a decrease in revenue for the months of February and March 2024G In addition to the decrease in the average selling price per ton of corrugated carton by 9.5 per cent. and a decrease in sales volume by 32.0 per cent.

This decrease was partially offset by (i) an increase in sales volumes of corrugated products revenue by 8.3 per cent. across multiple segments including water, food stuff, laundry and healthcare, and others and (ii) the acquisition of UPIC during July 2023G, which contributed revenue of SAR 55.2 million in the six-month period ended 30 June 2024G.

6.7.1.2 Cost of Sales

Cost of sales predominantly comprised material costs (mainly paper) which, on average, accounted for 78.1 per cent. of the cost of sales between 2021G and 2023G. Other components of cost of sales included employee cost (8.4 per cent. of cost of sales on average), depreciation (4.8 per cent. of cost of sales on average) and other expenses.

Cost of sales of the Company contributed 100.0 per cent. in 2021G, 94.0 per cent. in 2022G and 87.7 per cent. in 2023G to the consolidated cost of sales. The combined costs of IPIC and UPIC comprised 6.2 per cent. and 12.5 per cent. (excluding the elimination entries) of the Group cost of sales in 2022G and 2023G, respectively.

The Group's cost of sales increased by SAR 319.4 million or 33.9 per cent., from SAR 941.6 million in the year 2021G to SAR 1,261.0 million in 2022G primarily driven by: (i) an increase in the cost of corrugated products by SAR 214.5 million in 2022G, as a result of the increase in paper costs by 28.0 per cent. During the year driven by supply chain disruptions and rising energy prices; (ii) costs incurred in the amount of SAR 76.8 million for the post acquisition period by IPIC which was acquired by the Group during 2022G; and (iii) reclassifying delivery costs from selling and distribution expenses of SAR 31.5 million starting from 2022G.

Consolidated cost of sales subsequently declined by SAR 183.5 million or 14.6 per cent., to SAR 1,077.5 million in 2023G, primarily on account of a decline in the cost of corrugated products by SAR 240.0 million, driven by a 28.9 per cent. decline in paper costs during the year, as the global paper prices started to gradually ease in the second half of 2022G and continued to decline in 2023G.

This decline in costs was partially offset by: (i) an increase of SAR 39.8 million, related to the cost of sales of UPIC that was acquired during 2023G; and (ii) an increase of SAR 13.4 million in the cost of sales of IPIC, representing the full year impact of the costs as IPIC was acquired in March 2022G.

Cost of sales decreased by SAR 3.6 million or 0.7 per cent. from SAR 540.5 million in the six-month period ended 30 June 2023G to SAR 536.9 million in the six-month period ended 30 June 2024G driven by the decrease in costs of corrugated products by SAR 45.2 million. This was mainly due to a 20.2 per cent. decline in paper costs, as global paper prices started to decrease before stabilising between December 2023G and the beginning of 2024G. Additionally, the cost of sales of IPIC decreased from SAR 50.0 million to SAR 40.4 million during the same period, as a result of the decrease in paper prices and the volume of quantities sold.

However, there was an increase by SAR 39.8 million in cost of sales related to UPIC due to the full year impact, which was acquired in July 2023G.

6.7.1.3 Gross Profit

The Group's gross profit margins increased from 10.3 per cent. in the year 2021G to 10.9 per cent. in 2022G, mainly on account of the improved standalone profitability of the Company (11.0 per cent. in 2022G compared to 10.3 per cent. in 2021G), as the Group benefited from increased selling prices while delivering largely the same quantity of corrugated which kept the cost components other than the raw materials (i.e., depreciation, repairs and maintenance, salaries and utilities) relatively stable compared to 2021G, offset by the impact of the reclassification of selling and distribution expenses of SAR 31.5 million in 2022G.

In 2023G, the Group's gross margins further increased to 20.9 per cent., primarily due to an increase in the Company's standalone profitability, due to the decrease in paper cost per ton (by 30.5 per cent. compared to 2022G) being higher than the 12.5 per cent. decline in selling prices which started to decrease gradually from February 2022G. In addition, the cyclical nature of the commodity as well as product demand also impacted as demand is generally higher in certain seasons such as Summer, Ramadan, Hajj and back to school.

The declining paper prices during 2023G granted the Group more headroom in setting selling price with key customers. In addition, there is usually a time lag of up to six months between the change in the paper costs and the corresponding change in the selling prices.

Gross margin decreased from 21.6 per cent. in the six-month period ended 30 June 2023G to 20.0 per cent. in the six-month period ended 30 June 2024G primarily due to a decrease in IPIC's gross margin, where its revenues declined by 29.0 per cent. which offset the decrease in cost of revenue (27.4 per cent.). This was a result of the fire incident, where an additional cost of SAR 1.1 million related to outsourcing of the customers' orders as per the agreed delivery time. Additionally, the acquisition of UPIC, which had a lower gross margin of 9.2 per cent. in the six-month period ended 30 June 2024, also contributed to the overall decrease in gross margin for the period.

This was partly offset by an increase in the parent company's gross margin, which increased from 22.3 per cent. in the six-months period ended 30 June 2023G to 22.5 per cent. in the six-months period ended 30 June 2024G.

6.7.1.4 Selling and Distribution Expenses

Selling and distribution expenses mainly comprised delivery costs (only in 2021G before being reclassified in 2022G onwards to cost of sales amounting to SAR 31.5 million) and employee costs which contributed 32.3 per cent. in the year 2021G, while increased to comprise 86.7 per cent. in the year 2022G and 75.9 per cent. of the total in 2023G.

The Group's selling and distribution expenses decreased by SAR 23.8 million or 55.2 per cent., from SAR 43.1 million in the year 2021G to SAR 19.3 million in 2022G, mainly due to: (i) reclassification delivery costs of SAR 31.5 million incurred in 2022G to cost of sales; (ii) an increase in employee costs by SAR 2.8 million; (iii) an increase in sales commission by SAR 0.6 million, which was not awarded in 2021G due to non-achievement of certain key performance indicators; and (iv) an increase of SAR 3.4 million, related to the expenses incurred by the parent company as a result of its acquisition of IPIC during the year 2022G.

In 2023G, the Group's selling and distribution expenses increased by SAR 4.1 million or 21.2 per cent., to SAR 23.4 million, due to: (i) an increase in travelling expenses by SAR 1.8 million, due to travel resuming post COVID-19 and increased travel to the United Arab Emirates following the acquisition of UPIC; and (ii) an increase of SAR 1.3 million and SAR 2.7 million from IPIC and UPIC, respectively, related to the impact of mid-year acquisition of these subsidiaries.

Selling and distribution expenses increased by SAR 2.4 million or 22.4 per cent. from SAR 10.8 million in the six-month period ended 30 June 2023G to SAR 13.2 million in the six-month period ended 30 June 2024G due to an increase in employee costs by 11.5 per cent. and delivery costs by SAR 0.9 million pertaining to UPIC as a result of the acquisition in July 2023G.

6.7.1.5 General and Administrative Expenses

The Group's general and administrative expenses primarily comprised employee costs which, on average, represented 65.9 per cent. of the total general and administrative expenses between 2021G and 2023G. Other general and administrative expenses included staff-related expenses (which contributed to an average of 9.6 per cent. of total general and administrative expenses), depreciation of assets (which contributed to an average of 5.8 per cent. of total general and administrative expenses), licences and software maintenance (which contributed to an average of 7.1 per cent. of general and administrative expenses) and other expenses.

The Group's general and administrative expenses increased by SAR 8.5 million or 14.3 per cent., from SAR 59.6 million in the year 2021G to SAR 68.1 million in 2022G mainly due to: (i) a SAR 1.6 million reversal of ticket expense accrual in the year 2021G due to limited travel due to COVID-19, an increase in vacation benefits by SAR 1.0 million in 2022G; (ii) an increase in professional fees by SAR 1.9 million mainly in relation to acquisition of IPIC; (iii) an increase in repair and maintenance expenses by SAR 1.2 million for administrative areas of its plants, due to roof repairs at Plant 1 and renovations at Plants 2 and 4; and (iv) the impact of the IPIC acquisition (in addition to the impact of professional fees mentioned above), which incurred SAR 3.9 million of general and administrative expenses during the year.

In 2023G, the Group's general and administrative expenses further increased by SAR 17.6 million or 25.8 per cent., to SAR 85.7 million mainly attributable to: (i) an increase in bonuses and incentives by SAR 3.6 million due to improved performance in 2022G compared to 2021G; (ii) an increase in basic salaries by SAR 1.9 million, driven by salary increments; (iii) an increase in medical expenses by SAR 1.2 million which include the impact of increase in insurance premium due to certain enhanced limits and benefits as per the council of cooperative health insurance; (iv) an increase in end of service benefits by SAR 0.9 million on account of lower discount rates applicable for the purpose of the end of service benefits calculation; (v) an increase of SAR 4.2 million related to the expenses of IPIC; and (vi) an increase of SAR 1.2 million related to the general and administrative expenses UPIC, which was acquired during 2023G.

General and administrative expenses increased by SAR 3.4 million or 8.0 per cent. from SAR 41.7 million in the six-month period ended 30 June 2023G to SAR 45.1 million in the six-month period ended 30 June 2024G due to an increase in employees cost by 4.5 per cent., professional fees by SAR 1.3 million, primarily related to the professional fees for the acquisition of another company during 2024G.

6.7.1.6 Provision for Impairments of Trade Receivables

The Group applies the simplified approach to measure expected credit losses under IFRS 9. The Group uses a provision matrix to estimate the lifetime expected credit losses, applying provision rates to respective aging buckets. The provision matrix was developed considering the probability of default and loss given default, which are derived from the historical data of the Group and are adjusted to reflect the expected future outcome.

The Group's allowance for impairment of trade receivables was primarily related to the Company, which accounted for SAR 0.7 million in the year 2021G, SAR 1.4 million in 2022G and SAR 0.8 million in 2023G, contributing 100.0 per cent., 93.1 per cent. and 100.0 per cent., respectively, of the Group's total impairment allowances expense.

The movement in the allowance for trade receivables between 2021G and 2023G was primarily driven by the change of the ageing profile of the Company trade receivables as well as the amounts of receivables, driven by revenue movement, which was in line with the changes in average sale prices leading to higher provision in 2022G and 2023G.

During the years between 2021G and 2023G, over 90.0 per cent. of the parent company's trade receivables were either not due or aged less than 90 days, as of 2023.The Group recognised a general provision for the allowance for trade receivables of SAR 0.7 million during the first half of 2024G (SAR 0.4 million during the first half of 2023G), which primarily includes a provision for the parent company of SAR 0.6 million and IPIC of SAR 0.1 million, calculated in accordance with the requirements of International Accounting Standards.

6.7.1.7 Finance Cost

Finance costs comprised finance cost on short-term borrowings, expenses related to Loss on de-recognition of financial instrument (presented within finance costs in 2021G before being reclassified from finance costs to be presented separately in the income statement starting from 2022G), finance cost on lease liabilities and bank charges.

Finance costs increased by SAR 1.3 million or 56.5 per cent., from SAR 2.3 million in the year 2021G to SAR 3.6 million in 2022G mainly due to: (i) an increase in the parent company's finance cost related to short term borrowings, driven by an increase in the utilisation of the parent company funded facilities in 2022G and an increase in the effective financing rates, which increased from 1.0 per cent. at 31 December 2021G to 6.0 per cent. as of 31 December 2022G, (ii) an increase of SAR 0.5 million, related to the finance cost of acquiring IPIC during 2022G; (iii) offset by reclassifying SAR 1.9 million related to non-recourse receivables discounting from 2022G and onwards.

In 2023G, finance costs further increased by SAR 4.1 million or 113.9 per cent., to SAR 7.7 million mainly due to: (i) an increase of the parent company's finance cost related to short term borrowings by SAR 0.7 million, primarily driven by the full year impact of the SAMA repo rate increase in 2022G; (ii) an increase of SAR 2.9 million in IPIC finance costs on short-term borrowings, mainly due to SAMA repo rate increase; and (iii) an increase of SAR 0.5 million, related to the finance cost of (mainly related to right of use assets) of UPIC, which was acquired in 2023G.

Finance costs decreased by SAR 2.3 million or 57.1 per cent. from SAR 4.2 million in the six-month period ended 30 June 2023G to SAR 1.8 million in the six-month period ended 30 June 2024G, as a result of settling all the short-term borrowings for IPIC during the first half of 2024G. This reduction was partially offset by a slight increase of SAR 0.5 million representing the finance costs associated with UPIC.

6.7.1.8 Other Income

Other income included gains on sales of fixed assets, reversal of impairment on property, plant and equipment and inventory (presented within other income in 2021G before being reclassified from other income to be cost of sales in the income statement starting from 2022G) and other miscellaneous income.

Other income decreased by SAR 4.1 million or 95.3 per cent., from SAR 4.3 million in the year 2021G to SAR 0.2 million in 2022G as the property, plant and equipment and inventories impairment reversals of SAR 2.8 million and SAR 0.8 million respectively booked in 2021G were reclassified to be part of cost of sales starting from 2022G.

In 2023G, other income increased by SAR 2.8 million or 1,400.0 per cent., to SAR 3.0 million supported by gains related to sale of scrap items of SAR 1.1 million and property, plant and equipment of SAR 0.9 million, respectively.

Other income decreased by SAR 0.2 million or 28.6 per cent. from SAR 0.7 million in the six-month period ended 30 June 2023G to SAR 0.5 million in the six-month period ended 30 June 2024G as a result of selling property, plant, and equipment items at a loss of SAR 0.1 million (compared to gains of SAR 0.4 million in six-month period ended 30 June 2023G), while miscellaneous revenue increased by SAR 0.2 million during the same period.

6.7.2 Revenue

Revenue is measured based on the considerations specified in orders and contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, including goods made to customer specifications.

For orders and contracts that permit the customer to return an item, revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data.

Certain customers are eligible for volume rebates once their purchases during the period exceed a threshold specified in respective contracts. The Group's rebates are accrued on a monthly basis.

The following table represents the Group's revenue by entity for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.10: Revenue Breakdown by Entity for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G:

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Parent company's revenue	1,049.6	1,331.1	1,214.7	26.8%	(8.7%)	632.9	575.4	(9.1%)
IPIC revenue	-	88.0	108.6	100.0%	23.4%	58.1	41.1	(29.3%)
UPIC revenue	-	-	42.2	N/A	100.0%	-	55.2	100.0%
Elimination entries	-	(4.5)	(3.6)	(100.0%)	(20.0%)	(1.9)	(1.0)	(47.4%)
Net consolidated revenue	**1,049.6**	**1,414.6**	**1,361.9**	**34.8%**	**(3.7%)**	**689.1**	**670.7**	**(2.7%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G, and Management information.

The following table compares the Group's revenue by product for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.11: Revenue Breakdown by Product for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Corrugated products	1,049.6	1,331.1	1,214.7	26.8%	(8.7%)	632.9	575.4	(9.1%)
Folding carton and Pulp	-	88.0	108.6	100.0%	23.4%	58.1	41.1	(29.3%)
Containerboard (paper)	-	-	42.2	N/A.	100.0%	-	55.2	100.0%
Elimination entries	-	(4.5)	(3.6)	(100.0%)	(20.0%)	(1.9)	(1.0)	(47.4%)
Total revenue	**1,049.6**	**1,414.6**	**1,361.9**	**34.8%**	**(3.7%)**	**689.1**	**670.7**	**(2.7%)**
As a % of revenue								
Corrugated products	100.0%	94.1%	89.2%	(5.9) ppt	(4.9) ppt	91.8%	85.8%	(6.1ppt)
Folding carton and Pulp	-	6.2%	8.0%	6.2 ppt	1.8 ppt	8.4%	6.1%	(2.2 ppt)
Containerboard (paper)	-	-	3.1%	-	3.1 ppt	-	8.2%	8.2ppt
Elimination entries	-	(0.3%)	(0.3%)	(0.3 ppt)	0.1 ppt	(0.3%)	(0.1%)	0.1 ppt

Source: Group information.

6.7.2.1 Corrugated Products

Corrugated products, which are produced and sold by the Company, generated the majority of the Group sales between 2021G and 2023G, contributing 100.0 per cent. in the year 2021G, 94.1 per cent. in 2022G and 89.2 per cent. in 2023G to the Group's consolidated revenue.

Corrugated containers product portfolio comprises the following key product groups:

- regular and half slotted containers;
- die cut containers are produced with the use of a rotary die cutting machine and include two subcategories, wraparound containers and other die cut products;
- high graphics containers;
- stitched containers; and
- corrugated products with very high quality digitally printed images, such as point of sales displays, counter-top displays, pallet displays, etc.

The Group's top three product categories, which included regular slotted containers, die cut products and wraparound containers, contributed 79.5 per cent., on average, to the overall gross revenue of the Company between 2021G and 2023G.

Corrugated product revenue increased by SAR 281.5 million or 26.8 per cent., from SAR 1,049.6 million in the year 2021G to SAR 1,331.1 million in 2022G, as the average revenue per ton sold increased across all product groups. The overall average revenue per ton sold increased by 29.5 per cent. in 2022G, in line with the global paper prices.

Corrugated carton product revenue subsequently decreased by SAR 116.4 million or 8.7 per cent., to SAR 1,214.7 million in 2023G following a drop in the average cost of paper by 30.5 per cent. Smaller decrease in selling price as compared to the decrease in paper cost per ton was primarily due to a greater flexibility of the Company in negotiating pricing with its key customers during periods of declining global paper prices, as well as a time lag of up to six months between changes in the paper prices and the corresponding change in the selling price.

This was marginally offset by an increase in volumes sold by approximately 4.2 per cent. in 2023G as compared to 2022G.

Corrugated product net revenue decreased by SAR 57.5 million or 9.1 per cent. from SAR 632.9 million in the six-month period ended 30 June 2023G to SAR 575.4 million in the six-month period ended 30 June 2024G, driven by the decrease in average selling prices by 16.0 per cent., following the decrease in average paper costs by 20.2 per cent. per ton sold. This decrease was offset by an increase in sales volume by 8.3 per cent. across various sectors. Furthermore, the flexibility the Group has in negotiating pricing with its key customers during periods of declining global paper prices helped maintain higher average sale prices.

The following table represents the corrugated gross revenue by key market segments for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.12: Corrugated Revenue Breakdown Key Market Segments for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G:

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Water	239.7	346.4	282.7	44.5%	(18.4%)	156.3	134.3	(14.1%)
Food	178.0	223.7	215.6	25.7%	(3.6%)	107.8	101.6	(5.8%)
Laundry and healthcare	135.1	172.5	146.6	27.7%	(15.1%)	74.0	65.6	(11.4%)
Industrial products	75.8	94.7	82.2	24.9%	(13.2%)	44.2	36.5	(17.4%)
Dairy	46.1	65.7	61.5	42.5%	(6.4%)	31.8	29.2	(8.2%)
Other	387.2	447.3	449.1	15.5%	0.4%	225.5	211.4	(6.3%)
Total gross revenue	**1,061.8**	**1,350.4**	**1,237.6**	**27.2%**	**(8.3%)**	**639.6**	**578.6**	**(9.5%)**

Source: Group information.

(1) Price impact is calculated as the change in selling price multiplied by prior year's volume.

(2) Volume impact is calculated as the change in volumes multiplied by current year's price.

(3) The above table represents the gross revenue before discounts and rebates and does not include contract assets balances.

(a) Water

Water contributed 23.7 per cent. on average to the overall gross revenue of the Company between 2021G and 2023G. Key products sold to customers in this segment included wraparound containers, which saw its share increase from 66.9 per cent. in 2021G to 76.5 per cent. in 2023G and die cutting, which revenue share shrank from 27.5 per cent. in 2021G to 18.6 per cent. in 2023G, driven by a change in customer demand. However, the total share of die cut remained relatively stable between 94.4 per cent. and 96.2 per cent.

Water revenue increased from by SAR 106.7 million or 44.6 per cent., SAR 239.7 million in the year 2021G to SAR 346.4 million in 2022G driven by: (i) positive price impact of SAR 89.7 million, as the average price per ton increased by 37.4 per cent.; and (ii) positive volume impact of SAR 17.1 million, due to increase in sales quantities by 5.2 per cent.

Water revenue subsequently decreased by SAR 63.7 million or 18.4 per cent., to SAR 282.7 million in 2023G, driven by: (i) negative price impact of SAR 46.2 million, due to the average sales price per ton decreasing by 13.3 per cent. during the year; and (ii) negative volume effect of SAR 17.6 million, as the total quantities sold decreased by 5.9 per cent., due to a further decrease in quantities sold.

Water revenue decreased by SAR 22.0 million or 14.1 per cent. from SAR 156.3 million in the six-month period ended 30 June 2023G to SAR 134.3 million in the six-month period ended 30 June 2024G, driven by the decrease in average selling price per ton by 20.7 per cent. offset by an increase in sales volume by 8.4 per cent.

(b) Food

Food sector contributed 16.9 per cent. on average to the overall gross revenue of the Company between 2021G and 2023G. Key products sold to the customers in this segment included regular slotted containers (74.3 per cent.), die cut (9.8 per cent.) and wraparound containers (6.2 per cent.).

Food stuff revenue increased by SAR 45.7 million or 25.7 per cent. from SAR 178.0 million in the year 2021G to SAR 223.7 million in 2022G, driven by: (i) positive price impact of SAR 57.3 million, as the average price per ton increased by 32.2 per cent.; and (ii) negative volume impact of SAR 11.6 million, due to a decrease in quantities sold by 4.9 per cent., which was primarily driven by a weaker demand in the food consumer market and increase in selling prices.

Food stuff revenue subsequently decreased by SAR 8.1 million or 3.6 per cent., to SAR 215.6 million in 2023G, driven by: (i) negative price impact of SAR 27.8 million, due to average sales price per ton decreasing by 12.4 per cent. during the period; and (ii) positive volume effect of SAR 19.7 million, resulting from increase in total quantities sold by 10.1 per cent., as the sales volumes bounced back in 2023G, following a decrease in the selling prices.

Food stuff revenue decreased by SAR 6.2 million or 5.8 per cent. from SAR 107.8 million in the six-month period ended 30 June 2023G to SAR 101.6 million in the six-month period ended 30 June 2024G, driven by a decrease in average selling price per ton by 18.2 per cent. offset by an increase in sales volume by 15.2 per cent.

(c) Laundry and Healthcare

Laundry and healthcare contributed 12.4 per cent. on average to the overall gross revenue of the Company between 2021G and 2023G. Key products sold to the customers in this segment included regular slotted containers (82.3 per cent.) and high graphic containers (13.4 per cent.).

Laundry and healthcare revenue increased by SAR 37.4 million or 27.7 per cent., from SAR 135.1 million in the year 2021G to SAR 172.5 million in 2022G, driven by: (i) positive price impact of SAR 31.8 million, as the average price per ton increased by 23.6 per cent.; and (ii) positive volume impact of SAR 5.6 million (quantities sold grew by 3.4 per cent.).

Laundry and healthcare revenue subsequently decreased by SAR 25.9 million or 15.1 per cent. to SAR 146.6 million, driven by: (i) negative price impact of SAR 19.8 million, as the average sales price per ton decreased by 11.5 per cent.; and (ii) negative volume effect of SAR 6.2 million (quantities sold decreased by 4.0 per cent.).

The decrease in the quantities sold was primarily driven by the demand dynamics in the respective consumer market, where products like detergents, shampoos, tissues and napkins, toothpaste and other consumer goods saw a decrease in purchases from the end consumers.

Laundry and healthcare revenue decreased by SAR 8.4 million or 11.3 per cent. from SAR 74.0 million in the six-month period ended 30 June 2023G to SAR 65.6 million in the six-month period ended 30 June 2024G, driven by a decrease in average selling prices by 11.8 per cent. while sales volume remained broadly stable.

6.7.2.2 Folding Cartons and Pulp

Folding carton and pulp, sold by IPIC (which was acquired in March 2022G), was 6.2 per cent. in 2022G and 8.0 per cent. in 2023G in the overall Group net revenue.

Folding cartons and pulp revenue increased by SAR 88.0 million or 100.0 per cent., from nil in the year 2021G to SAR 88.0 million in 2022G primarily, as the Company acquired IPIC in 2022G. Hence, there was no comparable revenue.

Folding cartons and pulp revenue further increased by SAR 20.6 million or 23.3 per cent., to SAR 108.6 million in 2023G, as 2023G represented the first full year of operations for IPIC compared to nine months in 2022G.

Folding cartons and pulp revenue decreased by SAR 17.0 million or 29.0 per cent. from SAR 58.1 million in the six-month period ended 30 June 2023G to SAR 41.1 million in the six-month period ended 30 June, as one of the production halls at IPIC was partially damaged by fire incident during February 2024G and the whole plant was out of services for approximately 10 days. As a result, sales volume decreased by 32.0 per cent. Refer to "*Integrated Packaging Industries Company*" section for further details.

6.7.2.3 Containerboard (Paper)

Paper, sold by UPIC (which was acquired in July 2023G), contributed 3.1 per cent. to the Group's total revenue in 2023G.

Paper revenue contributed SAR 42.2 million in 2023G as this represented UPIC revenue for five months (post its acquisition).

Paper revenue was SAR 55.2 million in the six-month period ended 30 June 2024G, while there were no comparative figures during the same period in 2023G, as UPIC was acquired in July 2023G. Refer to "*United Paper Industries Company FZCO*" section for further details.

6.7.3 Cost of Sales

The following table compares the Group's cost of sales for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.13: Cost of Sales Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Materials cost	755.2	1,017.9	789.1	34.8%	(22.5%)	406.7	377.4	(7.2%)
Employees cost	78.3	91.3	102.6	16.6%	12.4%	49.1	49.9	1.6%
Depreciation on property, plant and equipment	47.4	49.7	56.4	4.9%	13.5%	25.6	29.8	16.4%
Utilities	19.1	22.5	39.1	17.8%	73.8%	10.7	32.0	199.1%
Delivery costs [1]	-	31.5	35.8	100.0%	13.7%	17.0	22.1	30.0%
Depreciation on right of use	5.9	5.9	6.3	-	6.8%	2.9	3.1	6.9%
Others	35.7	42.2	48.1	18.2%	14.0%	30.5	23.7	(22.3%)
Elimination entries / adjustments	-	-	-	-	-	(1.9)	(1.0)	(47.4%)
Total cost of sales	**941.6**	**1,261.0**	**1,077.5**	**33.9%**	**(14.6%)**	**540.6**	**537.0**	**(0.7%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G, and Management information.

(1) Delivery costs were reclassified to cost of sales in 2023G (including the comparative figures for 2022G) audited financial statements, which was presented within selling and distribution expenses in 2021G audited financial statements.

Cost of sales predominantly comprised material costs (mainly paper) which, on average, accounted for 78.1 per cent. of the consolidated cost of sales between 2021G and 2023G. Other components of cost of sales included employee cost (8.4 per cent. of cost of sales on average), depreciation of property plant and equipment (4.9 per cent. of cost of sales on average) and other various expenses.

The parent company contributed 100.0 per cent. in 2021G, 94.0 per cent. in 2022G and 87.7 per cent. in 2023G to the Group's consolidated cost of sales. The combined contribution of IPIC and UPIC was 6.2 per cent. in 2022G and 12.6 per cent. in 2023G (excluding the effect of elimination entries).

6.7.3.1 Materials Cost

The Group's material costs comprised costs of paper, other direct materials, scrap sales and other items.

The Group's material costs increased by SAR 262.7 million or 34.8 per cent., from SAR 755.2 million in the year 2021G to SAR 1,017.9 million in 2022G driven by: (i) a surge in global paper prices; and (ii) increase of SAR 53.5 million, related to acquisition of IPIC.

The Group's material costs subsequently declined by SAR 228.8 million or 22.5 per cent., to SAR 789.1 million driven by: (i) the gradual decline of the global paper prices, which started to decrease in the second half of 2022G and during 2023G; and (ii) offset by the increase of SAR 17.7 million related to the impact of mid-year acquisition of UPIC in 2023G.

Material costs decreased by SAR 29.3 million or 7.2 per cent. from SAR 406.8 million in the six-month period ended 30 June 2023G to SAR 377.4 million in the six-month period ended 30 June 2024G mainly due to the gradual decrease in paper costs during 2023G and the first half of 2024G, offset by an increase by SAR 23.9 million related to the full year impact of UPIC's acquisition.

(a) Paper Costs

Paper costs primarily comprised cost of testliner, waste-based fluting, white top testliner, kraftliner and coated duplex.

The Company paper cost movements on a monthly basis broadly followed RISI Germany testliner index (a European benchmark, used by the Company), which consistently increased between the first quarter 2021G and second quarter 2022G. Subsequently, the trend reversed in the second half of 2022G, with prices continuing to decline throughout 2023G and during the first half of 2024G.

However, there was a certain disparity between the average annual movement in RISI TL index and the corresponding annual movements in the average the Company paper cost of all types of paper. The RISI TL index increased by 10.6 per cent. in 2022G and subsequently decreased by 25.8 per cent. in 2023G, while the Company paper cost increased by 29.7 per cent. in 2022G and subsequently increased by 30.5 per cent. in 2023G.

The average movement of RISI TL index decreased by 11.1 per cent. during the first half of 2024G, while the average decrease in cost of paper sold for the company was 22.7 per cent. during the same period.

The price and annual change disparity was primarily due to a different pricing mechanism used for export by the European companies, as RISI TL Germany represents prices in the domestic market. Additionally, the Company also sources paper from local suppliers, whose prices differ from the European market.

(b) Other Direct Materials

Other direct materials included various materials used in the production process and mainly comprised helping materials (mainly starch and glue), inks, pallets and packaging materials.

The cost of other direct materials (on the Company level) increased by 13.3 per cent. in 2022G (as compared to 2021G) and further increased by 5.2 per cent. to SAR 61.5 million in 2023G as a result of the increase in purchase prices of the key components of other direct materials in both periods (i.e. glue, starch, inks and pallets) driven by some of the commodity and petrochemical prices.

Other direct material costs slightly increased by SAR 0.9 million or 1.7 per cent. from SAR 52.5 million in the six-month period ended 30 June 2023G to SAR 53.5 million in the six-month period ended 30 June 2024G mainly due to the increase in purchase costs of certain other direct materials.

(c) Sales of Scrap

Sales of scrap represents the revenue from sales of paper waste generated during the process, which is sold to local paper mills.

On the Company level, the sales price per ton of scrap sold increased by 6.1 per cent., while the average cost of paper consumed increased by 29.7 per cent. The disparity between the increase in sales price of paper waste and the consumed cost of paper was due to the impact of the paper waste export restrictions, imposed by the Kingdom's Government during 2022G.

These restrictions resulted in a surplus of paper waste in the domestic market, consequently resulting in a decline in the sales prices of paper waste. The impact of the increase in quantity of waste sold on the overall paper waste sales in 2022G was largely insignificant.

Scrap sales decreased in 2023G, due to: (i) a decline in quantities sold driven by a reduced paper waste rate (which declined from 15.3 per cent. in 2022G to 13.7 per cent. in 2023G); and (ii) the lower selling price of paper, as combined effect of decreasing global paper prices and the export restrictions drove the paper waste price down during the period.

The paper waste rate was relatively stable at 14.9 per cent. in 2021G and 15.3 per cent. in 2022G, subsequently decreasing to 13.7 per cent. in 2023G. The higher waste rate in 2021G and 2022G was attributed to supply chain disruptions caused by COVID-19, wherein the company remained focused to meet the customer demands which resulted in the Company procuring paper from several suppliers from sources which did not fully meet the required production specifications. In addition, the use of available inventories that were not of the optimal deckle size, paper grammage also resulted in generation of higher waste. Post supply resumption the waste generation reduced to 13.7 per cent.

Scrap sales increased by SAR 1.2 million or 9.2 per cent. from SAR 13.2 million in the six-month period ended 30 June 2023G to SAR 14.4 million in the six-month period ended 30 June 2024G mainly driven by the increase in volumes produced / sold during this period leading to higher waste.

6.7.3.2 Employee Related Costs

Employee cost included staff-related expenses of direct and indirect personnel engaged in production related activities.

In 2022G, employee costs increased by SAR 13.0 million or 16.6 per cent., from SAR 78.3 million in the year 2021G to SAR 91.3 million in 2022G, driven by a mixed effect of: (i) an increase related to IPIC acquisition; (ii) an increase of SAR 1.0 million in vacation benefits, due to accumulation of unused vacation days and salary increment; and (iii) increase of SAR 1.1 million in travel ticket expenses, due to a reversal of ticket expense accrual in previous year. The average number of employees in 2021G and 2022G was 893 and 914, respectively.

In 2023G, employee costs further increased by SAR 11.3 million or 12.4 per cent., to SAR 102.6 million, mainly on account of bonuses and incentives, which increased by SAR 4.6 million due to improved performance of the Company in 2023G in addition to the employees costs related to UPIC employees.

Employee related cost increased by SAR 0.8 million or 1.5 per cent. from SAR 49.1 million in the six-month period ended 30 June 2023G to SAR 49.9 million in the six-month period ended 30 June 2024G mainly due to the decrease in employees' costs under UCIC from SAR 41.4 million in the six-month period ended 30 June to SAR 40.1 million in the six-month period ended 30 June, partially offset by an increase in employees' costs of SAR 3.4 million related to UPIC employees ,as a result of the acquisition in July 2023G.

See Section 6.7.4 (*Employee Related Costs*) for further details regarding staff expenses.

6.7.3.3 Depreciation on Property, Plant and Equipment

Depreciation of property, plant and equipment primarily pertained to the depreciation of machinery & equipment and buildings. The depreciation of property, plant and equipment (on the Company level) decreased by SAR 3.5 million (or 7.4 per cent.) in 2022G and further by SAR 1.0 million (or 2.3 per cent.) in 2023G, as the property, plant and equipment additions were lower as compared to depreciation expense as property, plant and equipment were maintained in a good condition due to the continued maintenance despite certain items being fully depreciated resulting in lower depreciation, while increased by SAR 1.5 million (5.7 per cent.) in the six-month period ended 30 June 2024G.

See Section 6.7.13.1 (*Property, Plant and Equipment*) for further details.

6.7.3.4 Depreciation on Right of Use Assets

Depreciation of right-of-use assets remained largely stable between 2021G and 2023G and the six-month period ended 30 June 2024G and was mainly related to leased land, warehouse and vehicles.

See Section 6.7.13.3 (*Right-of-Use Assets*) for further details.

6.7.3.5 Delivery Cost

Delivery cost represents third-party transportation services for delivering products to customers. The standard delivery terms are delivered-at-place (the seller is responsible for all costs and risks involved in delivering goods to an agreed-upon location). This account was classified to cost of sales starting from 2022G, as it is directly relating to the operations of the business.

Delivery cost increased by SAR 3.3 million or 11.7 per cent., from SAR 28.2 million in the year 2021G to SAR 31.5 million in 2022G, mainly due to: (i) around SAR 1.0 million of waiting charges (the time a delivery transport waits at a customer facility beyond standard time were incurred in prior periods and recovered from a customer in 2021G; and (ii) increase in fuel prices during the period.

Delivery cost further increased by SAR 4.3 million or 13.7 per cent., to SAR 35.8 million in 2023G, primarily due to: (i) increase in quantities sold by 4.2 per cent.; and (ii) full year impact of 2022G fuel price increase.

Delivery costs increased by SAR 5.1 million or 30.2 per cent. from SAR 17.0 million in the six-month period ended 30 June 2023G to SAR 22.1 million in the six-month period ended 30 June 2024G largely driven by the increase in volume of sales in addition to the increase in fuel costs during the first half of 2024G as compared to the same period in 2023G.

6.7.3.6 Others

Other costs included utilities (mainly electricity, water, gas and diesel expenses) and insurance expenses. These remained relatively stable year on year.

6.7.4 Employee Related Costs

The Group operates with various primary functions (such as Operations, Human Resources, etc.) that are allocated to cost of sales and general and administrative expenses, segregated based on the nature of costs.

The following table compares the Group's staff costs based on the allocation by the Company and its subsidiary companies:

Table 6.14: Employee Related Costs for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G Based on the Allocation by the Company and Its Subsidiary Companies

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
UCIC Parent company	130.9	134.8	151.3	3.0%	12.2%	69.5	68.4	(1.6%)
IPIC	-	17.4	23.0	100.0%	32.2%	11.9	10.5	(11.8%)
UPIC	-	-	4.0	N/A	100.0%	N/A	5.2	100.0%
Total employee related costs	**130.9**	**152.1**	**178.3**	**16.2%**	**17.2%**	**81.4**	**84.2**	**3.4%**

Source: Group information.

The Company employee costs comprised 100.0 per cent. of total employee costs in 2021G before decreasing to 88.6 per cent. and 84.9 per cent. in 2022G and 2023G, respectively, as a result of IPIC and UPIC acquisitions that took place in 2022G and 2023G respectively.

The following table compares the Group's employee related costs by income statement account for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.15: Employee Related Costs for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Costs related to the Group's employees according to their distribution								
Cost of sales	78.3	91.3	102.6	16.6%	12.4%	49.1	49.9	1.4%
General and administrative expenses	38.7	44.1	58.0	14.0%	31.5%	23.3	24.3	4.35%
Selling and distribution expenses	13.9	16.7	17.7	20.1%	6.0%	9.0	10.0	10.3%
Total employee related costs	**130.9**	**152.1**	**178.3**	**16.2%**	**17.2%**	**81.4**	**84.2**	**3.3%**
Employee related costs clubbed in:								
Cost of sales as percentage of total employee costs	59.8%	60.0%	57.5%	0.2 ppt	(2.5) ppt	60.4%	59.2%	(1.2) ppt
General and administrative expenses as percentage of total employee costs	29.6%	29.0%	32.5%	(0.5) ppt	3.5 ppt	28.6%	28.9%	(1.8) ppt
Selling and distribution expenses as percentage of total employee costs	10.6%	11.0%	9.9%	0.4 ppt	(1.1) ppt	11.0%	11.9%	(0.9) ppt
Employee costs as a percentage of net revenue	12.5%	10.8%	13.1%	(1.7) ppt	2.3 ppt	11.8%	12.5%	0.7 ppt

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

6.7.4.1 Cost of Sales Employee Costs

Employee costs within cost of sales increased from SAR 78.3 million in the year 2021G to SAR 91.3 million in 2022G due to the following:

- the acquisition of IPIC, which contributed SAR 12.4 million to the increase in 2022G;
- bonuses and incentives, which include annual bonus, production incentives and Ramadan bonus. Decreased by SAR 1.2 million in 2022G, mainly due to a reversal of accrued bonuses (SAR 4.0 million in total for cost of sales, general and administrative and selling and distribution expenses), relating to prior periods. Net of the effect of the reversal, the incentives and bonuses increased by SAR 1.4 million, primarily on account of the salary increment and better performance of the corrugated business in 2022G; and
- vacation benefits (SAR 1.0 million), mainly due to an increase in unused vacation days (vacation days do not lapse and roll over into the subsequent year) and salary increment.

other employee expenses (SAR 1.5 million), mainly on account of travel ticket expenses (SAR 1.1 million), as travelling started to rebound, following the lifting of COVID-19 restrictions.

Employee costs within cost of sales further increased by SAR 11.3 million or 12.4 per cent., to SAR 102.6 million in 2023G as a result of the acquisition UPIC and incurring employee costs for IPIC for a full year in 2023G compared to nine months in 2022G, which jointly contributed SAR 5.8 million to the increase in 2023G and an increase in bonuses and incentives (SAR 4.6 million), driven by improved performance of the business in 2023G.

The Company's (being the top contributor to employee costs) average headcount in cost of sales increased from 893 in 2021G to 914 in 2022G-2023G, mainly driven by hiring in production and maintenance departments, while average monthly cost per employee decreased from SAR 7,300 in 2021G to SAR 7,200 in 2022G, subsequently increasing to SAR 7,700 in 2023G, mainly on account of reversal of bonus accrual in 2022G and increase in accrued bonus in 2023G, due to improved performance of the business.

Employee related cost decreased by SAR 0.7 million or 1.5 per cent. from SAR 49.1 million in the six-month period ended 30 June 2023G to SAR 49.9 million in the six-month period ended 30 June 2024G, as a result of the decrease in the Company's employees headcount from 920 to 912 employees during the same period, which also led to a decrease in average monthly salary from SAR 7,500 to SAR 7,000 per employee for 30 June 2024G. This decrease was partially offset by an increase in employee costs of SAR 3.4 million for 30 June 2024G related to UPIC employees.

6.7.4.2 General and Administrative Employee Costs

Employee cost within general and administrative expenses increased by SAR 5.4 million or 14.1 per cent., from SAR 38.7 million in the year 2021G to SAR 44.1 million in 2022G, driven by the following:

- IPIC acquisition which contributed SAR 3.1 million to the increase;
- bonuses and incentives (SAR 1.7 million), due to a reversal of accrued bonuses (SAR 4.0 million in total for cost of sales, general and administrative and selling and distribution expenses), related to prior periods;
- vacation benefits (SAR 1.0 million), mainly due to an increase in unused vacation days and salary increment; and
- other employee costs (SAR 2.0 million), mainly due to a reversal of travel ticket accrual of SAR 0.6 million in the year 2021G and lower expenses incurred during the year, as some of the COVID-19 restrictions were still in place.

In 2023G, employee cost further increased by SAR 13.9 million or 31.5 per cent., to SAR 58.0 million, mainly due to:

- the acquisition of UPIC which contributed SAR 0.9 million to the increase;
- the full impact of having IPIC employee costs for the full year vs only nine months in 2022G, which contributed SAR 6.0 million to the increase;
- basic salary (SAR 1.9 million), mainly due to a salary increment and increase in average headcount;
- bonuses and incentives (SAR 3.3 million), driven by improved performance of the business in 2023G;
- medical expenses (SAR 1.2 million), primarily on account of: (i) increase in insurance premium; and (ii) the Company setting aside a notional amount of SAR 0.6 million in 2023G for addressing medical emergencies of employees, parents and dependents; and
- average headcount (on the Company level) increased from 210 in 2021G to 218 in 2022G, mainly driven by hiring in human resources, quality control and safety departments. Average headcount further increased to 225 in 2023G, mainly due to filling of vacancies in safety and finance and accounting departments.

The Company's average monthly cost per employee was relatively stable at SAR 12,300 in 2021G and SAR 12,600 in 2022G, subsequently increasing to SAR 15,500 in 2023G, mainly driven by increase in bonus expenses due to improved business performance in 2023G.

Employee cost within general and administrative expenses increased by SAR 1.0 million or 4.5 per cent. from SAR 23.3 million in the six-month period ended 30 June 2023G to SAR 24.3 million in the six-month period ended 30 June 2024G largely due to the increase in the Company's average monthly salary per employee from SAR 15,000 to SAR 21,100 as compared to the corresponding period of 2023G. However, the in number of admin employees from 227 to 180 employees compared to the corresponding period of 2023G. In addition, the acquisition of UPIC in July 2023G contributed SAR 1.5 million increase to employees costs allocated within general and administrative expenses.

6.7.4.3 Selling and Distribution Employee Costs

Employee costs within the selling and distribution expenses increased by SAR 2.8 million or 20.1 per cent., from SAR 13.9 million in the year 2021G to SAR 16.7 million in 2022G, mainly due to an increase in basic salary and housing allowance by SAR 0.5 million, primarily driven by headcount increase as well as the impact of IPIC acquisition which contributed SAR 1.9 million to the increase.

Employee costs further increased by SAR 1.0 million or 6.1 per cent., to SAR 17.7 million, primarily driven by basic salary increment of SAR 0.5 million and bonuses and incentives of SAR 0.3 million due to improved performance of the Company in 2023G, while the impact of UPIC acquisition was minimal and contributed SAR 0.2 million to the increase due to the limited number of related employees within selling and distribution expenses.

The Company's average headcount in selling and distribution was relatively stable at 61-64 employees in 2021G-2023G. Average monthly cost per employee increased from SAR 18,900 in 2021G to SAR 19,500 in 2022G, subsequently increasing to SAR 20,800 in 2023G, mainly on account of the salary increment (4.9 per cent. in 2022G and 4.1 per cent. in 2023G).

Employee cost within selling and distribution expenses increased by SAR 1.0 million or 10.3 per cent. from SAR 9.0 million in the six-month period ended 30 June 2023G to SAR 10.0 million in the six-month period ended 30 June 2024G driven by the increase in the Company's average monthly salary per employee from SAR 20,800 to SAR 23,500, while number of employees remained stable at 62 employees. The acquisition of UPIC in July 2023G contributed SAR 0.3 million to the increase.

6.7.5 Selling and Distribution Expenses

The following table compares the Group's selling and distribution expenses for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.16: Selling and Distribution Expenses Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Delivery cost [(1)]	28.2	-	0.8	(100.0%)	100.0%	-	0.9	100.0%
Employee cost	13.9	16.7	17.7	20.1%	6.0%	9.0	10.0	11.15%
Depreciation on property, plant and equipment	0.3	0.6	0.2	100.0%	(66.7%)	0.0	0.1	100.0%
Depreciation on right of use assets	0.1	0.1	0.1	-	-	0.0	0.0	-
Insurance	0.2	0.2	0.2	-	-	0.1	0.1	-
Others	0.4	1.7	4.4	325.0%	158.8%	1.6	2.0	25.0%
Total selling and distribution expenses	**43.1**	**19.3**	**23.4**	**(55.2%)**	**21.2%**	**10.7**	**13.2**	**22.4%**
As a percentage of total selling and distribution expenses								
Delivery cost	65.4%	-	3.4%	(65.4) ppt	3.4 ppt	-	6.9%	6.9 ppt
Employee cost	32.3%	86.5%	75.6%	54.3% ppt	(10.9) ppt	83.3%	75.9%	(7.8) ppt
Depreciation on property, plant and equipment	0.7%	3.1%	0.9%	2.4 ppt	(2.3) ppt	0.4%	0.6%	0.8 ppt

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Depreciation on right of use assets	0.2%	0.5%	0.4%	0.3 ppt	(0.1) ppt	0.3%	0.3%	-
Insurance	0.5%	1%	0.9%	0.5 ppt	(0.1) ppt	0.8%	1.1%	(0.2) ppt
Others	0.9%	8.8%	18.8%	7.9 ppt	10.0 ppt	15.0%	15.3%	0.3 ppt
Total selling and distribution expenses	**100.0%**	**100.0%**	**100.0%**	**-**	**-**	**100.0%**	**100.0%**	**-**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

(1) Delivery costs were reclassified to cost of sales in 2023G (including the comparative figures for 2022G) audited financial statements, which was presented differently in 2021G audited financial statements.

The Group's selling and distribution expenses primarily included delivery cost related to corrugated carton (only in 2021G) amounting to SAR 28.2 million and employee expenses between 2021G and 2023G. The Company contributed 100.0 per cent. in 2021G, 93.2 per cent. in 2022G and 82.9 per cent. in 2023G to the consolidated selling and distribution expenses. The combined contribution of IPIC and UPIC was 6.8 per cent. in 2022G and 17.1 per cent. in 2023G (excluding the effect of elimination entries).

Group selling and distribution expenses decreased by SAR 23.8 million or 55.3 per cent., from SAR 43.1 million in the year 2021G to SAR 19.3 million in 2022G due to reclassifying selling and distribution expenses of SAR 31.5 million to cost of sales, offset by an increase in employees cost due to IPIC acquisition.

Group selling and distribution expenses increased by SAR 4.1 million or 21.3 per cent., to SAR 23.4 million in 2023G due to an increase in employees' costs and other expenses.

Selling and distribution expenses increased by SAR 2.4 million or 22.4 per cent. from SAR 10.8 million in the six-month period ended 30 June 2023G to SAR 13.2 million in the six-month period ended 30 June 2024G largely due to an increase in employee costs by 11.5 per cent. and the increase in delivery costs by SAR 0.9 million related to UPIC as a result of the acquisition in July 2023G.

6.7.5.1 Employee Related Costs

Employee cost increased by SAR 2.8 million or 20.1 per cent., from SAR 13.9 million in the year 2021G to SAR 16.7 million in 2022G, mainly due to increases in basic salary and housing allowance (by SAR 0.5 million), primarily driven by the increase in headcount during the year as well as the acquisition of IPIC, which contributed SAR 1.9 million to the increase. The full year impact related to IPIC was nil as the employee costs remained broadly stable between 2022G and 2023G, while UPIC acquisition had a minimal impact of SAR 0.2 million.

In 2023G, the employee cost further increased by SAR 1.0 million or 6.1 per cent., to SAR 17.7 million primarily driven by the increase in basic salaries (by SAR 0.5 million), driven by salary increments, bonuses and incentives (by SAR 0.3 million) due to the Company's improved performance in 2023G.

Employee cost within selling and distribution expenses increased by SAR 1.0 million or 11.5 per cent. from SAR 9.0 million in the six-month period ended 30 June 2023G to SAR 10.0 million in the six-month period ended 30 June 2024G driven by the increase in the Company's average monthly salary for employees. The acquisition of UPIC contributed SAR 0.3 million to the increase.

See the previously presented Section 6.7.4 (*Employee Related Costs*) for further details regarding staff expenses.

6.7.5.2 Others

Others primarily comprised travel and conveyance, sales commissions and insurance expenses. The increase of SAR 1.3 million in 2022G was mainly due to sales commission not being awarded in 2021G, as certain targets were not achieved during the year period and resuming travelling post COVID-19. The increase in 2023G by SAR 2.7 million is mainly on account of increase in travelling, full year impact of IPIC acquisition and acquisition of UPIC during 2023G.

Other expenses slightly increased by SAR 0.4 million or 25.0 per cent. from SAR 1.6 million in the six-month period ended 30 June 2023G to SAR 2.0 million in the six-month period ended 30 June 2024G.

6.7.6 General and Administrative Expenses

The following table compares the Group's general and administrative expenses for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.17: General and Administrative Expenses Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Employee costs (including staff relations and Board of Directors remunerations)	38.7	44.1	58.0	14.0%	31.5%	28.1	30.1	6.9%
Licence and software maintenance	4.0	4.6	6.7	15.0%	45.7%	3.0	2.6	(13.3%)
Depreciation on property, plant and equipment	2.9	3.6	5.8	24.1%	61.1%	2.8	2.5	(10.7%)
Depreciation on right of use assets	0.9	1.0	1.5	11.1%	50.0%	0.7	0.8	14.3%
Amortisation of intangible asset	2.3	2.0	0.4	(13.0%)	(80.0%)	0.1	0.1	-
Repairs and maintenance	1.4	2.6	1.4	85.7%	(46.2%)	0.7	0.8	14.3%
Professional fees	2.7	4.6	3.8	70.4%	(17.4%)	1.8	3.1	72.2%
Others (includes expenses related to Covid-19, utilities, insurance, and others)	6.7	5.6	8.1	(16.4%)	44.6%	4.6	5.1	10.9%
Total general and administrative expenses	**59.6**	**68.1**	**85.7**	**14.3%**	**25.8%**	**41.8**	**45.1**	**8.0%**
As a percentage of total general and administrative expenses								
Employee cost	64.9%	64.8%	67.7%	(0.2) ppt	2.9 ppt	67.2%	66.7%	(0.5) ppt
Licence and software maintenance	6.7%	6.8%	7.8%	0 ppt	1.1 ppt	7.2%	5.8%	(1.4) ppt
Depreciation on property, plant and equipment	4.9%	5.3%	6.8%	0.4 ppt	1.5 ppt	6.7%	5.5%	(1.2) ppt
Depreciation on right of use assets	1.5%	1.5%	1.8%	-	0.3 ppt	1.7%	1.8%	0.1 ppt
Amortisation of intangible assets	3.9%	2.9%	0.5%	(0.9) ppt	(2.5) ppt	0.2%	0.2%	-
Repairs and maintenance	2.3%	3.8%	1.6%	1.5 ppt	(2.2) ppt	1.7%	1.8%	0.1 ppt
Professional fees	4.5%	6.8%	4.4%	2.2 ppt	(2.3) ppt	4.3%	6.9%	2.6 ppt
Others	11.2%	8.2%	9.5%	(3.0) ppt	1.2 ppt	11.0%	11.3%	0.3 ppt
Total general and administrative expenses	**100.0%**	**100.0%**	**100.0%**	-	-	**100.0%**	**100.0%**	-

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

The Group's general and administrative expenses primarily comprised employee related expenses (an average of 65.9 per cent. of total general and administrative expenses between 2021G and 2023G), depreciation and amortisation (an average of 9.6 per cent. of total general and administrative expenses between 2021G and 2023G), licence and software maintenance (an average of 7.1 per cent. of total general and administrative expenses between 2021G and 2023G) and other expenses.

The Company contributed 100.0 per cent. in 2021G, 93.5 per cent. in 2022G and 87.9 per cent. in 2023G to the consolidated general and administrative expenses. The combined contribution of IPIC and UPIC was 7.4 per cent. in 2022G and 10.8 per cent. in 2023G.

The Group's general and administrative expenses increased by SAR 8.5 million or 14.3 per cent., from SAR 59.6 million in the year 2021G to SAR 68.1 million in 2022G and further increased by SAR 17.6 million or 25.4 per cent., to SAR 85.7 million in 2023G, primarily due to: (i) an increase in the Company's employee expenses by SAR 2.3 million and SAR 10.1 million in 2022G and 2023G, respectively; and (ii) the Group's acquisition of the two subsidiaries, which together contributed SAR 3.8 million and SAR 9.2 million to the overall change in the Group general and administrative expenses in 2022G and 2023G, respectively.

The Group's general and administrative expenses increased by SAR 3.4 million or 8.0 per cent. from SAR 41.8 million in the six-month period ended 30 June 2023G to SAR 45.1 million in the six-month period ended 30 June 2024G largely due to an increase in employee costs by (7.1 per cent.) in addition to an increase in professional fees by SAR 1.3 million.

6.7.6.1 Employee Related Costs

Employee related expenses mainly included basic salary, contract labour, housing allowance, overtime, end of service benefits, vacation benefits, board of directors remuneration, staff relations and other related expenses.

Employee costs increased by SAR 5.4 million or 14.0 per cent., from 38.7 million in the year 2021G to SAR 44.1 million in 2022G due to: (i) increase of SAR 1.6 million in tickets expenses due to lower expenses in 2021G as Group reversed previously accrued expenses; (ii) increase of SAR 1.0 million in vacation benefits due to salary increment and increase in the number of unused vacation days; (iii) the impact of IPIC acquisition, which contributed SAR 3.1 million to the increase, and (iii) offset by a decrease of SAR 1.8 million in incentives and bonuses, due to a bonus reversal in 2023G.

In 2023G, employee costs increased by SAR 13.9 million or 31.5 per cent., to SAR 58.0 million, primarily due to: (i) increase of SAR 3.3 million in bonuses and incentives, driven by improved performance; (ii) increase of SAR 1.9 million in basic salary, driven by a salary increment; (iii) increase of SAR 1.2 million in medical expenses, primarily due to increase in insurance premium and the Company setting aside a notional amount of SAR 0.6 million in 2023G for addressing medical emergencies of employees, parents and dependents, and (iv) the full year impact for IPIC acquisition, which contributed SAR 2.8 million to the increase, while the acquisition of UPIC contributed SAR 0.9 million.

Employee costs (excluding staff relations and board remunerations) within general and administrative expenses increased by SAR 1.0 million from SAR 23.3 million in the six-month period ended 30 June 2023G to SAR 24.3 million in the six-month period ended 30 June 2024G largely due to the increase in the Company's average monthly salary per employee during the same period despite the decrease in number of admin employees from 227 to 180 employees during the same period. In addition, the acquisition of UPIC contributed SAR 1.5 million increase to employee costs allocated within general and administrative expenses.

See previously presented Section 6.7.4 (*Employee Related Costs*) for further details regarding staff expenses.

6.7.6.2 Staff Relations

Staff relations predominantly consisted of canteen expenses (92.3 per cent. of all staff relations expenses on average), entertainment and training expenses. Most of the canteen expenses relate to services provided by an external party, except for certain food supplies and cleaning, which are incurred by the Company. It is worth mentioning that the Group's plants are located in industrial areas, where hygienic food facilities are not available to accommodate the number of staff within the given break time and hence the Group arranged the same, which also improves efficiency and productivity.

Staff relations expenses increased by 5.2 per cent. in 2022G, mainly due to: (i) easing of COVID-19 restrictions, as more external visitors (machinery technicians, etc.) used the canteen; and (ii) increase in cost of the canteen services. Staff relations expenses further increased by 7.7 per cent. in 2023G, driven by increase in the trainings and entertainment expenses, following the complete lifting of COVID-19 restrictions.

Staff relations slightly decreased by SAR 0.1 million or 2.8 per cent. from SAR 3.8 million in the six-month period ended 30 June 2023G to SAR 3.6 million in the six-month period ended 30 June 2024G.

6.7.6.3 Board of Directors Remunerations

Board of Directors remunerations was stable at SAR 1.2 million in the year 2021G and 2022G, increasing to SAR 2.2 million in 2023G, due to additional amount of SAR 1.0 million, which was related to 2022G and approved for payment to the chairman during the general assembly of 2023G. While it remained stable at SAR 1.1 million in the six-month period ended 30 June 2023G and 2024G.

Board of Directors remunerations increased by SAR 1.0 million from SAR 1.1 million in the six-month period ended 30 June 2023G to SAR 2.1 million in the six-month period ended 30 June 2024G.

6.7.6.4 Licence and Software Maintenance

Licence and software maintenance cost included network, business application and information system expenses. These include the Baan accounting software, phased out in 2022G in favour of an accounting software, the corrugated Packaging Management System, used in production and logistics and other IT-related expenses.

Licence and software expenses increased by SAR 0.6 million in 2022G and further increased by SAR 2.1 million in 2023G, primarily driven by SAP implementation and customisation expenses, as the new accounting system replaced the Baan system starting during the first quarter of 2022G.

Licence and software expenses slightly decreased by SAR 0.3 million or 13.3 per cent. from SAR 2.9 million in the six-month period ended 30 June 2023G to SAR 2.6 million in the six-month period ended 30 June 2024G.

6.7.6.5 Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was relatively stable at SAR 2.9 million and SAR 3.6 million in the year 2021G and 2022G, respectively, subsequently increasing to SAR 5.8 million in 2023G on account of various capital expenditures relating to the administration of the company, while remained stable between SAR 2.5 – 2.7 million between the six-month periods ended 30 June 2023G and 2024G.

See Section 6.7.13.1 (*Property, Plant and Equipment*) for further details.

6.7.6.6 Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets remained relatively stable at SAR 0.9 million and SAR 1.0 million in the year 2021G and 2022G, respectively, subsequently increasing to SAR 1.5 million in 2023G on account of renewed lease agreements of its warehouse in Jeddah and a sales office in Dammam in addition to the right of use depreciation related to UPIC leased assets, while remained relatively stable at 0.8 million in the six-month periods ended 30 June 2023G and 2024G respectively.

See Section 6.7.13.3 (*Right-of-Use Assets*) for further details.

6.7.6.7 Amortisation of Intangible Assets

This relates to intangible assets representing customer relations that were acquired as part of an acquisition of National Packing Products Company (NPPC), a corrugated packaging company in 2015G which was merged into the Company in 2019G. The balance was fully amortised at 2022G. Therefore, no expenses were incurred in 2023G. The amortisation expense of SAR 0.4 million incurred in 2023G relates to the customer acquisition costs related to UPIC post its acquisition.

6.7.6.8 Repairs and Maintenance

Repairs and maintenance increased by SAR 1.2 million or 85.7 per cent. from SAR 1.4 million in the year 2021G to SAR 2.6 million in 2022G and subsequently decreased by SAR 1.4 million or 46.2 per cent. to SAR 1.2 million in 2023G. The increase in 2023G was primarily due to the repairs of administrative block of certain Plants, while remained stable at SAR 0.7-0.8 million between the six-month periods ended 30 June 2023G and 2024G.

6.7.6.9 Professional Fees

Professional fees comprised expenses which were primarily related to:

- tax advisory services, including value-added tax, Zakat, income tax and withholding tax;
- audit fees;
- actuary services; and
- fees in relation to acquisition of IPIC (SAR 2.2 million in the year 2021G and SAR 1.1 million in 2022G), UPIC (SAR 0.3 million in 2022G and SAR 1.0 million in 2023G) and due diligence of another entity (SAR 0.4 million in 2023G), which eventually was not acquired by the Group.

Professional fees increased by SAR 1.9 million or 70.4 per cent., from SAR 2.7 million in the year 2021G to SAR 4.6 million in 2022G driven by: (i) an increase in professional fees related to the acquisition of IPIC by SAR 0.9 million; (ii) an increase in audit fees by SAR 0.2 million; (iii) incurring fees of SAR 0.2 million related to ISO and other certifications; and (iv) and other fees relating to IPIC and UPIC acquisition including tax, audits and actuary fees.

Professional fees subsequently decreased by SAR 0.8 million or 17.4 per cent., to SAR 3.8 million in 2023G due to lower professional fees relating to acquisitions in 2023G as compared to 2022G (a decrease by SAR 0.8 million). The majority of the incurred acquisition fees were related to UPIC acquisition.

Professional fees increased by SAR 1.3 million or 72.2 per cent. from SAR 1.8 million in the six-month period ended 30 June 2023G to SAR 3.1 million in the six-month period ended 30 June 2024G due to the increase in the professional fees relating to the acquisition of another company during 2024G.

6.7.6.10 Others expenses

Others expenses largely included utilities expenses, firefighting system expenses, stationery expenses, food suppliers, housekeeping and other miscellaneous expenses.

6.7.7 Allowance for Impairment of Trade Receivables

The Group applies the simplified approach to measure expected credit losses under IFRS 9. The Group uses a provision matrix to estimate the lifetime expected credit losses, applying provision rates to respective aging buckets. The provision matrix was developed considering the probability of default and loss given default, which are derived from the historical data of the Group and are adjusted to reflect the expected future outcome.

The Group's allowance for impairment of trade receivables was primarily related to the Company provision, which amounted to SAR 0.7 million in the year 2021G, SAR 1.5 million in 2022G and SAR 0.8 million in 2023G, contributing 100.0 per cent., 93.1 per cent. and 100.0 per cent., respectively, of the Group's total impairment allowances.

The movement in the allowance for impairment expense between 2021G and 2023G was primarily driven by the change of the ageing profile of the Company trade receivables and related receivable balances, which was in line with the changes in average sale prices to higher provision in 2022G and 2023G.

During the years between 2021G and 2023G, over 90.0 per cent. of the parent company's trade receivables were either not due or aged less than 90 days, as of 2023G.

The Group booked an allowance for impairment of trade receivables in the six-months ended 30 June 2024G of SAR 0.7 million allocated between the Company (SAR 0.6 million) and IPIC (SAR 0.1 million) based on the expected credit loss (ECL) workings. Management also confirmed that this additional allowance is sufficient and does relate to risks associated with collections, as the Group maintains an unaged trade receivables schedule in addition to the fact that the majority of the due receivable balances were collected subsequent to 30 June 2024G.

6.7.8 Bargain Purchase Gain on acquisition of a subsidiary

Bargain purchase gain of SAR 14.8 (net of tax) million on acquisition of IPIC in 2022G represents the excess of the fair value of the acquired IPIC net assets (SAR 64.8 million) over the consideration paid for acquisition of the entire ownership interest in IPIC (SAR 49.1 million).

6.7.9 Finance Cost

The following table compares the Group's finance cost for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.18: Finance Cost for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Loss on de-recognition of financial instruments (1)	0.7	-	-	(100.0%)	-	-	-	-
Finance cost on short term borrowings	0.4	1.8	5.5	350.0%	205.6%	3.5	0.4	(88.6%)
Finance cost on lease liabilities	0.9	1	1.7	11.11%	70%	0.5	1.2	140.0%
Others	0.4	0.8	0.5	100.0%	(37.5%)	0.2	0.2	-
Total finance costs	**2.3**	**3.6**	**7.7**	**56.52%**	**113.89%**	**4.2**	**1.8**	**(57.1%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Group information.

(1) Loss on de-recognition of financial instruments were reclassified to be presented separately in 2023G (including the comparative figures for 2022G) audited financial statements, which was presented differently (within finance costs) 2021G audited financial statements.

Finance costs primarily comprised finance cost on short-term borrowings, expenses related to non-recourse receivables discounting (which was reclassified from finance costs to be presented separately in the income statement starting from 2022G) finance cost on lease liabilities and bank charges and primarily relates to the Company.

Finance costs increased by SAR 1.3 million or 56.5 per cent., from SAR 2.3 million in the year 2021G to SAR 3.6 million in 2022G mainly due to: (i) an increase in the Company's finance cost related to short term borrowings, driven by an increase in the average utilisation of the Company's funded facilities in 2022G and an increase in the effective financing rates, which increased from 1.0 per cent. as of 31 December 2021G to 6.0 per cent. as of 31 December 2022G; (ii) an increase of SAR 0.5 million, related to the finance cost of IPIC, which was acquired during 2022G; and (iii) offset by reclassifying SAR 1.9 million related to non-recourse receivables discounting.

In 2023G, finance costs further increased by SAR 4.1 million or 113.9 per cent., to SAR 7.7 million mainly due to: (i) an increase of the Company's finance cost related to short term borrowings by SAR 0.7 million, primarily driven by the full year impact of the SAMA repo rate increase in 2022G; (ii) an increase of SAR 2.9 million in IPIC finance costs on short-term borrowings, mainly due to SAMA repo rate increase; and (iii) an increase of SAR 0.5 million, related to the finance cost (mainly related to right of use assets) of the acquisition of UPIC, which was acquired in 2023G.

Finance costs decreased by SAR 2.3 million or 57.1 per cent. from SAR 4.2 million in the six-month period ended 30 June 2023G to SAR 1.8 million in the six-month period ended 30 June 2024G, as a result of settling all the short-term borrowings for IPIC during the first half of 2024G, while this was offset by a slight increase of SAR 0.5 million representing the finance costs related to UPIC.

6.7.10 Other Income

The following table compares the Group's other income for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.19: Other Income Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Sale of scrap items	-	-	1.1	-	100.0%	-	-	-
Gain on sales of property, plant and equipment	-	-	0.9	-	100.0%	0.4	(0.1)	(125.0%)
Exchange gains and losses	-	-	0.4	-	100.0%	-	-	-
Reversal of impairment on property, plant and equipment	2.8	-	-	(100.0%)	-	-	-	-
Reversal of impairment loss of inventories	0.8	-	-	(100.0%)	-	-	-	-
Miscellaneous	0.7	0.2	0.6	(71.4%)	200.0%	0.3	0.5	66.7%
Total other income / (expenses)	**4.3**	**0.2**	**3.0**	**(95.3%)**	**1,400.0%**	**0.7**	**0.4**	**(42.9%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Group information.

6.7.10.1 Sale of Scrap Items

This represented sale related to scrap items that took place in 2023G.

6.7.10.2 Gain on Sales of Property, Plant and Equipment

This represented gain related to property, plant and equipment disposals in 2023G and the first half of 2024G.

6.7.10.3 Exchange Gains and Losses

Exchange gain of SAR 0.4 million in 2023G was related to consideration payment for the purchase of UPIC, of which SAR 0.1 million comprised realised gain, while SAR 0.3 million was unrealised gain on the translation of amount payable related to the acquisition.

6.7.10.4 Reversal of Impairment on Property, Plant and Equipment

During the year 2021G, management reassessed the impairment allowance related to property, plant and equipment and made a corresponding reversal of SAR 2.8 million. In 2022G, management further re-assessed the impairment allowance reversing SAR 1.3 million into cost of sales.

6.7.10.5 Reversal of Impairment Loss of Inventories

During the year 2021G management reassessed the impairment loss of its inventories and reversed the surplus amount of SAR 0.8 million.

6.7.10.6 Miscellaneous

Miscellaneous income primarily included recovery of shared costs from related parties of the Company.

6.7.11 Income Tax

The following table compares the Group's income tax charge for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.20: Income Tax Charge for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Current income tax	0.1	4.3	10.4	4,200.0%	141.9%	3.2	5.3	65.6%
Deferred income tax	(2.2)	(1.7)	(4.0)	(22.7%)	135.3%	2.0	2.2	10.0%
Total income tax (credit)/charge reported in the statement of profit or loss	**(2.1)**	**2.6**	**6.4**	**(223.8%)**	**146.2%**	**5.2**	**7.4**	**42.3%**
Deferred tax charge to other comprehensive income	0.2	0.4	(0.1)	100.0%	(125.0%)	-	-	-

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

Income tax charges increased by SAR 4.7 million or (223.8) per cent., from reversal of SAR (2.1) million in 2021G to charge of SAR 2.6 million in 2022G driven by the higher income tax charged during the year due to higher pre-tax income reported by the Group.

Income tax charges further increased by SAR 3.8 million or 146.2 per cent., to SAR 6.4 million in 2023G due to: (i) higher pre-tax profits reported by the Group; and (ii) having a full year impact of the subsidiary IPIC (acquired in March 2022G).

Income tax charges increased by SAR 2.4 million or 42.3 per cent. from SAR 5.2 million in the six-month period ended 30 June 2023G to SAR 7.4 million in the six-month period ended 30 June 2024G as a result of the increase in operating profits during the first half of 2024G.

6.7.12 Statement of Financial Position of the Group

The following table presents the Group's statement of financial position data as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.21: Statement of Financial Position Data as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Property, plant and equipment	318.4	347.7	378.8	9.2%	8.9%	361.0	(4.7%)
Goodwill	38.2	38.2	38.2	-	-	38.2	-
Right-of-use assets	12.5	12.5	48.0	-	284.0%	45.0	(6.3%)
Deferred tax assets	4.7	5.0	9.2	6.4%	84.0%	7.0	(23.9%)
Intangible assets	2.0	0.3	4.4	(85.0%)	1,366.7%	4.2	(4.5%)
Advance for acquisition of a subsidiary	10.0	-	-	(100.0%)	-	-	-
Total non-current assets	**385.8**	**403.8**	**478.7**	**4.7%**	**18.5%**	**455.4**	**(4.9%)**
Inventories	165.4	240.6	170.2	45.5%	(29.3%)	213.7	25.6%
Trade receivables	194.8	210.7	223.0	8.2%	5.8%	219.0	(1.8%)
Advances, prepayments and other receivables	16.1	26.6	23.3	65.2%	(12.4%)	39.6	70.0%
Cash and cash equivalents	12.8	10.1	30.6	(21.1%)	203.0%	29.5	(3.6%)
Total current assets	**389.2**	**487.9**	**447.1**	**25.4%**	**(8.4%)**	**501.8**	**12.2%**
Total assets	**775.0**	**891.7**	**925.8**	**15.1%**	**3.8%**	**957.2**	**3.4%**
Share capital	200.0	200.0	200.0	-	-	400.0	100.0%
Retained earnings	116.5	167.4	222.6	43.7%	33.0%	145.3	(34.7%)
Statutory reserve	60.0	60.0	60.0	-	-	-	(100.0%)
Foreign currency translation reserve	-	-	(0.5)	-	(100.0%)	(0.6)	20.0%
Total equity	**376.5**	**427.4**	**482.1**	**13.5%**	**12.8%**	**544.8**	**13.0%**
Employee benefit obligations	49.9	54.2	63.8	8.6%	17.7%	66.4	4.1%
Lease liabilities	8.6	8.9	42.5	3.5%	377.5%	37.9	(10.8%)
Total non-current liabilities	**58.6**	**63.2**	**106.3**	**7.8%**	**68.2%**	**104.3**	**(1.9%)**
Trade payables	211.8	176.1	173.4	(16.9%)	(1.5%)	224.0	29.2%
Short term borrowings	70.0	139.7	30.2	99.6%	(78.4%)	-	(100.0%)
Accrued and other liabilities	49.6	72.0	114.8	45.2%	59.4%	70.2	(38.9%)
Current portion of lease liabilities	7.2	6.8	7.6	(5.6%)	11.8%	9.2	20.9%
Zakat and tax payable	1.5	6.5	11.4	333.3%	75.4%	4.7	(58.8%)
Total current liabilities	**340.0**	**401.2**	**337.3**	**18.0%**	**(15.9%)**	**308.1**	**(8.7%)**
Total liabilities	**398.5**	**464.3**	**443.7**	**16.5%**	**(4.4%)**	**412.4**	**(7.1%)**
Total equity and liabilities	**775.0**	**891.7**	**925.8**	**15.1%**	**3.8%**	**957.2**	**3.4%**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Group information.

6.7.13 Non-Current Assets

The following table presents the Group's non-current assets as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.22: Non-current Assets as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Property, plant and equipment	318.4	347.7	378.8	9.2%	8.9%	361.0	(4.7%)
Goodwill	38.2	38.2	38.2	-	-	38.2	-
Right-of-use assets	12.5	12.5	48.0	-	284.0%	45.0	(6.3%)
Deferred tax assets	4.7	5.0	9.2	6.4%	84%	7.0	(23.9%)
Intangible assets	2.0	0.3	4.4	(85.0%)	1,366.7%	4.2	(4.5%)
Advance for acquisition of a subsidiary	10.0	-	-	(100.0%)	-	-	-
Total non-current assets	**385.8**	**403.8**	**478.7**	**4.7%**	**18.5%**	**455.4**	**(4.9%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

Non-current assets primarily comprised property, plant and equipment (79.1 per cent. of total non-current assets as of 31 December 2023G), right-of-use assets (10.0 per cent. of total non-current assets as of 31 December 2023G) and goodwill (8.0 per cent. of total non-current assets as of 31 December 2023G).

Non-current assets increased by SAR 18.0 million or 4.6 per cent., from SAR 385.8 million as of 31 December 2021G to SAR 403.8 million as of 31 December 2022G and further increased by SAR 74.9 million or 18.6 per cent., to SAR 478.7 million as of 31 December 2023G due to increase in right-of-use assets and property, plant and equipment, which was primarily a result of the IPIC and UPIC acquisitions.

Non-current assets decreased by SAR 23.2 million or 4.8 per cent. from SAR 478.7 million as of 31 December 2023G to SAR 455.4 million as of 30 June 2024G due to decrease in property, plant and equipment by SAR 17.8 million.

6.7.13.1 Property, Plant and Equipment

The following table compares the Group's property, plant and equipment as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.23: Property, Plant and Equipment as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Cost:							
At 1 January	1,292.0	1,298.8	1,374.9	0.5%	5.9%	1,445.5	5.1%
Additions relating to acquisition of a subsidiary	-	54.5	59.4	100.0%	9.0%	-	(100.0%)
Additions during the year	17.5	15.6	34.8	(10.9%)	123.1%	15.6	(55.2%)
Fair value adjustment	-	13.3	-	100.0%	(100.0%)	-	-
Foreign currency translation adjustment	-	-	(0.4)	-	(100.0%)	-	(100.0%)
Transfer to / (from) capital work in progress	-	-	-	-	-	-	-
Disposals	(10.7)	(7.3)	(23.3)	(31.8%)	219.2%	(0.1)	(99.6%)
At 31 December / 30 June	**1,298.8**	**1,374.9**	**1,445.4**	**5.9%**	**5.17%**	**1,461.0**	**1.1%**
Accumulated depreciation							
At 1 January	943.3	980.4	1,027.2	3.9%	4.77%	1,066.7	3.8%
Charge for the year	50.6	53.8	62.4	6.3%	15.99%	32.5	(47.9%)
Allowance for impairment	(2.8)	-	-	(100.0%)	-	0.8	100.0%

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Disposals	(10.7)	(7)	(22.8)	(34.6%)	225.7%	-	(100.0%)
At 31 December / 30 June	**980.4**	**1,027.2**	**1,066.8**	**4.8%**	**3.86%**	**1,100.0**	**3.1%**
Net book value	**318.4**	**347.7**	**378.7**	**9.2%**	**8.9%**	**361.0**	**(4.7%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

As of 31 December 2023G, property, plant and equipment accounted for 40.9 per cent. of total assets and was the largest contributor of total assets between 31 December 2021G and 31 December 2023G.

As of 31 December 2023G, the parent company comprised 71.7 per cent. of net consolidated property, plant and equipment and primarily included machinery and equipment of SAR 147.6 million (39.0 per cent. of net consolidated property, plant and equipment) and buildings of SAR 115.4 million (30.5 per cent. of net consolidated property, plant and equipment).

The Group allocated around 70.0 per cent. of its total planned capex towards business upkeep between 2021G and 2023G for maintaining, supporting and enhancing its existing operations and machines.

The Group's depreciation is calculated using the straight-line method, which are based on the expected useful lives of each asset.

As of 31 December 2021G, SAR 6.7 million of total additions to property, plant and equipment were in capital work-in-process, specifically in machinery and equipment and plants and buildings.

Disposals for the year ended 31 December 2021G primarily related to furniture and office equipment (SAR 4.9 million) and machinery and equipment (SAR 4.2 million).

As of 31 December 2022G, property, plant and equipment increased by SAR 29.3 million mainly driven by the additions that resulted from the acquisition of IPIC of SAR 54.5 million and the normal additions for the business amounted to SAR 15.6 million and SAR 13.3 million related to fair value adjustments of property plant and equipment offset by the depreciation expense for the year of SAR 53.8 million.

Disposals as of 31 December 2022G largely included plants, machinery and equipment of SAR 6.3 million and vehicles of SAR 0.4 million, while additions primarily related to capital work-in-process. Key additions included the SAP implementation programme.

As of 31 December 2023G, property, plant and equipment further increased by SAR 31.0 million as a result of the Group's acquisition of UPIC which contributed net additions of SAR 59.4 million and other normal additions of SAR 34.4 million, partially offset by the depreciation charge for the year of SAR 62.4 million.

As of 31 December 2023G, transfers from capital work in progress were SAR 16.1 million of which SAR 7.4 million were related to plants / buildings improvements and machinery and equipment of SAR 7.4 million. Other additions included machinery and equipment of SAR 11.6 million, buildings improvements of SAR 1.4 million.

Property, plant, and equipment decreased by SAR 17.8 million or 4.7 per cent. from SAR 378.8 million as of 31 December 2023G to SAR 361.1 million as of 30 June 2024G due to the depreciation charge booked during the period of SAR 32.5 million, partially offset by additions of SAR 15.6 million.

In addition, transfers amounted to SAR 1.0 million during the period largely related to machinery.

The Group also booked an impairment loss of SAR 0.8 million as of 30 June 2024G related to the damage of part of the machines and the plant related to the fire incident happened in IPIC.

(a) Land

The Group owns a plot of land with a cost of SAR 5.4 million that remained stable as of 31 December 2021G, 2022G and 2023G and 30 June 2024G.

(b) Buildings

Buildings represented Group's manufacturing facilities, head offices and staff accommodation buildings.

The Group had seven plants across the three companies, five under the parent Company (including one conversion plant), one under IPIC and one under UPIC, with the exception of the recently acquired RAKP CO.

The increase in the buildings balance as of 31 December 2022G by SAR 17.5 million resulted from the Group acquiring IPIC which contributed SAR 21.8 million to buildings as of 31 December 2022G, partially offset by the depreciation charge for the year of SAR 9.8 million.

As of 31 December 2023G, the net book value of buildings slightly decreased due to incurring higher depreciation charges as compared to the minimal impact of the acquisition of UPIC during the year.

The net book value of buildings decreased to SAR 142.4 million at 30 June 2024G due to booking higher depreciation charges of SAR 7.9 million compared to additions of SAR 4.5 million.

(c) Motor Vehicles

Vehicles represented the vehicles used for inhouse movement of materials such as forklifts, clamp trucks as well as for workers transportation that are mostly fully depreciated but in good condition and vehicles for the use of the head office.

(d) Machinery and Equipment

Machinery and equipment pertained to the machinery and equipment placed at the Group's plants and are used for production.

The parent company has two plants located in Jeddah, two plants located in Riyadh (including one conversion plant) and one plant in Al Kharj) with an approximate total production capacity of 0.38 million tons per annum. The Company's four corrugated plants had an average utilisation of 78.4 per cent. between 2021G and 2023G, which is consistent with the Group's target to maintain a balance in its operations and production capacity to ensure both the operational efficiency of its plants and the timely delivery of orders while also maintaining the quality and preserving the capacity to accommodate any unexpected surge in orders or deal with any unexpected challenges.

The increase in the balance between 31 December 2021G and 31 December 2023G was primarily driven by additions resulting from the acquisition of IPIC (SAR 31.2 million as of 31 December 2022G) and UPIC (SAR 48.2 million as of 31 December 2023G). This was offset by the deprecation charge incurred on the parent company's machinery and equipment.

At 31 December 2023G, the Group's plants (six operating plants) across the three companies were depreciated between 43.9 per cent. and 91.0 per cent. (mainly under the parent company). Despite the decrease in value on certain parent company's plants being more than 85.0 per cent. depreciated, this did not impact their production capabilities due to their regular maintenances, upkeeps and capital expenditures and is also reflected in the unscheduled maintenance downtime that ranged between 1.9 per cent. and 2.2 per cent. between 2021G and 2023G.

The Group maintains the good condition of its machinery and equipment by performing maintenance on a regular basis averaging to SAR 35.0 million between 2021G and 2023G) in addition to regular upkeep of replacement capex for certain items.

The net book value of machinery and equipment decreased to SAR 201.9 million at 30 June 2024G due to booking higher depreciation charges of (SAR 21.8 million) and compared to additions of (SAR 3.8 million).

(e) Furniture

The Group's furniture and fixtures mainly comprised of Air conditioners and related items to the plants and head offices. Major additions were high speed doors, monitoring cameras and other IT and safety related equipment. Furniture remained broadly stable between 2021G and 2023G.

The net book value of furniture and fixtures decreased to SAR 1.9 million at 30 June 2024G due to booking higher depreciation charges of SAR 2.5 million compared to additions of SAR 0.6 million.

(f) Capital Work-in-Progress

Capital work-in-progress represented the cost of production facility improvements and upgrades.

The expected completion and transfer of the above items were transferred to the Company in May / June 2024G.

6.7.13.2 Goodwill

Goodwill as of 31 December 2021G, 2022G and 2023G represented the purchase consideration which was in excess of the fair value of the net assets of a company that was acquired in 2015G.

The Group confirms that there are no indicators for impairment in relation to the goodwill as of 31 December 2023G and 30 June 2024G.

6.7.13.3 Right-of-Use Assets

The following table compares the Company's right-of-use assets as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.24: Right-of-Use Assets as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Leasehold lands	6.1	6.6	18.2	8.2%	175.8%	17.6	(3.3%)
Warehouses and accommodations	4.7	1.9	26.4	(59.6%)	1,289.5%	23.7	(10.2%)
Motor vehicles	1.6	4.0	3.4	150%	(15%)	3.6	5.9%
Total right-of-use assets	**12.5**	**12.5**	**48.0**	**0%**	**284.0%**	**45.0**	**(6.3%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

Right-of-use assets included leased warehouses and workers accommodation buildings, leased lands for the manufacturing facilities and leased motor vehicles. As of 31 December 2023G, warehouses and workers accommodation buildings comprised 55.0 per cent. of the total, followed by leased lands 37.9 per cent. (and leased motor vehicles 7.1 per cent.).

As of 31 December 2022G, right-of-use assets remained broadly stable due to the net effect of the decrease warehouses and accommodation leases by SAR 2.8 million (59.6 per cent.) and the increase in motor vehicles leases by SAR 2.3 million (143.8 per cent.) due to leasing additional vehicles of varying amounts in 2022G.

As of 31 December 2023G, right-of-use assets further increased by SAR 35.6 million or 284.0 per cent., to SAR 48.0 million driven by an increase in warehouses and accommodations by SAR 24.5 million due to the renewal of the lease contracts of two warehouses in Jeddah for SAR 16.9 million and SAR 3.4 million respectively, in addition to an increase land lease by SAR 11.7 million which is primarily related to UPIC plant land. See Section 6.9 (*United Paper Industries Company FZCO (UPIC) (Formerly Known as "Gulf Paper Manufacturing FZCO"– Subsidiary Company*) for further details.

Right-of-use assets decreased by SAR 3.1 million or 6.5 per cent., from SAR 48.0 million as of 31 December 2023G to SAR 45.0 million as of 30 June 2024G due to the amortisation charge of SAR 3.0 million booked during the period.

Warehouses and staff accommodations have lease terms from three to five years, lands generally have lease terms between 10 and 20 years, while motor vehicles generally have lease terms of up to four years.

The following table compares the Group's lease liabilities as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.25: Lease Liabilities as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Current	7.2	6.8	7.6	(5.6%)	11.8%	9.2	21.1%
Non-current	8.6	8.9	42.5	3.5%	377.5%	37.9	(10.8%)
Total lease liabilities	**15.8**	**15.8**	**50.1**	**-**	**217.1%**	**47.1**	**(6.0%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

Lease liabilities increased by SAR 34.3 million or 217.1 per cent., from SAR 15.8 million as of 31 December 2022G to SAR 50.1 million as of 31 December 2023G primarily due to the addition of new leases and the increase in the total right-of-use assets balance which have primarily resulted from IPIC and UPIC acquisitions.

Lease liabilities decreased by SAR 3.0 million or 6.0 per cent. to SAR 47.1 million at 30 June 2024G due to due to the amortisation charge of SAR 3.0 million booked during the period.

6.7.13.4 Deferred Tax Assets

Deferred tax assets represented the temporary differences attributable to differences in accounting and tax base of property, plant and equipment, allowance for inventories, receivables allowances and employee benefit obligations.

6.7.13.5 Intangible Assets

Intangible assets represented the remaining customer relationships balance (customer acquisition costs) which resulted from the acquisition of a company in 2015G. This balance was fully amortised as of 31 December 2022G.

The Group has other intangible assets components (IT software), which had a net book value of SAR 0.3 million as of 31 December 2023G. In addition, 2023G included intangible assets for UPIC related to customers acquisitions. Intangible assets decreased to SAR 4.2 million as of 30 June 2024G due to the amortisation charge booked during the period.

6.7.13.6 Advances for Acquisition of a Subsidiary

Advances from acquisition of a subsidiary represented an advance payment in relation to the IPIC acquisition. This balance adjusted against the full acquisition price (SAR 49.1 million) were fully settled during 2022G.

6.7.14 Current Assets

The following table presents the Group's current assets as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.26: Current Assets as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Inventories	165.4	240.6	170.2	45.5%	(29.3%)	213.7	25.6%
Trade receivables[1]	194.8	210.7	223.0	8.2%	5.8%	219.0	(1.8%)
Advances, prepayments and other receivables	16.1	26.6	23.3	65.2%	(12.4%)	39.6	70%
Cash and cash equivalents	12.8	10.1	30.6	(21.1%)	203.0%	29.5	(3.6%)
Total current assets	**389.2**	**487.9**	**447.1**	**25.4%**	**(8.4%)**	**501.8**	**12.2%**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

[1] trade receivable includes net trade accounts receivables and amount due from related parties.

Total current assets increased by SAR 98.7 million or 25.4 per cent., from SAR 389.2 million as of 31 December 2021G to SAR 487.9 million as of 31 December 2022G primarily due to the increase in inventories by SAR 75.2 million as a result of the rise in raw material prices (largely paper), which also led to the increase in trade receivables following the increase in average selling prices.

Total current assets subsequently declined by SAR 40.8 million or 8.4 per cent., to SAR 447.1 million as of 31 December 2023G largely driven by the decrease in inventories by SAR 70.4 million as a result of the drop in raw materials / paper prices. This decline was partially offset by an increase in: (i) trade receivables from SAR 210.7 million as of 31 December 2022G to SAR 223.0 million as of 31 December 2023G due to the growth of the Group's volume of operations and the growth in balance related to the two subsidiaries acquired; and (ii) cash and cash equivalents from SAR 10.1 million as of 31 December 2022G to SAR 30.6 million as of 31 December 2023G.

Total current assets increased by SAR 54.7 million or 12.2 per cent. to SAR 501.8 million as of 30 June 2024G primarily due to an increase in inventories by SAR 43.5 million as a result of purchasing additional quantities of paper to benefit from the lower paper prices and to safeguard against delivery delays expected due to the anticipated logistical challenges as a result of the uncertain situation in the red sea shipping routes. In addition, advances, prepayments, and other receivables increased by SAR 16.3 million due to the increase in advances to suppliers in relation to machinery, furniture and goods for IPIC.

6.7.14.1 Inventories

The following table compares the Group's inventories as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.27: Inventories as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Raw materials	139.7	193.1	129.4	38.2%	(33.0%)	153.7	18.8%
Spares	48.9	52.2	55.9	6.7%	7.1%	55.4	(0.9%)
Goods in transit	17.8	31.7	23.2	78.1%	(26.8%)	47.4	104.3%
Finished goods	1.8	4.4	4.4	144.4%	-	1.0	(77.3%)
Work in progress	1.0	3.1	1.1	210.0%	(64.5%)	2.8	154.5%
Gross	**209.2**	**284.3**	**214.0**	**35.9%**	**(24.7%)**	**260.2**	**21.6%**
Less: allowance for slow-moving inventories	(43.8)	(43.8)	(43.8)	-	-	(46.5)	6.2%
Inventories, net	**165.4**	**240.6**	**170.2**	**45.5%**	**(29.3%)**	**213.7**	**25.6%**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

As of 31 December 2023G, inventories mainly comprised raw materials (SAR 129.4 million or 76.0 per cent. of total inventories), spare parts (SAR 55.9 million or 32.8 per cent. of total inventories) and goods in transit (SAR 23.2 million or 13.6 per cent. of total inventories).

Between 2021G and 2023G, inventories balance fluctuated due to raw materials balance (primarily paper) and increased by SAR 75.2 million or 45.5 per cent. from SAR 165.4 million as of 31 December 2021G to SAR 240.6 million as of 31 December 2022G and subsequently decreased by SAR 70.4 million or 29.3 per cent. to SAR 170.2 million as of 31 December 2023G.

Quantities procured slightly fluctuated between 2021G and 2023G, as it stabled from 0.34 million metric tons as of 2021G to 0.34 million metric tons as of 2022G, before increasing to 0.35 million metric tons as of 2023G, while the cost was largely impacted by the global paper prices.

Provision for slow moving and obsolete items remained stable between 2021G and 2023G at SAR 43.8 million (largely related to spare parts) and is sufficient against aged inventory balances.

Inventories increased by SAR 43.5 million or 25.6 per cent. to reach SAR 213.7 million due to the increase in goods in transit by SAR 24.1 million as a result of an increase in raw materials purchases, which also led to an increase in raw materials balance by SAR 24.3 million.

Quantities procured in the six-months period ended 30 June 2024G were 0.19 million tons and with a slight increase with the quantities procured at 30 June 2023G which amounted to SAR 0.17 million.

(a) Raw Materials

Raw materials primarily included the paper purchased, which largely represented the raw materials used in production, in addition to other direct materials. Those raw materials are purchased through various local and foreign suppliers.

The Group maintains a diversified supply source comprising of both the local and foreign suppliers which enables it to optimise the raw material availability, inventories as well as cost.

Keeping in consideration the fact that certain specification of papers are not available in the country, the Group has diversified its sources of raw materials in the country, the GCC, as well as outside the GCC.

Noting of the top ten suppliers of the Group, average purchases from the two local suppliers (within the Kingdom) comprised of average of approximately 34.8 per cent., suppliers from the GCC contributed to 21.2 per cent. while the aggregate of other suppliers outside the Kingdom and the GCC contributed 44.6 per cent. of purchases from between 2021G and 2023G. These percentages fluctuate based on the availability of the required raw material, specifications, timings and cost amongst other variables.

As of 30 June 2024G, local suppliers comprised (Top 10 suppliers) a percentage of 19.0 per cent. of total purchases, while suppliers from the GCC (Top 10 suppliers) comprised 10.3 per cent., and other foreign suppliers (Top 10 suppliers) comprised 37.1 per cent.

(b) Spare Parts

Spare parts represented the items / tools that are used to replace any damaged machinery or equipment at the Group's plants. Spare parts under the parent company accounted for 86.2 per cent. of total consolidated spare parts.

As of 31 December 2022G, spare parts increased by SAR 3.3 million as a result of the acquisition of IPIC, where additional spares of SAR 3.3 million were booked, while spare parts under the parent company remained broadly stable between 2021G and 2022G.

As of 31 December 2023G, spare parts balance further increased by SAR 3.7 million due to after the acquisition of UPIC which contributed an increase of SAR 4.5 million while the parent company's spare parts balance slightly decreased by SAR 1.2 million.

Spare parts slightly decreased by SAR 0.5 million to SAR 55.4 million as of 30 June 2024G.

(c) Goods in Transit

Goods in transit represented raw materials purchased that were being delivered to the Group's warehouses. Goods in transit balance fluctuated between 2021G and 2023G in line with the change in paper prices.

At 30 June 2024G, the increase in goods in transit balance by SAR 24.1 million or 103.9 per cent. to SAR 47.4 million at 30 June 2024G was due to purchase of additional quantities of paper to benefit from the lower paper prices and to safeguard against delivery delays expected due to the anticipated logistical challenges as a result of the uncertain situation in the red sea shipping routes.

(d) Finished Goods

Finished goods represented the products that are yet to be delivered to the Group's customers The Group generally does not manufacture products to store and therefore the finished goods inventories are minimal even though the values may fluctuate due to changes in cost of production.

(e) Allowance for Slow-Moving Inventories

The allowance for slow-moving inventories is determined based upon historical experience, current condition, obsolesce and current and future expectations with respect to sales or use.

The allowance balance stabled amounted to SAR 43.8 million fully booked under the Company and covers the inventory aged and slow-moving balance.

At 30 June 2024G, the allowance for slow-moving inventories increased by SAR 2.7 million to reach SAR 46.5 million at 30 June 2024G as a result of booking an additional allowance related to the damaged inventory in IPIC following the fire incident in one of the production lines.

6.7.14.2 Trade Receivables

The following table compares the Group's trade receivables as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.28: Trade Receivables as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Trade receivable	194.9	209.9	224.2	7.7%	6.8%	221.1	(1.4%)
expected credit loss provision	(8.0)	(9.5)	(10.2)	18.8%	7.4%	(10.9)	6.9%
Net	**186.9**	**200.5**	**214.0**	**7.3%**	**6.7%**	**210.3**	**(1.7%)**
Due from related parties	7.9	10.3	9.0	30.4%	(12.6%)	8.7	(3.3%)
Total trade receivables	**194.8**	**210.7**	**223.0**	**8.2%**	**5.8%**	**219.0**	**(1.8%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

(a) Trade Receivable

The Group's trade receivables witnessed an increase between the years 2021G, 2022G and 2023G mainly due to the addition resulted from acquiring IPIC at 30 March 2022G and UPIC at 28 July2023G and the overall increase in revenue.

The Group's strategy for maintaining a healthy days sales outstanding involves selectively engaging with customers who exhibit prompt payment practices, thereby minimising the risk associated with slow-paying customers and optimising the cash conversion cycle.

The total trade receivables increased by SAR 15.9 million or 8.2 per cent. from SAR 194.8 million as of 31 December 2021G to SAR 210.7 million as of 31 December 2022G as result of the increase in the Company's revenue and the impact of the IPIC acquisition. The trade receivables further increased in 31 December 2023G by SAR 12.3 million or 5.8 per cent. to reach SAR 223.0 million and this is mainly due to the acquisition of UPIC.

As of 31 December 2023G, the parent company's gross receivables were SAR 178.0 million and comprised 76.3 per cent. of the Group's gross receivables, of which SAR 125.6 million or 73.7 per cent. were current (not due) and SAR 35.5 million or 19.9 per cent. were aged less than 90 days. Customers credit policy adopted by the parent company and IPIC extends up to 90 days, while UPIC credit terms are slightly longer extending to 120 days.

The Group has a diversified customer base with no customer concentration. Between 2021G and 2023G, each of the Company's top 15 customers contributed 1.0 per cent. – 6.0 per cent. of net corrugated products revenue, while jointly comprised an average of 31.8 per cent. of the total, with the largest single customer comprised 5.9 per cent. of net revenue.

At 30 June 2024G, trade receivables decreased by SAR 4.0 million or 1.8 per cent. to SAR 219.0 million due to the decrease in trade receivables under the parent company, which resulted from decrease in sales in the first half of 2024G compared to sales in the second half of 2023G.

(b) Provision for Expected Credit Loss

The Group applies the simplified approach to measure expected credit losses under IFRS 9, the Group has established a provision matrix that is based on its historical credit loss. The expected credit loss rate used for estimating the provision for receivables outstanding for over a year is 100.0 per cent.

The provision for expected credit loss increased by SAR 1.5 million or 18.8 per cent., from SAR 8.0 million as of 31 December 2021G to SAR 9.5 million as of 31 December 2022G then slightly SAR 0.7 million or 7.4 per cent., to SAR 10.2 million as of 31 December 2023G, which is sufficient and covers the aged trade receivable balances. Furthermore, frequent follow ups with customers regarding aged balance facilitate and expedite the collection process and avoid the involvement of legal parties with this regard.

As of 31 December 2023G, over 90.0 per cent. of the parent company's gross trade receivable was either not due or aged less than 90 days.

As of 30 June 2024G, the allowance for impairment of trade receivables increased by SAR 0.7 million or 6.9 per cent., to SAR 10.9 million as a result of booking an allowance for doubtful debts of SAR 0.7 million during the second quarter from the year 2024G where the allowance mainly comprises of the parent company's allowance by SAR 0.7 million and IPIC by SAR 0.1 million where the allowance was calculated in line with IAS requirements. The Group's management confirmed that this additional provision does not represent any risk related to customers' collectability, as the Group has an ageing schedule of accounts receivables that are not aged, and its related receivables balances have been mostly settled during later months post June 2024G.

(c) Due from Related Parties

Due from related parties accounted for approximately of 4.3 per cent. of total trade receivable between 2021G, 2022G and 2023G, while it comprised 3.7 per cent. as of 30 June 2024G and were related to companies owned or controlled by shareholders of the Group primarily mostly in relation to corrugated products sales. Related parties transactions are conducted on arm's length basis and approved by the Board of Directors and the General Assembly.

No provision is booked for due from related parties as they are considered to have low credit risk.

See Section 6.7.17 (*Related Parties' Information*) for further details.

6.7.14.3 Advances, Prepayments and Other Receivables

The following table compares the Group's advances, prepayments, and other receivables as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.29: Advances, Prepayments and Other Receivables Breakdown as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Advances to suppliers	8.0	11.4	8.0	42.5%	(29.8%)	13.3	66.3%
Contract assets	-	-	-	-	-	6.2	100.0%
Prepayments	3.8	5.0	4.5	31.6%	(10.0%)	4.4	(2.2%)
Employee loans	3.1	4.5	4.6	45.2%	2.2%	5.1	10.9%
Margin on letters of guarantee	0.2	0.2	0.7	-	250.0%	0.7	-
Other receivables: (including margin on letter of guarantee, refund of tax receivable from tax authorities and other)	1.1	5.6	5.5	409.1%	(1.8%)	10.0	81.8%
Total	**16.1**	**26.6**	**23.3**	**65.2%**	**(12.4%)**	**39.6**	**70.0%**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

As of 31 December 2023G, advances, prepayments and other receivables mainly comprised advances to suppliers (SAR 8.0 million), prepayments (SAR 4.5 million), employee loans (SAR 4.6 million) and other miscellaneous receivables (SAR 5.5 million).

The primary reason for the increase in the balance was attributable to the acquisitions of IPIC and UPIC in 2022G and 2023G, respectively.

(a) Advances to Suppliers

Advances to suppliers represented advance payments against supplies and services purchases (mainly maintenances, spares and in some instances, raw materials). Advances to suppliers under the Company comprised an average of 40.5 per cent. of total balance between 2021G and 2023G.

Advances to suppliers' balance fluctuated between 2021G and 2023G in line with the movement in easing of travel restriction post COVID-19 and maintenances by technicians from abroad as well as other supplies and services.

Advances to suppliers increased by SAR 5.3 million or 66.3 per cent. from SAR 8.0 million as of 31 December 2023G to SAR 13.3 million as of 30 June 2024G due to incurring advance payments in relation to machinery and equipment purchases and roof fixing works related to IPIC. In addition, advances to suppliers included payments made for raw materials purchases largely representing paper purchases.

(b) Contract Assets

This account represented finished goods that are ready to be dispatched to certain customers that was booked separately in accordance with the requirements of IFRS 15 (Revenue from Contracts with Customers). Management stated that generally this account balance is immaterial at year-end, while its value fluctuates from month-end to another.

(c) Prepayments

Prepayments largely included prepaid insurances against fire and business interruption, vehicles, housing for employees, marine and medical insurance. Which represents an average of 89.5 per cent. of the total prepayment under the Company between 2021G and 2023G.

Prepayments increased by SAR 1.2 million or 31.6 per cent. from SAR 3.8 million as of 31 December 2021G to SAR 5.0 million at 2022G due to an increase in prepaid medical insurance by SAR 1.5 million. Furthermore, the acquisition of IPIC contributed SAR 0.6 million to the total increase.

Prepayments slightly decreased by SAR 0.5 million or 10.0 per cent., to SAR 4.5 million at 2023G due to a decrease in prepaid housing by SAR 0.4 million, prepaid customs duty by SAR 0.2 million (relates to float with clearing agents for clearing the imports by using this amount) and prepaid insurance by SAR 0.1 million (all under the Company), offset by a slight increase in prepaid insurance under IPIC by SAR 0.4 million and prepayments related to UPIC of SAR 2.3 million.

Prepayments decreased by SAR 0.1 million or 2.2 per cent. from SAR 4.5 million at 31 December 2023G to SAR 4.4 million at 30 June 2024G due to an increase in prepayments under UCIC.

(d) Employee Loans

Employee loans represented loans granted to employees for personal purposes and are deducted on a monthly basis from their salaries. Noting that the Company is following a conservative approach in granting employee loans and these reflect 2.6 per cent. of the total employee cost of 31 December 2023G.

The increase in this balance between 2021G and 2023G was attributable to the acquisition of the two subsidiaries in 2022G and 2023G, respectively.

Employee loans slightly increased by SAR 0.3 million as of 30 June 2024G.

(e) Margin on Letter of Guarantee

Margin on letter of guarantee primarily related to the letters of guarantees issued for gas connection and custom clearances.

Margin on letters of guarantee remained stable between 31 December 2021G and 31 December 2022G at SAR 0.2 million and subsequently increased to SAR 0.7 million as of 31 December 2023G due to a new gas connection at one of its manufacturing plants.

Margin of letter of guarantees remained stable as of 30 June 2024G at SAR 0.7 million.

(f) Other Receivables

As of 31 December 2023G, other receivables included receivables of SAR 4.8 million related to IPIC customers for the period prior to acquisition with a corresponding payable of the same amount. These receivables were not acquired by the parent company as part of the acquisition of IPIC and any recoveries of these amount within a specified time shall be transferred to the previous shareholders of IPIC at no cost to the Group. This balance slightly decreased by SAR 0.1 million or 1.8 per cent., from SAR 5.6 million as of 2022G to SAR 5.5 million as of 2023G.

In addition, other receivables included value added tax receivables of SAR 1.0 million related to UPIC.

Other receivables increased by SAR 4.5 million or 81.8 per cent. to SAR 10.0 million as of 30 June 2024G mainly due to an increase in a current account related to the previous shareholders of IPIC, offset by a decrease VAT receivables.

6.7.14.4 Cash and Cash Equivalents

The following table compares the Group's cash and cash equivalents as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.30: Cash and Cash Equivalents Breakdown as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Cash in hand	0.1	0.4	0.2	300.0%	(50.0%)	0.1	(50.0%)
Bank balances	12.7	9.7	30.4	(23.6%)	213.4%	29.4	(3.3%)
Total cash and cash equivalents	**12.8**	**10.1**	**30.6**	**(21.1%)**	**203.0%**	**29.5**	**(3.6%)**

Source: Management and Group's information.

As of 2023G, cash and cash equivalents mainly included current accounts of SAR 18.1 million and a bank deposit of SAR 12.3 million (see Section 6.9 (*United Paper Industries Company FZCO (UPIC) (Formerly Known as "Gulf Paper Manufacturing FZCO"– Subsidiary Company*) for further details).

The decrease in cash and cash equivalents by SAR 2.7 million or 21.1 per cent., from SAR 12.8 million as of 31 December 2021G to SAR 10.1 million as of 2022G was due to a decrease in the parent company cash by SAR 8.2 million due to additional cash used in raw material purchases, offset by IPIC cash balances of SAR 5.5 million added post the acquisition.

The increase in cash and cash equivalents by SAR 20.5 million or 203.0 per cent., to SAR 30.6 million at 2023G was largely attributable to the acquisition of UPIC which contributed to SAR 13.6 million of the total increase.

The Company and IPIC bank accounts are held mainly at Bank 1, Bank 2, and Bank 3 (under the Company only) while UPIC bank accounts are held at Bank 4 and Bank 5 in UAE while UPIC deposit is held at Bank 4.

Cash and cash equivalents decreased by SAR 1.1 million or 3.6 per cent. as of 30 June 2024G.

See Section 6.7.20 (*Cash Flows Statement of the Group*) for further details.

6.7.15 Non-Current Liabilities

The following table presents the Group's non-current liabilities as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.31: Non-Current Liabilities as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Employee benefit obligations	49.9	54.2	63.8	8.6%	17.7%	66.4	4.0%
Lease liabilities	8.6	8.9	42.5	3.5%	377.5%	37.9	(10.8%)
Total non-current liabilities	**58.6**	**63.2**	**106.3**	**7.8%**	**68.2%**	**104.3**	**(1.9%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

6.7.15.1 Employee Benefit Obligations

The Group's employee benefit obligations are determined in line with the labour law requirements in the Kingdom and the UAE based on the employees' salaries and cumulative years of service in accordance with the International Accounting Standard No. 19 (IAS 19) which prescribes the accounting and disclosure requirements by employers for employee benefits using the projected unit credit method through actuarial valuations carried out at the end of each year.

Employee benefit obligations increased between 2021G and 2023G due to the growth in the number of employees due to the acquisitions of the two subsidiaries where the number of employees increased from 1,165 in 2021G to 1,598 in 2023G and salary increment.

At 30 June 2024G, employee benefit obligations increased by SAR 2.6 million or 4.0 per cent. to SAR 66.4 million due to the increase in the provision related to this account, noting that number of employees decreased from 1,594 at 31 December 2023G to 1,585 at 30 June 2024G.

6.7.15.2 Lease Liabilities

See Section 6.7.13.3 (*Right-of-Use Assets*) for further details.

6.7.16 Current Liabilities

The following table presents the Group's current liabilities as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.32: Current Liabilities as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Trade payables	211.8	176.1	173.4	(16.9%)	(1.5%)	224.0	29.2%
Short-term borrowings	70	139.7	30.2	99.6%	(78.4%)	-	(100.0%)
Accrued and other liabilities	49.6	72.0	114.8	45.2%	59.4%	70.2	(38.9%)
lease liabilities	7.2	6.8	7.6	(5.6%)	11.8%	9.2	21.1%
Zakat and tax payable	1.5	6.5	11.4	333.3%	75.4%	4.7	(58.8%)
Total current liabilities	**340.0**	**401.2**	**337.3**	**18.0%**	**(15.9%)**	**308.1**	**(8.7%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

Total current liabilities increased by SAR 61.2 million or 18.0 per cent., from SAR 340.0 million as of 31 December 2021G to SAR 401.2 million in 31 December 2022G primarily due to the increase in short term borrowings by SAR 69.6 million, which were primarily used in financing the working capital of the business, accrued and other liabilities by SAR 2.0 million, offset by a decrease in trade payables by SAR 35.7 million due to settlements.

Total current liabilities subsequently declined by SAR 63.9 million or 15.9 per cent., to SAR 337.3 million as of 31 December 2023G largely driven by the decrease in short term borrowings by SAR 109.5 million due to settlement of all short-term borrowings related to the Company.

Total current liabilities decreased by SAR 29.2 million or 8.7 per cent. to SAR 308.1 million as of 30 June 2024G largely driven by a decrease in short term borrowings by SAR 30.2 million due to fully settling the short term borrowing during the first half of 2024G, Accrued expenses and other liabilities also decreased by SAR 44.6 due to settling the full acquisition amount related to UPIC acquisition which is due to its previous owners during the first half of 2024G, while trade payables increased by SAR 50.7 million as a result of the increase in trade payables related to goods in transit.

6.7.16.1 Trade Payables

The following table compares the parent company trade payables as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.33: The Company Trade Payables as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G on the Company Level

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Paper and other imports	195.9	140.4	133.2	(28.3%)	(5.1%)	151.4	13.7%
Goods in transit	15.9	31.7	23.2	99.4%	(26.8%)	47.4	104.3%
Clearing account	-	(6.5)	(5.1)	(100.0%)	(21.5%)	(5.2)	2.0%
Total trade payables	**211.8**	**165.5**	**151.3**	**(21.9%)**	**(8.6%)**	**193.5**	**27.9%**

Source: Management and Group's information.

Trade payables represented balances due to raw materials and other materials and services suppliers.

The decline in trade payables by SAR 46.3 million or 21.9 per cent., from SAR 211.8 million as of 31 December 2021G to SAR 165.5 million as of 31 December 2022G, and the further decline by SAR 14.2 million or 8.6 per cent., to SAR 151.3 million as of 31 December 2023G due to settlement of supplier payments.

Between 31 December 2021G and 31 December 2023G, purchases from the top ten suppliers ranged between 60.0 per cent. and 74.0 per cent. of the Group's total trade payables.

Changes in purchase price of paper and supply chain disruptions drove the fluctuation of purchases between 2021G and 2023G, whereby additional financing was used to finance paper purchases during the peak in paper prices in 2022G.

As of 30 June 2024G, trade payables of the parent company increased by SAR 44.4 million or 29.4 per cent. to SAR 195.7 million as of 30 June 2024 primarily as a result of the increase in payables related to goods in transit.

(a) Paper and Other Imports

Payables relating to paper suppliers were the biggest contributor to total trade payables between 2021G and 2023G and accounted for 87.2 per cent. of gross trade payables as of 31 December 2023G.

The decrease in paper trade payables by SAR 55.5 million or 28.3 per cent., from SAR 195.9 million as of 31 December 2021G to SAR 140.4 million in 31 December 2022G was due to higher settlements of due payables despite the increase in purchases by SAR 279.0 million resulting from the increase in global paper prices.

As of 31 December 2023G, trade payables further declined by SAR 14.2 million or 8.6 per cent., to SAR 151.3 million as the related payables were settled, while purchases decreased following the decline in global paper prices.

The percentage of purchases from the Group's top ten suppliers increased from 52.9 per cent. as of 2021G to 62.7 per cent. as of 2023G.

At 30 June 2024G, payables relating to paper and other imports increased by SAR 18.2 million or 13.7 per cent. to SAR 151.4 million driven by an increase in paper purchases during the first half of 2024G.

Other imports included raw materials other than paper such as other raw materials, spare parts and service suppliers. The movement on both accounts between 2022G and 2023G were made based on specific needs by the procurement/plants departments where related supplies are purchased accordingly.

(b) Goods in Transit

This represented raw material purchases (largely paper) that were purchased but still not received, which are classified separately for control purposes.

Goods in transit increased by SAR 15.8 million or 99.4 per cent. from SAR 15.9 million as of 31 December 2021G to SAR 31.7 million at 2022G, before decreasing by SAR 8.4 million or 26.8 per cent., to SAR 23.3 million as of 2023G due to the drop in paper prices as of 31 December 2023G and shipment quantities in transit.

As of 30 June 2024G, goods in transit increased by SAR 24.2 million or 104.3 per cent. to SAR 47.4 million as of 30 June 2024 due to additional raw material purchases to accommodate for any disruptions in the supply chain as well as benefit from the decrease in paper prices.

6.7.16.2 Short-Term Borrowings

Table 6.34: Key Terms of Active Borrowing Agreements of the Group as of 31 December 2021G, 2022G and 2023G

Borrowings	Bank 1	Bank 2	Bank 3	Bank 4 (UAE)
Borrower	UCIC	UCIC	UCIC	UPIC
Date of agreement	14 March 2023G	25 December 2023G	7 November 2021G (amended on 26 February 2022G)	17 April 2024G
Facility amount	SAR 215.0 million	SAR 140.0 million	SAR 195.0 million	AED 12.2 million (equivalent to SAR 12.6 million)
Purpose	Working capital financing for local and imports raw material purchases and acquisition financing.	Working capital financing for local and imports raw material purchases		Financing the purchase of materials from local and international markets and letters of guarantee
Interest	SAIBOR + spread per annum	SAIBOR + spread per annum	SAIBOR + spread per annum	SAIBOR + spread per annum
Tenor	180 – 360 days	180 days	30 September 2023G (settled due to the renewal of the agreement on 27 May 2024G)	28 February 2025G

Source: Group information.

The Group's short-term borrowings were mainly used to finance the Group's working capital requirements and the acquisition of the two subsidiaries.

The Group had short-term borrowings with three banks: These borrowings carry an average annual spread based on market rates. in addition to SAIBOR, with a maturity period ranging from 180 to 360 days. The Group has recently renewed the facility agreements with Bank 1, Bank 2 and Bank 3, while facility agreements with Bank 4 (only for UPIC) are still under renewal without any disruption in availability of these facilities to the Group.

Short-term borrowings increased by SAR 69.7 million or 99.6 per cent., from SAR 70.0 million as of 31 December 2021G to SAR 139.7 million as of 31 December 2022G as a result of: (i) acquiring IPIC which had short-term financing of SAR 49.7 million; and (ii) the Company utilising an additional SAR 20.0 million to finance the working capital of the business as a result of the increase in raw material purchase prices and to meet its cash flow requirements.

Short-term borrowings decreased by SAR 109.5 million or 78.4 per cent., to SAR 30.2 million as of 31 December 2023G as the Group settled all the Company outstanding facilities of SAR 90.0 million with local banks in addition to settling SAR 19.7 million of IPIC outstanding facilities. The balance of SAR 30.2 million balance as of 2023G was for IPIC.

The Group fully settled all remaining credit facilities, which all were under IPIC amounting to SAR 30.2 million during the second quarter of 2024G.

6.7.16.3 Accrued and Other Liabilities

The following table compares the Group's accrued and other liabilities as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.35: Accrued and Other Liabilities as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Accrued expenses	35.5	30.8	46.2	(13.2%)	50.0%	41.3	(10.6%)
Payable for acquisition of a subsidiary	-	-	40.5	-	100.0%	8.2	(79.8%)
Advances from customers	7.6	9.3	13.2	22.4%	41.9%	5.9	(55.3%)
Refund liabilities	1.9	4.9	5.5	157.9%	12.2%	3.2	(41.8%)
VAT payable	-	8.7	4.5	100.0%	(48.3%)	5.6	24.4%
Other payables	4.5	18.3	4.9	306.7%	(73.2%)	5.9	20.4%
Total	**49.6**	**72.0**	**114.8**	**45.2%**	**59.4%**	**70.2**	**(38.9%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

As of 31 December 2023G, accrued and other liabilities included accrued expenses of SAR 46.2 million, short-term payable of SAR 40.5 million (related to the acquisition of UPIC), advances from customers of SAR 13.2 million and other miscellaneous payables of SAR 14.9 million.

Accrued and other liabilities increased by SAR 22.4 million or 45.5 per cent., from SAR 49.5 million as of 31 December 2021G to SAR 72.0 million as of 31 December 2022G was due to incurring a payable balance of SAR 10.6 million (recorded within others) which was due to the shareholders of IPIC, which was subsequently settled in 2023G. In addition, the Group incurred value added tax payable balance of SAR 8.7 million as of 2022G.

As of 31 December 2023G, the balance further increased by SAR 42.8 million or 59.4 per cent., to SAR 114.8 million largely due to having a payable balance of SAR 40.5 million representing the remaining acquisition balance of UPIC, of which approximately SAR 32.0 million was settled in January 2024G while the balance will be settled during the third quarter of 2024G.

Accrued and other liabilities decreased by SAR 44.6 million or 38.9 per cent. to SAR 70.2 million as of 30 June 2024G, due to the partial payment of SAR 40.5 million which represent the settlement of UPIC remaining acquisition price.

(a) Accrued Expenses

Between 2021G and 2023G, accrued expenses under the Company accounted for average of 93.7 per cent. of total consolidated accrued expenses and included the following:

Accrued bonuses, which represented the bonuses paid to the Company employees based on company's and employees' performance. Bonuses were lower as of 31 December 2021G and 31 December 2022G following reduction in spending due to the Pandemic, while it increased as of 31 December 2023G by SAR 4.5 million due to higher bonus expense based on better profitability.

Accrued vacation benefits, which represented the accrual booked in relation to employees' vacations. The decrease by SAR 1.8 million or 18.2 per cent., from SAR 9.9 million as of 31 December 2021G to SAR 8.1 million as of 31 December 2022G due to more vacations taken by employees.

Accrued paper charge, which represented an accrual expense for paper purchases that were delivered but has not been fully paid. There is no specific trend in this account and may vary month on month depending on volumes purchased, timing of clearance and delivery.

Accrued professional fees represented the accrual expense related to external audit fees, tax and other professional services that were largely related to the acquisition of the two subsidiaries. Professional fees increased by SAR 1.5 million as of 31 December 2022G associated with IPIC acquisition, where the increment represented financial and legal due diligence fees associated with the acquisition. The decrease in professional fees by SAR 1.0 million as of 31 December 2023G was due to non-recurring cost for the past year.

Other accrued expenses represented miscellaneous accruals related to customs duty accruals, GOSI accruals, board remunerations accruals and other accruals. Other accruals fluctuated between 2021G and 2023G depending on the nature and timing of the associated expenditures.

Accrued expenses slightly increased by SAR 4.9 million or 10.6 per cent. to SAR 41.3 million as of 30 June 2024G.

(b) Payable for Acquisition of Subsidiaries

As of 31 December 2022G, short-term payables represented balances due to the previous shareholders of IPIC that was fully settled during 2023G, while as of 31 December 2023G, the balance of SAR 40.5 million represented the remaining payables relating to the acquisition of UPIC, of which SAR 32.0 million was paid in January 2024G while the remaining was paid when it was due in July 2024G.

(c) Advances from Customers

Advances from customers mainly reflected the amount received from the customers for which the related invoice details are yet to be received at the month end for its allocation with related receivables. This balance does not have a trend and only depends on the receipt of the payment details from the customer and its allocation with related accruals.

(d) Refund Liabilities

Refund liabilities represented an accrual the Group books against customers who are likely to receive a discount in relation to their purchase orders. The increase of the balance relates to the increase in revenue and overall level operations and number of customers that are eligible for the same.

(e) Others

Other primarily include other liabilities related to IPIC.

As of 31 December 2022G, others increased by SAR 13.8 million due to booking a payable balance of SAR 10.6 million related to the previous shareholders of IPIC on behalf of IPIC's payable to them which was partially settled during 2023G and was the main reason for the decrease in this account at 2023G, while others increased again as of 30 June 2024G to SAR 5.9 million due reclassifying the remaining due balance of UPIC acquisition price (SAR 8.2 million, was due during the second quarter of 2024G) to others account.

6.7.16.4 Zakat and Tax Payable

The following table compares the Group's zakat and tax payable movement during the years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.36: Zakat and Tax Payable Movement During the Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	2021G	2022G	2023G	30 June 2024G
At 1 January	**4.4**	**1.5**	**6.5**	**11.4**
Charge for the year	1.5	0.1	14.2	7.3
Adjustment related to prior year	0.2	6.6	-	-
Reclassified to / (from) prepayments and other receivables	1.0	-	-	-
Offset against zakat and tax advances	-	(1.3)	-	-
Payments	(5.6)	(0.4)	(9.4)	(14.0)
At 31 December/ 30 June	**1.5**	**6.5**	**11.4**	**4.7**

Source: The audited financial statements for the financial year ended 31 December 2021G, the consolidated audited financial statements for the year ended 31 December 2023G and 2022G, the unaudited interim financial information for the three-months and six-months periods ended 30 June 2024G, and Management information.

The Company and IPIC are subject to zakat with respect to income attributable to the Saudi shareholding and income tax with respect to income attributable to foreign shareholding while the foreign subsidiary is subject to income tax however, being a qualifying free zone entity and income, is subject to income tax at a rate of 0 per cent. Provisions for zakat and income tax are accrued and charged to the statement of profit or loss and other comprehensive income.

Zakat and tax payable increased as of 31 December 2022G and 2023G in line with the increase in net profit.

As of 31 December 2023G, zakat and tax payable continued to increase reflecting the increase in net profit.

Zakat and tax payable as of 30 June 2024G balance decreased in line with the decrease in the profits reported by the Group during the first half of 2024G.

6.7.17 Related Parties' Information

The following table presents the Group's due from related parties' information as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.37: Due From Related Parties as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	Relationship	Description of transaction	Nature of transaction	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
National Biscuits Confectionery Co.Ltd	Related party	contractual	Sale of goods	4.3	6.9	5.4	60.4%	(21.7%)	6.7	24.1%
National Food Industries Company Ltd	Related party	contractual	Sale of goods	1.3	2.3	1.9	76.9%	(17.4%)	1.4	(26.3%)
Al-Zamil air conditioners and home appliances	Related party	Purchase Orders	Sale of goods	1.6	0.5	0.9	(68.8%)	80.0%	0.0	(100.0%)
Zamil Polipa Plastic Packing Company	Related party	Purchase Orders	Sale of goods	0.3	0.3	0.5	-	66.7%	0.3	(40.0%)
Zamil Plastic Industries	Related party	Purchase Orders	Sale of goods	0.1	0.1	0.2	-	100.0%	0.2	-

Currency: SAR millions	Relationship	Description of transaction	Nature of transaction	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Zamil AC	Related party	Purchase Orders	Sale of goods	0.1	-	0.0	(100.0%)	-	0.0	-
Zamil Food Industries	Related party	Purchase Orders	Sale of goods	0.2	0.2	-	-	(100.0%)	0.0	-
Total due from related parties				**7.9**	**10.3**	**9.0**	**30.4%**	**(12.6%)**	**8.7**	**(3.3%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

The following table presents the Group's due to related parties' information as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.38: Due to Related Parties Information as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	Nature of relationship	Nature of transaction	Description of transaction	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
TechnoVal Information Systems	related party	Contractual	Technical services	-	0.8	-	100.0%	(100.0%)	-	-
Total due to related parties				**-**	**0.8**	**-**	**100.0%**	**(100.0%)**	**-**	**-**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

The following table presents the Group's related parties' trade transactions information during the years ended 31 December 2021G, 2022G and 2023G and the six- month periods ended 30 June 2023G and 2024G:

Table 6.39: Trade with Related Parties as at Years Ended 31 December 2021G, 2022G and 2023G, and the Six-month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
National Biscuits Confectionery Co.Ltd	24.1	31.1	30.6	29.0%	(1.6%)	16.0	14.9	(6.9%)
National Food Industries Company Ltd	13.8	14.5	13.6	5.1%	(6.2%)	6.2	6.3	1.6%
Zamil Food Industries	1.3	2.4	2.7	84.6%	12.5%	1.2	2.2	83.3%
Al-Zamil air conditioners and home appliances	3.0	2.7	2.1	(10.0%)	(22.2%)	0.8	0.1	(87.5%)
TechnoVal Information Systems	-	2.4	2.1	100.0%	(12.5%)	0.7	0.1	(85.7%)
Zamil Polipa Plastic Packing Company	1.2	1.2	1.4	(0.0%)	16.7%	0.7	0.8	14.3%
Zamil Plastic Industries	1.0	0.8	0.9	(20.0%)	12.5%	0.4	0.4	(0.0%)
Zamil AC	0.0	0.0	0.1	(0.0%)	100.0%	-	0.1	100.0%
Total	**44.6**	**55.1**	**53.5**	**23.8%**	**(2.9%)**	**26.0**	**24.8**	**(4.6%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

The following table presents the salaries and board of directors remuneration during the years ended 31 December 2021G, 2022G and 2023G, and six- month periods ended 30 June 2023G and 2024G:

Table 6.40: Key Management Personnel Compensation During the Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ending 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Short term employees' benefits (salaries)	6.6	6.4	8.1	(3.0%)	26.6%	4.5	5.0	11.1%
Post-employment benefits (ESOB)	0.6	0.5	1.0	(16.7%)	100%	0.6	0.3	(50.0%)
Board of Directors remunerations	1.2	1.2	2.2	-	83.3%	1.1	1.1	-

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

6.7.18 Total Equity

The following table presents the Group's total equity as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.41: Total Equity as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Share capital	200.0	200.0	200.0	-	-	400.0	100%
Retained earnings	116.5	167.4	222.6	43.7%	33.0%	145.3	(34.7%)
Statutory reserve	60.0	60.0	60.0	-	-	-	(100.0%)
Foreign exchange difference reserve	-	-	(0.5)	-	(100.0%)	(0.6)	20.0%
Total equity	**376.5**	**427.4**	**482.1**	**13.5%**	**12.8%**	**544.8**	**13.0%**

Source: The audited financial statements for the year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

Equity included as of 31 December 2023G share capital of SAR 200.0 million, statutory reserve of SAR 60.0 million and retained earnings of SAR 222.6 million. On 28 April 2024, the Company's Board of Directors approved an increase in the Company's capital by transferring SAR 140 million and SAR 60 million from retained earnings and statutory reserve respectively. This resulted in adjusting the total share capital balance to SAR 400 million divided into 40 million ordinary shares. The regulatory procedures for this share capital increase were completed on 26 June 2024.

Total equity increased by SAR 50.9 million or 13.5 per cent., from SAR 376.5 million as of 31 December 2021G to SAR 427.4 million as of 31 December 2022G, and by SAR 54.7 million or 12.8 per cent. to SAR 482.1 million in line with the increase in the profits reported by the Group

Total equity also increased by SAR 62.7 million or 13.0 per cent. to SAR 544.8 million as of 30 June 2024G as a result of the profits achieved during the first half of 2024.

6.7.18.1 Share Capital

On 31 December 2021G, 2022G and 2023G, the Company's share capital of SAR 200.0 million consisted of 20 million fully paid shares of SAR 10 each. While the Company's capital amounted to SAR 400.0 million, consisted of 40 million shares, with the value of each share being SAR 10, the pattern of contribution to the Group's capital as of 30 June 2024G, is as follows:

Table 6.42: Share Capital as of 30 June 2024G of the Group

Currency: SAR millions	Amount	Percentage holding
Zamil Group Holding Company	120.0	30.0%
Omar Kassem Alesayi and Company	120.0	30.0%
Frimex Investment LLC	120.0	30.0%
Zamil Group Investment Company	20.0	5.0%
Eastern Industrial Investment Company	20.0	5.0%
Total share capital	**400.0**	**100.0%**

Source: Group information and Management information.

6.7.18.2 Statutory Reserve

In accordance with the Regulations for Companies previously applicable in the Kingdom, the parent company was required to transfer 10.0 per cent. of the profit for the year to a statutory reserve until it equals to 30.0 per cent. of its share capital. As per the revised Regulations for Companies and the parent company's Bylaws, maintaining a statutory reserve is no longer required. The shareholders have resolved to capitalise the statutory reserve along with unappropriated profits to increase the share capital of the Company.

6.7.19 Commitments and Contingencies

The following table comprises the Group's commitments and contingencies as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.43: Commitments and Contingencies as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Bank guarantees	0.7	0.9	0.7	28.6%	(22.2%)	3.5	400.0%
Future capital commitments	10	12.8	14.7	28.0%	14.8%	31.7	115.6%
Total commitments and contingencies	**10.7**	**13.7**	**15.4**	**28.0%**	**12.4%**	**35.2**	**128.6%**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

The contingent risks for the Company amounted to SAR 8.0 million for the financial years 2021G, 2022G and 2023G, and the six-months period ended 30 June 2024G, while the contingent risks associated with IPIC amounted to SAR 3.5 million during the same periods. The Company did not book any provisions against those balances, as the Company believes that it can prove those exports from the Kingdom if the ZATCA had an objection or conducted an audit over the export documents.

6.7.20 Cash Flows Statement of the Group

The following table presents the Group's cash flow statement data for the years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.44: Statement of Cash Flows Data for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2023G	30 June 2024G	Variance 30 June (2023G-2024G)
Profit before zakat and income tax	**6.6**	**74.4**	**166.9**	**1,027.3%**	**124.3%**	**90.8**	**72.2**	**(20.5%)**
Adjustments for:								
Depreciation on property, plant and equipment	50.6	53.8	62.4	6.3%	15.9%	30.2	32.5	7.6%
Depreciation on right-of-use assets	6.9	6.9	7.9	-	14.5%	3.5	4.0	14.3%
Amortisation of intangible asset	2.3	2.0	0.4	(13.0%)	(80.0%)	0.1	0.3	200.0%
Reversal of impairment loss of property, plant and equipment	(2.8)	-	-	(100.0%)	-	-	-	-
impairment loss of property, plant and equipment	-	-	-	-	-	-	0.8	100.0%
Employee benefit obligation	6.4	7.1	8.4	11.0%	18.3%	3.9	4.4	12.8%
(Gain)/Loss on disposal of property, plant and equipment	0.0	0.0	(0.9)	-	(100.0%)	(0.4)	0.1	(125.0%)
Finance costs on short term borrowings	0.4	1.8	5.5	350.0%	205.6%	3.7	0.6	(83.8%)
Bargain purchase gain on acquisition of a subsidiary	-	(14.8)	-	(100.0%)	100.0%	-	-	-
Finance costs on lease liabilities	0.9	1.0	1.7	11.1%	70.0%	0.5	1.2	140.0%
Movement in allowance for inventories	(0.8)	-	-	(100.0%)	-	-	2.8	100.0%
Exchange gains	-	-	(0.4)	-	(100.0%)	-	-	-
Impairment of trade receivables	0.7	1.5	0.8	114.3%	(46.7%)	-	-	-
Impairment losses on property, plant and equipment	-	-	-	-	-	0.4	0.7	75.0%
Fair value loss on financial assets	-	-	-	-	-	1.4	1.3	(7.1%)
Cash from operations before working capital changes	**71.1**	**133.7**	**252.6**	**88.0%**	**88.9%**	**134.1**	**120.7**	**(10.0%)**
Trade receivables	(64.1)	0.4	23.3	(100.6%)	5,725.0%	(14.9)	2.1	(114.1%)
Advances, prepayments and other receivables	(2.7)	(2.4)	5.2	(11.1%)	(316.7%)	(9.6)	(16.3)	69.8%
Inventories	(33.9)	(59.3)	78.6	74.9%	(232.5%)	47.7	(46.2)	(196.9%)
Trade payables	69.0	(52.1)	(12.2)	(175.5%)	(76.6%)	22.3	50.7	127.4%
Accrued and other liabilities	(10.5)	0.6	(1.3)	(105.7%)	(316.7%)	(3.0)	(12.3)	310%
Cash generated from operations	**28.9**	**20.9**	**346.2**	**(27.7%)**	**1,556.5%**	**176.7**	**98.7**	**(44.1%)**
Zakat and income tax paid	(5.6)	(0.4)	(9.4)	(92.9%)	2,250.0%	(7.4)	(14.0)	89.2%
Employee benefit obligations paid	(4.1)	(4.3)	(6.0)	4.9%	39.5%	(2.7)	(1.8)	(33.3%)
Finance costs paid	(1.3)	(2.7)	(7.1)	107.7%	163.0%	(4.2)	(1.8)	(57.1%)
Net cash inflow from operating activities	**17.9**	**13.6**	**323.8**	**(24.1%)**	**2,280.9%**	**162.4**	**81.1**	**(50.1%)**

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2023G	30 June 2024G	Variance 30 June (2023G-2024G)
Purchase of property, plant and equipment	(17.5)	(15.6)	(34.8)	(10.9%)	123.1%	(14.8)	(15.6)	5.4%
Proceeds from disposal of property, plant and equipment	-	0.2	1.4	100.0%	600.0%	0.8	0.0	(100.0%)
Purchase of intangible assets	-	(0.4)	(0.3)	(100.0%)	(25.0%)	(0.3)	(0.1)	(66.7%)
Acquisition of a subsidiary - net	(10.0)	(39.1)	(50.7)	291.0%	29.7%	(53.5)	(32.3)	(39.6%)
Net cash outflow from investing activities	**(27.5)**	**(54.8)**	**(84.3)**	**99.3%**	**53.8%**	**(67.8)**	**(48.0)**	**(29.1%)**
Dividends paid	(25.0)	(25.0)	(99.5)	-	298%	-	-	-
Short-term borrowings- net	40.6	69.7	(109.5)	71.7%	(257.1%)	(92.7)	(30.2)	(67.4%)
Repayment of principal portion of lease liabilities	(4.0)	(6.9)	(9.7)	72.5%	40.6%	(4.2)	(3.9)	(7.1%)
Net cash inflow/(outflow) from financing activities	**11.6**	**37.8**	**(218.8)**	**225.9%**	**(678.8%)**	**(96.9)**	**(34.1)**	**(64.9%)**
Net increase/(decrease)in cash and cash equivalents	2.0	(3.4)	20.6	(270.0%)	(705.9%)	(2.3)	(1.1)	(52.2%)
The impact of the change in for currency exchange on cash and cash equivalents	-	-	(0.1)	-	(100.0%)	-	(0.0)	(100.0%)
Cash and cash equivalents at the beginning of the year	10.8	12.8	10.1	18.5%	(21.1%)	10.1	30.6	203.0%
Cash and cash equivalents of an acquired subsidiary	-	0.6	(0.0)	100.0%	(100.0%)	-	-	-
Cash and cash equivalents at the end of the year	**12.8**	**10.1**	**30.6**	**(21.1%)**	**203.0%**	**7.8**	**29.5**	**278.1%**
Supplemental non-cash information:								
Deferred tax assets	2.0	1.3	4.1	(35.0%)	215.4%	2.0	2.2	10.0%
Actuarial (gain)/loss on defined benefit obligation	(2.7)	-	-	(100.0%)	-	-	-	-
Right-of-use assets and lease liabilities	1.4	6.9	43.9	392.9%	536.2%	6.8	0.9	(86.9%)
Account receivable written off	0.1	-	-	(100.0%)	-	-	-	-
Advance tax reclassified to prepayments	1.0	-	-	(100.0%)	-	-	-	-
Transfer from retained earnings to increase the share capital	-	-	-	-	-	-	140.0	100.0%
Transfer from required reserves to increase the share capital	-	-	-	-	-	-	60.0	100.0%

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

6.7.20.1 Cash Flows from Operating Activities

The following table for the Group's cash flows from operating activities for the years ended 31 December 2021G, 2022G and 2023G and the six-month periods ended 30 June 2023G and 2024G:

Table 6.45: Cash Flows from Operating Activities for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G, and 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2023G	30 June 2024G	Variance 30 June (2023G-2024G)
Profit before zakat and income tax	**6.6**	**74.4**	**166.9**	**1,027.3%**	**124.3%**	**90.8**	**72.2**	**(20.54%)**
Adjustments for:								
Depreciation on property, plant and equipment	50.6	53.8	62.4	6.3%	16.0%	30.2	32.5	7.64%
Depreciation on right of-use-assets	6.9	6.9	7.9	-	14.5%	3.5	4.0	14.3%
Amortisation of intangible assets	2.3	2.0	0.4	(13.0%)	(80%)	0.1	0.3	200%
Reversal of impairment loss of property, plant and equipment	(2.8)	-	-	(100.0%)	-	-	-	-
Impairment loss of property, plant and equipment	-	-	-	-	-	-	0.8	100.0%
Employee benefit obligation	6.4	7.1	8.4	11.0%	18.3%	3.9	4.4	12.8%
(Gain)/loss on disposal of property, plant and equipment	0.0	0.0	(0.9)	0.0%	(100.0%)	(0.4)	0.1	(125%)
Finance costs on short term borrowings	0.4	1.8	5.5	350.0%	205.6%	3.7	0.6	(83.8%)
Bargain purchase gain on acquisition of a subsidiary	-	(14.8)	-	(100.0%)	100.0%	-	-	-
Finance costs on lease liabilities	0.9	1.0	1.7	11.1%	70.0%	0.5	1.2	140%
Movement in allowance for inventories	(0.8)	-	-	(100.0%)	-	-	2.8	100.0%
Exchange gains	-	-	(0.4)	(100.0%)	(100.0%)	-	-	-
Impairment of trade receivables	0.7	1.5	0.8	114.3%	(46.7%)	-	-	-
Impairment losses on property, plant and equipment	-	-	-	-	-	0.4	0.7	75.0%
Fair value loss on financial assets	-	-	-	-	-	1.4	1.3	(7.1%)
Cash from operations before working capital changes	**71.1**	**133.7**	**252.6**	**88.0%**	**88.9%**	**134.1**	**120.7**	**(10.0%)**
Trade receivables	(64.1)	0.4	23.3	(100.6%)	5,725.0%	(14.9)	2.1	(114.1%)
Advances, prepayments and other receivables	(2.7)	(2.4)	5.2	(11.1%)	(316.7%)	(9.6)	(16.3)	69.80%
Inventories	(33.9)	(59.3)	78.6	74.9%	(232.5%)	47.7	(46.2)	(196.9%)
Trade payables	69.0	(52.1)	(12.2)	(175.5%)	(76.6%)	22.3	50.7	127.4%
Accrued and other liabilities	(10.5)	0.6	(1.3)	(105.7%)	(316.7%)	(3.0)	(12.3)	310%
Cash generated from operations	28.9	20.9	346.2	(27.7%)	1,556.5%	176.7	98.7	(44.1%)
Zakat and income tax paid	(5.6)	(0.4)	(9.4)	(92.9%)	2,250.0%	(7.4)	(14.0)	89.2%
Employee benefit obligations paid	(4.1)	(4.3)	(6.0)	4.9%	39.5%	(2.7)	(1.8)	(33.3%)
Finance costs paid	(1.3)	(2.7)	(7.1)	107.7%	163.0%	(4.2)	(1.8)	(57.1%)
Net cash inflow from operating activities	**17.9**	**13.6**	**323.8**	**(24.0%)**	**2,280.9%**	**162.4**	**81.1**	**(50.1%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

The Group generated positive cash flows from operating activities in 2021G and 2022G supported by the profits reported during both years and the cash conversion cycle which ranged between 43 days and 71 days between 2021G and 2023G.

Cash flows from operating activities decreased by SAR 4.3 million or 24.1 per cent., from SAR 17.9 million in the year 2021G to SAR 13.6 million in 2022G largely due to a decrease in trade payables (negative cash flows of SAR 52.1 million) due to the settlement of raw material purchases offset by an increase in inventory by SAR 59.3 million due to higher paper price reflected in increase in raw material inventories. Those changes in working capital were offset by higher reported pre-tax income of SAR 74.4 million.

Cash flows from operating activities increased by SAR 310.2 million or 2,280.9 per cent., to SAR 323.8 million in 2023G due to the higher pre-tax profits reported by the Group of SAR 166.9 million in addition to the decrease in trade receivables and payables due to settlements, while inventories decreased as well due to the decrease in raw materials purchase price.

Cash flows from operating activities decreased by SAR 81.4 million or 50.1 per cent. from 162.4 million in the six-month period ended 30 June 2023G to SAR 81.1 million in the six-month period ended 30 June 2024G due to the lower pre-tax profits reported by the Group in addition to the increase in working capital particularly inventory.

6.7.20.2 Cash Flows used in Investing Activities

The following table compares the Group's cash flows used in investing activities for the years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.46: Cash Flows used in Investing Activities for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2023G	30 June 2024G	Variance 30 June (2023G-2024G)
Purchase of property, plant and equipment	(17.5)	(15.6)	(34.8)	(10.9%)	123.1%	(14.8)	(15.6)	5.4%
Proceeds from disposal of property, plant and equipment	-	0.2	1.4	100.0%	600.0%	0.8	0.0	(100.0%)
Purchase of intangible assets	-	(0.4)	(0.3)	(100.0%)	(25.0%)	(0.3)	(0.1)	(66.7%)
Acquisition of a subsidiary - net	(10.0)	(39.1)	(50.7)	291.0%	29.7%	(53.5)	(32.3)	(39.6%)
Net cash outflow from investing activities	**(27.5)**	**(54.8)**	**(84.3)**	**99.3%**	**53.8%**	**(67.8)**	**(48.0)**	**(29.1%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

Cash used in investing activities increased by SAR 27.3 million or 99.3 per cent. from SAR (27.5) million in the year 2021G to SAR (54.8) million in 2022G driven by the cash outflow associated with acquiring IPIC, while other cash outflows represented property, plant and equipment purchases within the normal course of the Group's business.

Cash used in investing activities increased by SAR 29.5 million or 53.8 per cent., to SAR (84.3) million in 2023G driven by property, plant and equipment purchases and the acquisition prices related to UPIC acquisition.

Cash used in investing activities decreased by SAR 19.8 million or 29.1 per cent. from (67.8) million in the six-month period ended 30 June 2023G to SAR (48.0) million in the six-month period ended 30 June 2024G driven by a decrease in property, plant and equipment purchases and the acquisition prices related to subsidiary companies, which decreased from SAR 53.5 million (related to UPIC acquisition) to SAR 32.3 million (related to the acquisition of another subsidiary company) during the same period.

6.7.20.3 Cash Flows from Financing Activities

The following table compares the Group's cash flows from financing activities for the years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.47: Cash Flows from Financing Activities for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of the Group

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2023G	30 June 2024G	Variance 30 June (2023G-2024G)
Dividends paid	(25.0)	(25.0)	(99.5)	-	298%	-	-	-
Short-term borrowings- net	40.6	69.7	(109.5)	71.7%	(257.1%)	(92.7)	(30.2)	(67.4%)
Repayment of principal portion of lease liabilities	(4.0)	(6.9)	(9.7)	72.5%	40.6%	(4.2)	(3.9)	(7.1%)
Net cash (outflow)/inflow from financing activities	**11.6**	**37.8**	**(218.8)**	**225.9%**	**(678.8%)**	**(96.9)**	**(34.1)**	**(64.9%)**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

Cash from financing activities increased by SAR 26.2 million or 225.9 per cent., from SAR 11.6 million in the year 2021G to SAR 37.9 million in 2022G driven by higher financing received of SAR 29.1 million that is used to finance the working capital of the Group in response to the increase in global purchase price and financing the acquisition of IPIC.

Cash from financing activities decreased by SAR 256.6 million or 678.8 per cent., to SAR (218.8) million in 2023G supported by the settlements of short-term borrowings in addition to the higher dividends paid which increased from SAR 25.0 million in 2022G to SAR 99.5 million in 2023G driven by the higher profits reported in 2022G and 2023G.

Cash used in financing activities decreased by SAR 62.9 million or 64.9 per cent. from (96.9) million in the six-month period ended 30 June 2023G to SAR 34.1 million in the six-month period ended 30 June 2024G mainly supported by the fully settlement of short-term borrowings related to IPIC and lower lease liabilities payments.

6.7.21 Financing Structure

The following table presents the capitalisation of the Group as derived from its audited financial statements for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, noting that the table should be read in conjunction with the relevant financial statements, including the notes thereto set out in Section 19 (*Financial Statements and Independent Auditors' Reports*):

Table 6.48: Capitalisation and Indebtedness of the Group as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	30 June 2024G
Short-term borrowings	70.0	139.7	30.2	-
Total short-term borrowings	**70.0**	**139.7**	**30.2**	**-**
Current portion of lease liabilities	7.2	6.8	7.6	9.2
Lease liabilities	8.6	8.9	42.5	37.9
Total lease liabilities	**15.8**	**15.8**	**50.1**	**47.1**
Cash and cash equivalents	**(12.8)**	**(10.1)**	**(30.6)**	**(29.5)**
Net debt	**73.0**	**145.3**	**49.5**	**17.6**
Equity				
Share capital	200.0	200.0	200.0	400.0

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	30 June 2024G
Statutory reserve	60.0	60.0	60.0	-
Retained earnings	116.5	167.4	222.6	145.4
Foreign currency translation reserve	-	-	(0.6)	(0.6)
Total equity	**376.5**	**427.4**	**482.1**	**544.7**
Total capitalisation (net debt + total equity)	**449.5**	**572.7**	**531.8**	**562.3**
Net debt / total capitalisation	**16.2%**	**25.4%**	**9.3%**	**3.1%**

Source: The audited financial statements for the financial year ended 31 December 2021G, the audited consolidated financial statements for the year ended 31 December 2023G and 2022G, the unaudited condensed consolidated interim financial information for the three-month and six-month period ended 30 June 2024G, and Management information.

6.8 Integrated Packaging Industries Company (IPIC) (Formerly Known as "AlKifah Paper Products Company LLC") – Subsidiary Company

IPIC financial statements for the financial years ended 31 December 2021G, 2022G, and 2023G have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**").

The financial statements were audited in accordance with the International Auditing Standards endorsed in the Kingdom of Saudi Arabia by Ernst & Young Professional Services (Professional Limited Liability Company) for the year ended 31 December 2021G.

The financial statements have been audited in accordance with International Standards on Auditing endorsed in the Kingdom of Saudi Arabia by PricewaterhouseCoopers - Public Accountants, for the years ended 31 December 2022G and 31 December 2023G. IPIC was acquired by the Company effective from 30 March 2022G. The related adjustments necessary to be at par with the IFRS have been made in the consolidated financial statements for the years 2022G and 2023G respectively.

The financial information for the financial years ended 31 December 2021G, 2022G, and 2023G were extracted from IPIC's audited financial statements for the financial year ended 31 December 2021G, 31 December 2022G, and 31 December 2023G and the related information prepared by management of IPIC. The financial information for the six-month periods ended 30 June 2023G and 2024G were extracted from the consolidated financial statements of UCIC and the related information provided by management of IPIC, where applicable.

The financial information of IPIC were prepared and presented in accordance with its functional currency (SAR).

The presentation of financial information and line items used in this Prospectus are consistent with the audited consolidated financial statements for the financial year ended 31 December 2023G. Accordingly, some differences may appear in the presentation and names of some line items compared to the audited financial statements for the financial year ended 31 December 2021G. This includes the following line items:

- Sales: The term "sales" as used in this prospectus has been applied starting from the year 2022G, while the term "revenues" was used for the same account in previous years.
- Cost of sales: The term cost of sales was used in this prospectus starting from the year 2022G, while the term cost of revenue was used for the same account in previous years.
- The term "selling and distribution expenses" was used in this prospectus starting from 2022G, while the term "sale and marketing" was used for the same account in previous years.
- The term "general and administrative expenses" was used in this prospectus starting from 2022G, while the term "general and administrative" was used for the same account in previous years.
- Other income account presentation: Starting from 2022G, the company presented the other income account to be under the operating (loss)/profit items, while the other income account was presented under the items after the operating (loss)/profit in previous years.
- Profit / (loss) for the year: The term profit / (loss) for the year as presented in this prospectus was used starting from the year 2022G, while the term net (loss) / profit for the year was used for the same account in previous years.

- Trade receivables: The term trade receivables as presented in this prospectus was used starting from 2022G, while the term accounts receivable was used for the same account in previous years.
- The term "prepaid amounts and other assets" as used in this prospectus has been applied starting from the year 2022, while the term "prepaid amounts and other receivables" was used for the same account in previous years.
- Cash and cash equivalents: The term "cash and cash equivalents" as used in this prospectus has been applied starting from the year 2022, while the term "cash and its equivalents" was used for the same account in previous years.
- Trade payables: The term trade payables as presented in this prospectus was used starting from 2022G, while the term accounts payable was used for the same account in previous years.
- Accrued and other liabilities: The term accrued and other liabilities as presented in this prospectus was used starting from the year 2022G, while the term accrued and other payables were used for the same account in previous years.
- Share capital: The term share capital as presented in this prospectus was used starting from the year 2022G, while the term capital was used for the same account in previous years.
- Employee benefit obligations: The term employee benefit obligations as presented in this prospectus was used starting from 2022G, while the term employee benefits was used for the same account in previous years.
- Profit / (loss) before zakat and income tax: The term profit / (loss) before zakat and income tax as presented in this prospectus was used starting from the year 2022G, while the term (loss) / profit before zakat was used for the same account in previous years.
- Provision for doubtful receivables: The term provision for doubtful receivables as presented in this prospectus was used starting from 2022G, while the term provision for doubtful debts was used for the same account in previous years.
- Cash related to discontinued operations: The term cash related to discontinued operations as presented in this prospectus was used starting from 2022G, while the term cash and cash equivalents acquired form branch combination was used for the same account in previous years.
- Due to the reclassification of the above accounts, the figures in the statement of cash flows have been reclassified accordingly which will not match the audited financial statements for the year 2021G.

6.8.1 Statement of Profit and Loss and Other Comprehensive Income of IPIC

The following table presents IPIC's statements of Profit and Loss and other comprehensive income data for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.49: Statement of Profit and Loss and Other Comprehensive Income Data for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of IPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Revenue	97.7	113.6	108.6	16.3%	(4.4%)	58.1	41.1	(29.3%)
Cost of sales	(97.4)	(98.7)	(90.2)	1.3%	(8.6%)	(50.7)	(39.0)	(23.1%)
Gross profit	**0.3**	**14.9**	**18.4**	**4,866.7%**	**23.5%**	**7.4**	**2.2**	**(70.3%)**
Selling and distribution expenses	(6.8)	(4.7)	(4.8)	(30.9%)	2.1%	(1.3)	(1.4)	7.7%
General and administrative expenses	(8.7)	(6.0)	(8.0)	(31.0%)	33.3%	(3.6)	(4.1)	13.9%
Impairment losses of financial assets	-	-	-	–	-	-	(0.1)	(100.0%)
Other income	2.7	1.1	0.9	(59.3%)	(18.2%)	0.4	0.0	(100%)
Operating (loss)/profit	**(12.5)**	**5.2**	**6.5**	**(141.7%)**	**24.6%**	**2.8**	**(3.5)**	**(225.0%)**
Finance costs	(3.0)	(0.6)	(3.1)	(80.0%)	416.7%	(1.8)	(1.1)	(38.9%)
Profit / (loss) before zakat and income tax	**(15.5)**	**4.6**	**3.4**	**(129.7%)**	**(26.1%)**	**1.1**	**(4.6)**	**(518.2%)**
Zakat expense	-	(0.1)	-	(100.0%)	(100.0%)	(0.0)	(0.0)	(0.0%)
Income tax	-	0.5	1.4	100.0%	180.0%	(0.1)	(1.4)	1300.0%
Profit / (loss) from continuing operations	**(15.5)**	**5.1**	**4.8**	**(132.9%)**	**(5.9%)**	**0.9**	**(6.0)**	**(766.7%)**

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Discontinued operations								
Loss from discontinued operations	-	(2.6)	-	(100.0%)	100.0%	-	-	-
Profit / (loss) for the year	**(15.5)**	**2.4**	**4.8**	**(115.5%)**	**100.0%**	**0.9**	**(6.0)**	**(766.7%)**
KPIs								
Gross profit margin (1)	0.3%	13.1%	16.9%	12.8 ppt	3.8 ppt	12.7%	5.4%	(7.4 ppt)
Operating profit margin (2)	(12.8%)	4.6%	6.0%	17.4 ppt	1.5 ppt	4.8%	(8.5%)	(13.3 ppt)
Net profit margin (3)	(15.9%)	4.5%	4.4%	20.4 ppt	(0.1) ppt	1.5%	(14.6%)	(16.1 ppt)

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

(1) Gross profit margin is calculated by dividing the gross profit for the year / period by revenue for the year / period.

(2) Operating profit margin is calculated by dividing the operating profit for the year / period by revenue for the year / period.

(3) Net profit margin is calculated by dividing the net profit for the year / period by revenue for the year / period.

Table 6.50: EBITDA for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of IPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Profit / (loss) for the year	(15.5)	2.4	4.8	(115.5%)	100.0%	0.9	(6.0)	(766.7%)
Add:								
Finance cost	3.0	0.6	3.1	(80.0%)	416.7%	1.8	1.1	(38.9%)
Zakat expense	-	0.1	0.0	(100.0%)	(100.0%)	0.0	0.0	(0.0%)
Income tax	-	(0.5)	(1.4)	100.0%	180.0%	2.1	1.4	(33.3%)
Depreciation	12.7	8.6	9.1	(32.3%)	5.8%	4.8	4.3	(10.4%)
Amortisation	0.2	0.1	0.1	(50.0%)	0.0%	0.1	0.1	0.0%
EBITDA	0.4	11.3	15.7	2,725.0%	38.9%	9.7	0.9	(90.7%)
EBITDA margin (1)	0.3%	9.9%	14.5%	9.6 ppt	4.6 ppt	16.7%	2.2%	12.1 ppt

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

(1) EBITDA margin is calculated by dividing the earnings before interest, tax depreciation and amortisation for the year / period by revenue for the year / period.

6.8.1.1 Revenue

Revenue fluctuated between 2021G and 2023G in line with the fluctuation in global paper prices. IPIC was able to pass on the increase in paper costs to its customers.

In 2023G, revenue from folding cartons comprised 90.4 per cent. (SAR 98.2 million), while revenue from pulp products comprised 9.6 per cent. (SAR 10.4 million).

During 2023G, IPIC sold products to 153 customers, of which the top five customers accounted for 51.8 per cent. of total revenue compared to 189 customers in 2022G and revenue concentration of the top five customers accounted for 50.4 per cent.

In 2023G, the decrease in revenue by SAR 5.0 million was driven by the decrease in average sale price by 13.0 per cent. in 2023G (as compared to 2022G). This was partially offset by an increase in sales volume from by approximately 10.0 per cent. in 2023G.

Revenue decreased by SAR 17.0 million or 29.0 per cent. from SAR 58.1 million in the six-month period ended 30 June 2023G to SAR 41.1 million in the six-month period ended 30 June 2024G, primarily due to the fire incident, which led to a decrease in revenue during February and March 2024G. In addition, sales volume decreased from 7.7 thousand tons to 5.2 thousand tons in 30 June 2024G as compared to the corresponding period for 2023G.

6.8.1.2 Cost of Sales

The following table compares IPIC's cost of sales for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.51: Cost of Sales Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of IPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Materials cost	60.0	68.2	60.1	13.7%	(11.9%)	31.2	20.6	(34.0%)
Employees cost	18.2	16.4	15.3	(9.9%)	(6.7%)	7.7	6.4	(16.9%)
Depreciation	11.9	8.1	8.8	(31.9%)	8.7%	4.6	2.4	(47.8%)
Utilities	4.1	2.5	2.4	(39.0%)	(4.0%)	1.1	1.1	N/A
Rentals	0.8	1.1	1.3	37.5%	18.2%	-	-	N/A
Others	2.4	2.5	2.3	4.2%	(8.0%)	6.1	8.5	39.3%
Total cost of sales	**97.4**	**98.7**	**90.2**	**1.3%**	**(8.6%)**	**50.7**	**38.9**	**(23.3%)**

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

Between 2021G and 2023G, cost of sales primarily included materials costs (an average of SAR 62.8 million or 65.8 per cent. of total cost of sales), employees cost (SAR 16.6 million or 17.4 per cent. of total cost of sales) and depreciation (SAR 9.6 million, 10.1 per cent. of total cost of sales).

Cost of sales remained relatively stable between years 2021G and 2022G at SAR 97.4 million and SAR 98.7 million respectively before subsequently decreasing to SAR 90.2 million in 2023G driven by the decrease in materials costs (paper costs) by SAR 8.2 million, which decreased globally and was in-line with the decrease in revenue.

Staff costs were primarily categorised under cost of sales and decreased by SAR 1.8 million or 9.9 per cent., from SAR 18.2 million in the year 2021G to SAR 16.4 million in 2022G and further by SAR 1.1 million or 6.7 per cent. to SAR 15.3 million in 2023G, as the Company acquired only three costs centres compared to the five cost centres prior to March 2022G, which led to the decline in staff costs during the year.

Cost of sales as a percentage of revenue decreased between 2021G and 2023G from 99.7 per cent. in the year 2021G to 86.9 per cent. in 2022G and further to 83.1 per cent. in 2023G, which had a positive impact on gross margin.

Cost of sales decreased by SAR 11.8 million or 23.3 per cent. from SAR 50.7 million in the six-month period ended 30 June 2023G to SAR 38.9 million in the six-month period ended 30 June 2024G, in line with the decrease in revenue and average paper cost. In addition, IPIC outsourced part of the printing operations to fulfil customers' orders, which incurred additional costs, and these costs could not be passed on to the customers.

As a result of the decrease in revenue, which was at a higher pace than the decrease in cost of sales, gross margin decreased from 15.2 per cent. in the six-month period ended 30 June to 5.2 per cent. in the six-month period ended 30 June 2024G.

(a) Materials Cost

Material cost mainly comprise of raw materials (primarily paper), spare parts and consumables and are offset by scrap sales. The decrease in material cost between 2022G and 2023G was due to decrease in paper cost.

Raw materials cost as a percentage. of revenue decreased from 60.0 per cent. in 2022G to 55.3 per cent. to 2023G driving an increase in gross margin from 13.1 per cent. in 2022G to 17.0 per cent. in 2023G.

Raw materials cost as a percentage. of revenue decreased from 53.7 per cent. in the six-month period ended 30 June 2023G to 50.1 per cent. to in the six-month period ended 30 June 2024G.

(b) Employee Costs

Staff costs were primarily categorised under cost of sales and primarily included basic salaries (an average of 37.0 per cent. (SAR 5.6 million of total employee costs), allowances (15.1 per cent., SAR 2.8 million) and overtime (16.5 per cent., SAR 2.5 million).

The decrease in employee costs between 2021G and 2023G by SAR 2.9 million or 15.9 per cent. from SAR 18.2 million in the year 2023G to SAR 15.3 million was due to reducing the costs centres ahead of the acquisition. Those cost centres were deemed irrelevant to the core operations of the Company.

Employee cost has decreased by SAR 1.3 million in the six-month period ended 30 June 2024G compared to the same period in 2023G.

(c) Depreciation and Utilities

Depreciation and utilities expenses decreased in 2022G as compared to 2021G by SAR 3.8 million (31.9 per cent.) and SAR 1.6 million (39.0 per cent.) driven by the discontinued plants and machinery related to the pre-acquisition business that were not acquired by the Company.

Depreciation expense decreased in the six-month period ended 30 June 2024G compared to 30 June 2023G, as a result of the depreciation charge of SAR 2.2 million booking during the period.

6.8.1.3 Selling and Distribution Expenses

The following table compares IPIC's selling and distribution expenses for the financial years ended 31 December 2021G, 2022G and 2023G, and the and six-month periods ended 30 June 2023G and 2024G:

Table 6.52: Selling and Distribution Expenses Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of IPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Employee costs	3.7	2.7	2.4	(27.0%)	(11.1%)	1.2	1.3	8.3%
Transportation cost	1.6	1.6	2.1	-	31.3%	-	-	-
Utilities	0.3	0.1	0.1	(66.7%)	-	-	-	-
Depreciation	0.1	0.1	0.1	-	-	0.0	0.0	-
Others	1.1	0.3	0.2	(72.7%)	(33.3%)	0.1	0.1	0.0%
Total selling and distribution expenses	**6.8**	**4.7**	**4.8**	**(30.9%)**	**2.1%**	**1.3**	**1.4**	**7.7%**

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

Between 2021G and 2023G, selling and distribution expenses mainly included employee costs and delivery costs which comprised an average of 54.2 per cent. (SAR 2.9 million) and 33.9 per cent. (SAR 1.8 million).

In 2022G, selling and distribution expenses decreased by SAR 2.1 million driven by a decrease in employee's costs by SAR 1.0 million and other expenses by SAR 0.7 million.

In 2023G, selling and distribution expenses remained broadly stable, with insignificant movement on a year-on-year basis.

Selling and distribution expenses remained broadly stable during the six-month periods ended 30 June 2023G and 2024G.

6.8.1.4 General and Administrative Expenses

The following table compares IPIC's general and administrative expenses for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.53: General and Administrative Expenses Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of IPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Employee costs	6.1	4.2	5.9	(31.1%)	40.5%	3.0	2.9	(3.3%)
Licence and software maintenance	-	-	0.6	-	100.0%	0.3	0.3	-
Depreciation	0.7	0.5	0.2	(28.6%)	(60.0%)	0.1	0.1	-
Legal and professional fees	0.1	0.3	0.2	200.0%	(33.3%)	0.1	0.2	100.0%
Repairs and maintenance	-	0.1	0.2	100.0%	100.0%	0.1	0.1	-
Amortisation of intangible assets	0.2	0.1	0.1	(50.0%)	-	0.1	0.1	-
Allowance for doubtful debts	-	0.1	-	100.0%	(100.0%)	-	-	-
Utilities	1.0	0.1	0.1	(90.0%)	-	0.0	0.0	-
Others	0.5	0.7	0.7	40.0%	-	0.1	0.6	500.0%
Total general and administrative expenses	**8.7**	**6.0**	**8.0**	**(31.0%)**	**33.3%**	**3.6**	**4.1**	**13.9%**

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

Between 2021G and 2023G, general and administrative expenses primarily included employees' costs, which comprised an average of 71.3 per cent. or SAR 5.4 million of the total general and administrative expenses.

General and administrative expenses fluctuated between 2021G and 2023G driven by the fluctuation in employees' costs, whereby, the decline in 2022G was due to discontinuing certain cost centres of the business ahead of the Company acquisition, while the increase in 2023G was due to hiring additional administrative employees.

General and administrative expenses remained broadly stable during the six-month periods ended 30 June 2023G and 2024G.

6.8.1.5 Finance Cost

The decline in finance costs in 2022G compared to 2021G was as a result of the acquisition by the Company where all existing loans at that time were separated from IPIC and were not taken by the Company.

Post acquisition, IPIC obtained short-term borrowings to finance its working capital with an outstanding amount of SAR 49.7 million as of 31 December 2022G.

In 2023G, the increase in finance costs of SAR 2.5 million was allocated among 12 months compared to a shorter period months' in 2022G which resulted in the higher cost incurred during 2023G coupled with higher SAIBOR rate even though the outstanding borrowings were reduced to SAR 30.2 million as of 31 December 2023G.

6.8.1.6 Other Income

Between 2021G and 2023G, other income primarily included gains from disposal of machines, vehicles and other property and equipment items.

6.8.1.7 Loss on Discontinued Operations

The loss on discontinued operations relates to the decision by IPIC's previous shareholders prior to acquisition by the Company to discontinue certain business lines and dispose of the investment in its subsidiaries at their respective book values. These businesses were not related to the Company's core operations and not acquired by the Company. The discontinuance of operations took place prior the acquisition by the Company.

6.8.2 Statement of Financial Position of IPIC

The following table presents IPIC's statement of financial position data as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.54: Statement of Financial Position Data as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of IPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30June 2024G	Variance (2023G-30 June 2024G)
Property, plant and equipment	106.2	49.0	43.8	(53.8%)	(10.6%)	48.2	10.0%
Right-of-use assets	-	-	-	-	-	1.0	100%
Deferred tax asset	-	0.7	2.0	100%	185.7%	(0.2)	(110.5%)
Intangible assets	5.0	0.3	0.5	(94.0%)	66.7%	0.5	-
Total non-current assets	**111.2**	**50.0**	**46.3**	**(55.0%)**	**(7.4%)**	**49.5**	**6.9%**
Inventories	18.6	27.0	19.7	45.2%	(27.0%)	18.7	(5.0%)
Trade receivable	20.6	19.8	19.9	(3.9%)	0.4%	13.6	(31.6%)
Prepayments and other receivable	4.9	7.9	7.2	61.2%	(8.9%)	10.2	41.7%
Cash and cash equivalents	1.1	5.5	1.0	400.0%	(81.8%)	3.1	210%
Due from related party	35.8	-	-	(100.0%)	-	-	-
Total current assets	**81.0**	**60.2**	**47.8**	**(25.6%)**	**(20.4%)**	**45.6**	**(4.9%)**
Total assets	**192.2**	**110.3**	**94.3**	**(42.6%)**	**(14.5%)**	**95.2**	**1.0%**
Share capital	26.3	26.3	26.3	-	-	26.3	-
Statutory reserve	0.5	0.7	1.2	40.0%	71.4%	-	(100.0%)
(Accumulated losses) / retained earnings	(0.5)	2.7	6.3	(640.0%)	133.3%	0.4	(93.4%)
Total equity	**26.2**	**29.7**	**33.8**	**12.9%**	**14.1%**	**26.7**	**(21.4%)**
Long term borrowings / lease liabilities (1)	16.4	-	-	(100.0%)	-	0.8	N/A
Employee benefit obligations	8.9	7.1	7.6	(20.2%)	7.0%	7.8	2.8%
Total non-current liabilities	**25.3**	**7.1**	**7.6**	**(71.8%)**	**7.0%**	**8.6**	**13.2%**
Trade payables	13.1	10.6	13.4	(19.1%)	26.4%	18.6	38.5%
Short term borrowings	-	49.7	30.2	100.0%	(39.3%)	-	(100.0%)
Due to related party	100.1	3.4	-	(96.6%)	(100.0%)	31.4	N/A
Current portion of long-term borrowings / lease liabilities	19.1	-	-	(100.0%)	-	0.1	N/A
Current portion of lease liabilities	-	-	-	-	-	0.1	100.0%
Accrued and other liabilities	8.5	9.6	9.1	12.9%	(5.2%)	10.0	9.6%
Provision for Zakat and income tax	-	0.3	0.1	100.0%	(66.7%)	(0.4)	(500.0%)
Total current liabilities	**140.7**	**73.5**	**52.8**	**(47.8%)**	**(28.2%)**	**59.9**	**13.4%**
Total liabilities	**166.0**	**80.6**	**60.4**	**(51.4%)**	**(25.1%)**	**68.6**	**13.5%**
Total equity and liabilities	**192.2**	**110.3**	**94.3**	**(42.7%)**	**(14.5%)**	**95.2**	**0.9%**

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

(1) The balance presented as 31 December 2021G only includes long-term borrowing balances only.

6.8.3 Non-Current Assets

The following table presents IPIC's non-current assets as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.55: Non-current Assets as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of IPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30June 2024G	Variance (2023G-30 June 2024G)
Property, plant and equipment	106.2	49.0	43.8	(53.9%)	(10.6%)	48.2	10.0%
Right-of-use assets	-	-	-	-	-	1.0	100.0%
Deferred tax asset	-	0.7	2.0	100.0%	185.7%	(0.2)	(110.5%)
Intangible asset	5.0	0.3	0.5	(94.0%)	66.7%	0.5	-
Total non-current assets	**111.2**	**50.0**	**46.3**	**(55.0%)**	**(7.4%)**	**49.5**	**6.9%**

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

6.8.3.1 Property, Plant and Equipment

As of 31 December 2023G, property, plant and equipment accounted for 46.5 per cent. of total assets and primarily included machinery and plant (SAR 22.7 million, 51.8 per cent. of property, plant and equipment) and buildings (SAR 20.2 million, 46.0 per cent. of property, plant and equipment).

Property, plant and equipment decreased by SAR 57.2 million or 53.8 per cent. from SAR 106.2 million as of 31 December 2021G to SAR 49.0 million at 2022G, as a result of discontinuance of certain cost centres that were loss making ahead of the acquisition by the Company. These were not related to the core operations of the Company and were not acquired by the Company.

Additions as of 31 December 2023G were SAR 4.3 million, of which SAR 3.4 million were related to machinery and plants, while disposals were SAR 9.7 million, of which SAR 8.0 million were related to machinery and plant.

Property, plant and equipment were 71.7 per cent. depreciated as of 31 December 2023G; plant was 79.0 per cent. depreciated, buildings 37.5 per cent., vehicles 95.2 per cent., other items were 93.0 per cent. depreciated.

At 30 June 2024G, property, plant, and equipment increased by SAR 4.3 million to reach SAR 48.2 million, of which SAR 3.1 million were related to buildings and SAR 1.2 million for machinery and equipment.

6.8.3.2 Intangible Assets

Intangible assets comprised software in use by the company and decreased as of 31 December 2022G, by SAR 4.7 million due to transferring an ERP system of SAR 3.5 million to the previous shareholder (then related party), in addition to SAR of 1.7 million related to the discontinued operations.

Intangible assets slightly increased by SAR 0.2 million or 66.7 per cent., from SAR 0.3 million at 2022G to SAR 0.5 million at 2023G being the partial cost of the new ERP.

There is no material change in intangible assets between 31 December 2023G and 30 June 2024G.

6.8.4 Current Assets

The following table presents IPIC's current assets as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.56: Current Assets as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of IPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30June 2024G	Variance (2023G-30 June 2024G)
Inventories	18.6	27.0	19.7	45.2%	(27.0%)	18.7	(5.0%)
Trade receivable	20.6	19.8	19.9	(3.9%)	0.4%	13.6	(31.6%)
Prepayments and other receivable	4.9	7.9	7.1	61.2%	(10.1%)	10.2	43.7%
Cash and cash equivalents	1.1	5.5	1.0	400.0%	(81.8%)	3.1	210.0%
Due from related party	35.8	-	-	(100.0%)	-	-	-
Total current assets	**81.0**	**60.2**	**47.8**	**(25.6%)**	**(20.4%)**	**45.6**	**(4.9%)**

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

6.8.4.1 Inventories

The following table compares IPIC's inventories details as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.57: Inventories Breakdown as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of IPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30June 2024G	Variance (2023G-30 June 2024G)
Raw materials	9.2	20.2	14.6	119.6%	(27.7%)	17.0	16.4%
Spare parts and consumables	2.6	2.8	3.1	7.7%	10.7%	3.3	6.5%
Work in process	1.0	1.8	0.5	80.0%	(72.2%)	0.7	40.0%
Finished goods	7.0	2.2	1.5	(68.6%)	(31.8%)	-	(100.0%)
Provision for fire losses	-	-	-	-	-	(2.3)	(100.0%)
Gross inventories	**19.7**	**27.0**	**19.7**	**37.1%**	**(27.0%)**	**18.7**	**(5.1%)**
Less: allowance for slow moving inventories	(1.1)	-	-	(100.0%)	-	-	-
Total inventories	**18.6**	**27.0**	**19.7**	**45.2%**	**(27.0%)**	**18.7**	**(5.0%)**

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

As of 31 December 2023G, inventories primarily included raw materials (SAR 14.6 million or 74.1 per cent. of total inventories) and spare parts (SAR 3.1 million or 15.7 per cent.).

Raw materials (which largely included paper) drove the fluctuation of the inventories balance between 2021G and 2023G in line with the fluctuation in its purchase prices.

Inventory was not materially aged as of 31 December 2023G and hence did not require booking an allowance for slow moving and obsolete items.

As of 30 June 2024G, inventories balances (excluding provision for fire losses) increased by SAR 1.3 million or 6.8 per cent. to SAR 21.0 million driven by an increase in raw materials, resulting from purchasing additional raw materials to benefit from the decline in paper costs.

6.8.4.2 Trade Receivable

The following table compares IPIC's trade receivables details as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.58: Trade Receivables Breakdown as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of IPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30June 2024G	Variance (2023G-30 June 2024G)
Trade receivable	23.1	22.6	20.0	(2.2%)	(11.5%)	13.8	(31.0%)
Less: allowance for doubtful debts	(2.6)	(0.1)	(0.1)	(96.12%)	-	(0.2)	100.0%
Discontinued operations	-	(2.7)	-	100.0%	(100.0%)	-	-
Total trade receivables	**20.6**	**19.8**	**19.9**	**(3.9%)**	**0.5%**	**13.6**	**(31.7%)**

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

Trade receivable comprised 21.1 per cent. of total assets as of 31 December 2023G and remained broadly stable in line with revenue level.

As of 31 December 2022G, trade receivables decreased by SAR 0.8 million due to the discontinuation of operations prior to acquisition which resulted in writing off receivables of SAR 2.7 million, while in 2023G trade receivables slightly increased by SAR 0.1 million (0.5 per cent.).

The credit terms to customers extends up to 90 days and no trade receivables were aged more than 90 days at 2023G noting that days sales outstanding ranged between 64 and 77 days between 2021G and 2023G.

On 30 June 2024G, trade receivables decreased by SAR 6.3 million or 31.7 per cent. to SAR 13.6 million due to collections of the due balances in addition to the lower revenue generated compared to the six-month period ended 30 June 2023G.

6.8.4.3 Prepayments and Other Receivable

As of 31 December 2023G, prepayments and other receivables included advances to suppliers (SAR 1.1 million), prepaid expenses (SAR 1.0 million) and other receivables (SAR 4.8 million) related to IPIC customers for the period prior to acquisition with a corresponding payable of the same amount. These receivables were not acquired by the Company as part of the acquisition of IPIC and any recoveries of these amount within a specified time were to be transferred to the previous shareholders of IPIC at no cost to the Group. This balance slightly decreased from SAR 5.2 million at 2022G to SAR 4.8 million at 2023G.

As of 31 December 2022G, the increase by SAR 3.1 million 61.2 per cent. due to an increase in other receivables from SAR 0.17 million at 2022G to SAR 5.2 million and an increase in advances to suppliers by SAR 1.4 million, offset by a decrease in prepaid expenses and advances to employees by SAR 1.5 million (71.5 per cent.) and SAR 2.0 million (85.2 per cent.).

As of 31 December 2023G, the decrease by SAR 0.6 million (7.7 per cent.) was due to a decrease in advances to suppliers and other receivables by SAR 0.7 million (37.3 per cent.) and SAR 0.4 million (7.5 per cent.), respectively, offset by an increase in prepaid expenses by SAR 0.4 million (69.1 per cent.).

Prepayments and other receivables increased to SAR 10.2 million at 30 June 2024G due to an increase in advances to suppliers by as a result of providing advance payments related to printing machineries and roof repairs.

6.8.4.4 Due from Related Party

This represented a balance due from related party arising from sales that was settled during 2022G.

6.8.5 Non-Current Liabilities

The following table presents IPIC's non-current liabilities as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.59: Non-Current Liabilities as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of IPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30June 2024G	Variance (2023G-30 June 2024G)
Long term borrowings / lease liabilities	16.4	-	-	(100.0%)	-	0.8	100.0%
Employee benefit obligations	8.9	7.1	7.6	(20.2%)	7.0%	7.8	2.8%
Total non-current liabilities	25.3	7.1	7.6	(71.9%)	7.0%	8.6	13.2%

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

6.8.5.1 Long Term Borrowings

These represented facilities obtained to finance the company's assets and working capital by the previous shareholders that were excluded from the company prior the acquisition and considered part of the discontinued operations or transferred back to previous sellers and their affiliates.

6.8.5.2 Employee Benefit Obligations

Employees benefit obligations are determined in line with the labour law requirements in the Kingdom based on the employees' salaries and cumulative years of service in accordance with the International Accounting Standard 19 (IAS 19) which prescribes the accounting and disclosure requirements by employers for employee benefits using the projected unit credit method through actuarial valuations being carried out at the end of each year.

6.8.6 Current Liabilities

The following table presents IPIC's current liabilities as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.60: Current Liabilities as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of IPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30June 2024G	Variance (2023G-30 June 2024G)
Trade payables	13.1	10.6	13.4	(19.1%)	26.4%	18.6	38.5%
Short term borrowings	-	49.7	30.2	100.0%	(39.2%)	-	(100.0%)
Due to related party	100.1	3.4	-	(96.6%)	(100.0%)	31.4	-
Current portion of long-term borrowings	19.1	-	-	(100.0%)	-	-	-
Current portion of lease liabilities	-	-	-	-	-	0.1	100.0%
Accrued and other liabilities	8.5	9.6	9.1	12.9%	(5.2%)	10.0	9.6%
Provision for Zakat and income tax	-	0.3	0.1	100.0%	(66.7%)	(0.3)	(400.0%)
Total current liabilities	**140.7**	**73.5**	**52.8**	**(47.8%)**	**(28.2%)**	**59.9**	**13.5%**

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

6.8.6.1 Short Term Borrowings

As of 31 December 2023G, this included utilised funded facilities of SAR 20.0 million from Bank 1 and SAR 10.0 million from Bank 2 that are both used to finance the working capital requirements of the business. Short term borrowings were nil at 30 June 2024G due to full settlements.

6.8.6.2 Due to Related Parties

This represented balances due to the parent company, which was settled prior to the acquisition by the Company.

As of 30 June 2024G, due to related parties represented a balance provided by UCIC to IPIC to support IPIC settling its short-term borrowings and replace the interest-bearing credit facilities with balances financed by UCIC.

6.8.6.3 Accrued and Other Liabilities

As of 31 December 2023G, accrued and other liabilities largely included employees related accruals (SAR 2.8 million) and other accrued expense. (See *Advances, Prepayments and Other Receivables* for further details).

As of 31 December 2022G, the increase by SAR 1.1 million (12.9 per cent.) was due to an increase in other accrued expenses by SAR 3.3 million (137.5 per cent.), offset by a decrease in employee related accrual by SAR 2.4 million (49.1 per cent.), which decreased as a part of the discontinued operations.

Accrued and other liabilities remained broadly stable between 31 December 2023G and 30 June 2024G.

6.8.7 Cash Flows Statement of the Company

The following table presents IPIC's cash flow statement data for the year ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.61: Statement of Cash Flows Data for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of IPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Profit / (loss) before zakat and income tax	**(15.5)**	**4.6**	**3.4**	**(129.7%)**	**(26.1%)**	**1.1**	**(4.6)**	**(518.2%)**
Loss from discontinued operations	-	(2.6)	-	(100.0%)	(100.0%)	-	-	-
Profit / (loss) for the year	(15.5)	2.0	3.4	(112.9%)	70.0%	1.1	(4.6)	(518.2%)
Adjustments for:								
Depreciation of property, plant and equipment	12.7	8.6	9.1	(32.3%)	5.8%	4.3	4.1	(4.7%)
Right of use assets depreciation	-	-	-	-	-	0.1	0.2	100.0%
Provision for employee benefits	1.1	1.2	1.1	9.1%	(8.3%)	0.5	0.5	-
Amortisation of intangible assets	0.2	0.1	0.1	(50%)	0%	0.1	0.1	-
Allowance for doubtful debts	0.0	0.1	-	100%	(100.0%)	-	-	-
Allowance for slow moving inventories	-	0.4	-	100%	(100.0%)	-	-	-
(Gain)/ loss on disposal of property, plant and equipment	(0.1)	0.0	(0.9)	(100.0%)	(100.0%)	0.3	-	(100.0%)
Finance costs on short-term loans	3.0	0.6	3.1	(80%)	416.7%	-	-	-
Lease liabilities finance costs	-	-	-	-	-	0.0	0.0	-
Allowance for decrease in finance cost	-	-	-	-	-	-	-	-
Decline in property, plant and equipment	-	-	-	-	-	-	0.8	-
Cash in working capital working capital changes:								
Trade receivable	3.4	(2.0)	(0.1)	(158.8%)	(95%)	(5.4)	6.3	(216.9%)
Due to related parties- net	12.2	(28.6)	(3.4)	(334.4%)	(88.1%)	(3.2)	31.4	(1,081.3%)
Prepayments and other receivables	(1.2)	(4.3)	0.6	258.3%	(114%)	1.0	(3.2)	(420.0%)

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Inventories	9.3	(13.9)	7.3	(249.5%)	(152.5%)	0.7	1.0	42.9%
Trade payables	(7.9)	(2.6)	2.9	(67.1%)	(211.5%)	15.7	5.2	(67.1%)
Accrued and other liabilities	1.5	2.9	(0.4)	93.3%	(113.84%)	1.2	0.9	(25.0%)
Cash generated from (used in) operations	**18.6**	**(35.4)**	**22.9**	**(290.3%)**	**(164.7%)**	**16.4**	**42.7**	**160.4%**
Employee benefit obligations paid	(0.1)	(1.6)	(1.1)	1500%	(31.3%)	(0.8)	(0.3)	(62.5%)
Finance cost paid	(0.1)	(0.6)	(3.0)	500%	400%	-	-	-
Zakat and income tax paid	-	-	(0.2)	-	100.0%	(0.2)	(0.4)	100.0%
Net cash flows from operating activities	**18.3**	**(37.6)**	**18.6**	**(305.5%)**	**(149.5%)**	**15.5**	**41.9**	**170.3%**
Purchase of property, plant and equipment	(2.1)	(0.7)	(4.3)	(66.7%)	514.3%	(3.1)	(9.2)	196.8%
Purchase of intangible assets	(5.2)	(0.3)	(0.3)	(94.2%)	0%	(0.3)	(0.1)	(66.7%)
Proceeds from disposal of property, plant and equipment	0.1	0.2	1.3	100%	550%	0.1	-	(100.0%)
Net cash used in investing activities	**(7.3)**	**(0.8)**	**(3.3)**	**(89%)**	**312.5%**	**(3.3)**	**(9.3)**	**181.8%**
Net movement in borrowings	(10.6)	42.9	(19.7)	(504.7%)	(145.9%)	(12.7)	(30.2)	138.0%
Principle element of lease payments	-	-	-	-	-	(0.3)	(0.4)	33.3%
Net cash flows generated from/ (used in) financing activity	**(10.6)**	**42.9**	**(19.7)**	**(504.7%)**	**(145.9%)**	**(13.0)**	**(30.6)**	**135.4%**
Net changes in cash and cash equivalents	0.5	4.4	(4.4)	780%	(200%)	(2.2)	2.0	(190.9%)
Cash and cash equivalents at the beginning of the year	0.5	1.1	5.5	120%	400%	5.5	1.0	(81.8%)
Cash related to discontinued operations	0.2	(0.1)	-	(150%)	(100.0%)	-	-	-
Cash and cash equivalents at the end of the year	**1.1**	**5.5**	**1.0**	**400%**	**(81.8%)**	**3.3**	**3.1**	**(6.1%)**
Supplemental schedule of non-cash information								
Employee benefits obligations	-	0.2	-	100.0%	(100.0%)	-	-	-
Impact of branch combination	15.2	-	-	(100.0%)	-	-	-	-
Actuarial loss	0.4	(1.1)	0.5	(375%)	(145.5%)	-	-	-
Absorption of losses by the partners	13.7	-	-	(100.0%)	-	-	-	-

Source: The audited financial statements of IPIC for the years ended 31 December 2021G, 2022G and 2023G, and the related information prepared by the management of IPIC; and the consolidated financial statements of the Group and related Management information. for the six-month periods ended 30 June 2023G and 2024G, as applicable.

6.8.7.1 Cash Flows from Operating Activities

IPIC generated positive cash flows from operating activities in 2021G, while incurred a negative cash flow from operations in 2022G driven by the loss incurred of SAR 2.6 million related to discontinued operations, settling the balance due to related parties of SAR 35.8 million before the acquisition took place, as well as the increase in cost of inventories purchased due to the surge in raw material prices.

In 2023G, cash flows from operating activities returned to 2021G levels reaching SAR 18.6 million supported by an increase in pre-tax profit by SAR 1.4 million (after taking the impact of the discontinued operations) and the decrease in changes in working capital from negative SAR 48.5 million in 2022G to SAR 6.9 million supported by a decrease in inventory by SAR 7.3 million.

Despite the loss incurred in the six-month period ended 30 June 2024G, IPIC was able to generate positive cash flows from operating activities due to the increase in balances due to related parties by SAR 31.4 million and the decrease in accounts receivables by SAR 6.3 million, offset by an increase in prepayments and other receivables and contract assets by SAR 1.2 million and SAR 2.0 million, respectively.

6.8.7.2 Cash Flows from Investing Activities

In 2023G, cash flows from investing activities increased by SAR 2.6 million mainly due to the additions related to machinery and plant.

In the six-month period ended 30 June 2024G, cash flows used in investing activities increased were SAR 9.3 million and represented additions to PP&E mainly related to plant and equipment and buildings.

6.8.7.3 Cash Flows (Used in)/from Financing Activities

Cash flows (used in)/from financing activities increased by SAR 32.3 million or 504.8 per cent., from SAR (10.6) million in the year 2021G to SAR 42.9 million in 2022G driven by additional facilities obtained to finance raw materials purchases.

In 2023G, cash from financing activities declined to negative SAR 19.7 million supported by settlement of short-term facilities by SAR 19.7 million.

In the six-month period ended 30 June 2024G, cash flows from financing activities decreased by SAR 30.6 million as a result of settling of short-term borrowings.

6.9 United Paper Industries Company FZCO (UPIC) (Formerly Known as "Gulf Paper Manufacturing FZCO"– Subsidiary Company

UPIC financial statements have been prepared in accordance with IFRS and in compliance with the applicable provisions of the Company's Articles of Association and the applicable requirements of Jebel Ali Free Zone Companies Implementing Regulations 2016. The financial statements have been audited in accordance with ISA by Ernst & Young Middle East (Dubai Branch) for the years ended 31 December 2021G and 2022G. UPIC was acquired by the Company effective from 28 July 2023G.

The financial information for the financial year ended 31 December 2021G was extracted from the comparative financial information in the audited financial statements for the financial year ended 31 December 2022G. The financial information for the financial year ended 31 December 2022G was derived from audited financial statements for the financial year ended 31 December 2022G. The financial information for the financial year ended 31 December 2023G and the financial information for the six-month periods ended 30 June 2023G and 2024G were derived from information and the six-month period ended 30 June 2023G and 30 June 2024 provided by Management.

The financial information of UPIC was prepared and presented in accordance with its functional currency (AED). However, for the purpose of presentation in this Prospectus, the presented figures were converted to the SAR to be aligned with presentation of the financial information of the Group's reporting currency using the exchange rate of 1 AED= SAR 1.0221, 1 AED= SAR 1.0231, and 1 AED= SAR 1.0216 for the financial years ended 31 December 2021G, 2022G, and 2023G, and SAR 1.0258 and SAR 1.0258 for the-six months periods ended 30 June 2023G and 2024G, respectively.

6.9.1 Statement of Profit or Loss and Other Comprehensive Income of UPIC

The following table presents UPIC's statements of Profit and loss and other comprehensive income data for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.62: Statement of Profit and Loss and Other Comprehensive Income Data for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of UPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Revenue	141.3	145.1	100.8	2.7%	(30.5%)	50.7	55.2	8.9%
Cost of sales	(125.7)	(125.2)	(95.3)	(0.5%)	(23.8%)	(48.8)	(50.1)	2.7%
Gross profit	**15.6**	**19.9**	**5.4**	**27.6%**	**(72.7%)**	**1.9**	**5.1**	**168.4%**
Selling and distribution expenses (1)	(4.6)	(3.8)	(2.9)	(18.7%)	(23.7%)	(1.5)	(1.5)	-
General and administrative expenses	(6.5)	(4.6)	(3.4)	(29.2%)	(24.4%)	(1.9)	(1.8)	(5.3%)
Allowance for impairment of trade receivables (2)	-	(4.2)	-	(100.0%)	100.0%	-	-	-

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Operating (loss)/ profit	**4.4**	**7.3**	**(0.9)**	**62.2%**	**(112.0%)**	**(1.5)**	**1.7**	**(213.3%)**
Other income	0.2	0.3	0.5	50.0%	66.7%	0.0	0.4	100.0%
Foreign exchange (loss) / gain	(0.0)	0.0	(0.0)	-	-	-	-	-
Finance cost	(1.0)	(1.1)	(1.0)	10.0%	(9.1%)	(0.4)	(0.5)	25%
(Loss)/ profit for the year	**3.6**	**6.6**	**(1.5)**	**83.3%**	**(122.7%)**	**(1.8)**	**1.5**	**(183.3%)**
Other comprehensive income								
Item that will not be reclassified to profit or loss:								
Remeasurement gain on defined employee benefit obligations	-	-	0.1	-	100.0%	-	-	-
Total comprehensive income for the year	**3.6**	**6.6**	**(1.4)**	**83.3%**	**(121.2%)**	**(1.8)**	**1.5**	**(183.3%)**
KPIs								
Gross profit margin (3)	11.0%	13.7%	5.4%	2.7 ppt	(8.3) ppt	3.8%	9.2%	5.4 ppt
Operating profit margin (4)	3.1%%	5.1%	(0.9%)	2.0 ppt	(6.1) ppt	(2.9%)	3.1%	6.0 ppt
Net profit margin (5)	2.6%	4.6%	(1.4%)	2.0 ppt	(6.0) ppt	(3.6%)	2.8%	6.4 ppt

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month periods ended 30 June 2023G and 2024G.

(1) The term "Distribution Cost" has been used for the item "Selling and Distribution Expenses" in UPIC audited financial statements for the financial year ended 31 December 2022G.

(2) The Company has presented the allowance for impairment of trade receivables line item under general and administrative expenses in UPIC audited financial statements for the financial year ended 31 December 2022G.

(3) Gross profit margin is calculated by dividing the gross profit for the year / period by revenue for the year / period.

(4) Operating profit margin is calculated by dividing the operating profit for the year / period by revenue for the year / period.

(5) Net profit margin is calculated by dividing the net profit for the year / period by revenue for the year / period.

Table 6.63: EBITDA for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of UPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Profit / (loss) for the year	3.6	6.6	(1.5)	83.3%	(122.7%)	(1.8)	1.5	183.3%
Add:								
Finance cost	1.0	1.1	1.0	10.0%	(9.1%)	0.4	0.5	25.0%
Depreciation	2.7	2.7	2.9	-	7.4%	1.4	1.6	14.3%
EBITDA	**7.3**	**10.4**	**2.5**	**42.5%**	**(76.0%)**	**(0.1)**	**3.6**	**(3700.0%)**
EBITDA margin (1)	5.2%	7.2%	2.4%	2.0 ppt	(5.2) ppt	(0.1%)	6.6%	6.7 ppt

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month periods ended 30 June 2023G and 2024G.

(1) EBITDA margin is calculated by dividing the earnings before interest, tax, depreciation and amortisation for the year / period by revenue for the year / period.

6.9.1.1 Revenue

The following table compares UPIC's revenue details for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.64: Revenue Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of UPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Fluting paper	95.0	98.1	67.5	3.3%	(31.1%)	34.9	31.8	(8.9%)
Brown paper	46.3	47.0	33.2	1.5%	(29.3%)	15.8	23.3	47.5%
Total revenue	**141.3**	**145.1**	**100.8**	**2.7%**	**(30.5%)**	**50.7**	**55.2**	**8.9%**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month periods ended 30 June 2023G and 2024G.

Between 2021G and 2023G revenue from fluting paper comprised an average of 67.4 per cent. of total revenue, followed by brown paper, which comprised 32.6 per cent. of the total.

On average, 94.7 per cent. of UPIC sales were domestic (inside the UAE), while 5.3 per cent. of sales represented export sales (mostly within the GCC countries) between 2021G and 2023G.

In the year 2022G, the increase in revenue by SAR 3.8 million 2.7 per cent. compared to the year 2021G was driven by the increase in average sale price by approximately 9.5 per cent., while quantities sold decreased by approximately 2.1 per cent.

In 2023G, the decrease in revenue by SAR 44.3 million (30.5 per cent.) was driven by the decline in average sale prices which dropped by approximately 35.0 per cent. in 2023G as compared to 2022G (although quantities sold increased by 4.0 per cent.). This decrease resulted following the decrease in the global paper prices.

In 2023G UPIC had 37 customers with the top five customers accounting for 42.6 per cent. of total revenues.

Revenue increased by SAR 4.5 million or 8.9 per cent. from SAR 50.7 million in the six-month period ended 30 June 2023G to SAR 55.2 million in the six-month period ended 30 June 2024G, driven by the increase in sales volume from 32.4 thousand to 34.4 thousand with having a relatively stable average selling price of SAR 1.6 thousand per ton as of 30 June 2023G and 2024G.

6.9.1.2 Cost of Sales

The following table compares UPIC's cost of sales for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.65: Cost of Sales Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of UPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Materials cost	78.4	73.0	45.4	(6.9%)	(37.8%)	24.2	23.9	(1.3%)
Utilities	35.5	39.8	36.6	12.1%	(8.1%)	18.7	19.1	2.1%
Employees cost	5.4	5.8	6.3	7.17%	8.6%	3.3	3.4	3.0%
Repairs and maintenance	3.0	2.9	3.0	(6.43%)	3.4%	1.2	1.5	25.0%
Depreciation on property, plant and equipment	2.1	2.1	2.1	-	-	1.0	1.1	10.0%
Depreciation on right of use asset	0.6	0.6	0.8	-	33.3%	0.3	0.5	66.7%
Others	0.7	1.0	1.1	42.9%	10.0%	0.1	0.6	500.0%
Total cost of sales	**125.7**	**125.2**	**95.3**	**(0.4%)**	**(23.8%)**	**48.8**	**50.1**	**2.7%**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month periods ended 30 June 2023G and 2024G.

Cost of sales largely included materials which comprised an average of SAR 65.74 million (56.9 per cent. of total cost of sales) and utilities (average of SAR 37.38 million or 32.4 per cent. of the total).

Cost of sales remained largely stable between 2021G and 2022G supported by the net effect of the decrease in materials costs and the increase in utilities costs.

The decrease in costs of sales in 2023G by SAR 29.9 million (23.8 per cent.) driven by the decrease in materials costs by SAR 27.6 million (37.8 per cent.), which was in line with the decrease in revenue and global decline in paper prices.

Staff costs categorised under cost of sales increased by SAR 1.0 million or 18.9 per cent. from SAR 5.3 million in the year 2021G to SAR 6.3 million in the year 2023G mainly due to hiring new employees (including production and plant managers) post the acquisition by the Company.

Cost of sales as a percentage of revenue increased from 86.3 per cent. In the year 2022G to 94.5 per cent. in 2023G due to the increase in raw material prices, which had an adverse impact on gross margin.

Cost of sales increased by SAR 1.3 million or 2.7 per cent. from SAR 48.8 million in the six-month period ended 30 June 2023G to SAR 50.1 million in 30 June 2024G.

The decrease in costs of sales per ton sold from SAR 0.75 in 30 June 2023G to SAR 0.70 in 30 June 2024G, while average selling price remained broadly stable during the period. This led to an increase in gross margin from 3.8 per cent. in 30 June 2023G to 9.2 per cent. in 30 June 2024G.

6.9.1.3 Selling and Distribution Expenses

The following table compares UPIC's selling and distribution expenses for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.66: Selling and Distribution Expenses Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of UPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Delivery cost	2.9	2.2	1.7	(24.1%)	(22.7%)	0.8	0.9	12.5%
Employee cost	0.9	0.9	0.6	-	(33.3%)	0.4	0.3	(25.0%)
Communications	0.03	0.03	0.03	-	-	-	-	-
Others	0.7	0.7	0.5	-	(28.6%)	0.3	0.3	-
Total selling and distribution expenses	**4.6**	**3.8**	**2.9**	**(18.7%)**	**(23.7%)**	**1.5**	**1.5**	**-**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month periods ended 30 June 2023G and 2024G.

Selling and distribution expenses included delivery cost, which comprised an average of SAR 2.3 million (60.2 per cent. of total selling and distribution expenses) and employee cost (average of SAR 0.8 million or 21.2 per cent. of selling and distribution expenses).

Selling and distribution expenses decreased by SAR 0.8 million or 17.3 per cent., from SAR 4.6 million in the year 2021G to SAR 3.8 million in the year 2022G supported by a decrease in delivery costs.

Selling and distribution expenses further decreased by SAR 0.9 million or 23.7 per cent., to SAR 2.9 million in 2023G due to a decrease in delivery costs by SAR 0.4 million (22.7 per cent.) which was driven by the decrease in export sales. In addition, employees' cost decreased by SAR 0.3 million (33.3 per cent.) due to the exit of a sales director after the acquisition.

Selling and distribution expense remained broadly stable during the six-month periods ended 30 June 2023G and 2024G.

6.9.1.4 General and Administrative Expenses

The following table compares UPIC's general and administrative expenses for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.67: General and Administrative Expense Breakdown for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of UPIC

Currency: SAR millions	2021G	2022G	2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30 June 2024G	Variance 30 June (2023G-2024G)
Employee cost	3.9	4.0	2.8	2.6%	(32.5%)	1.7	1.5	(11.8%)
Professional fees	0.1	0.1	0.2	-	100.0%	0.1	0.1	-
Travelling and conveyance	0.1	0.1	0.1	-	-	-	-	-
Repairs and maintenance	0.01	-	-	100.0%	-	-	-	-
Others	2.4	0.3	0.3	(87.5%)	-	0.2	0.2	-
Total general and administrative expense	**6.5**	**4.5**	**3.4**	**(30.8%)**	**(24.4%)**	**1.9**	**1.8**	**(5.3%)**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month periods ended 30 June 2023G and 2024G.

General and administrative expense primarily included employees cost comprising an average of SAR 3.5 million (74.3 per cent. of total general and administrative expense) followed by other expenses which comprised an average of SAR 1.0 million or 20.6 per cent.

General and administrative expenses decreased by SAR 2.0 million or 30.8 per cent., from SAR 6.5 million in the year 2021G to SAR 4.5 million in the year 2022G due to charging a provision of SAR 1.9 million against doubtful receivables in the year 2021G.

The decrease in 2023G by SAR 1.1 million (24.4 per cent.) was due to the decrease in employee costs by SAR 1.3 million (32.0 per cent.), mainly due to the exit of certain employees upon acquisition.

General and administrative expenses decreased by SAR 0.1 million or (5.3) per cent. from SAR 1.9 million in 30 June 2023G to SAR 1.8 million in 30 June 2024G due to a decrease in employee cost by SAR 0.2 million, which was because of terminating five administrative employees post the acquisition by UPIC.

6.9.1.5 Other Income

In 2023G, other income primarily included gains from foreign currency exchange differences and gains from disposal of property, plant and equipment and profit on bank deposit.

Other income increased by SAR 0.4 million or 100.0 per cent. from SAR 0.0 million in 30 June 2023G to SAR 0.4 million in 30 June 2024G as a result of earning gains related to foreign currency exchange.

6.9.1.6 Finance Costs

In 2023G, finance costs included interest on lease liabilities of SAR 0.9 million and bank charges of SAR 0.1 million. As at 30 June 2024G, financing costs of SAR 0.3 million included SAR 0.5 million related to lease liabilities.

6.9.2 Statement of Financial Position of UPIC

The following table presents UPIC's statement of financial position data as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.68: Statement of Financial Position Data as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of UPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Property, plant and equipment	43.5	41.6	41.1	(4.4%)	(1.2%)	40.2	(2.2%)
Right of use assets	15.5	14.9	18.5	(3.9%)	24.2%	18.1	(2.2%)
Total non-current assets	**58.9**	**56.5**	**59.6**	**(4.1%)**	**5.5%**	**58.3**	**(2.1%)**
Trade receivables (1)	55.2	45.1	36.7	(18.2%)	(18.6%)	40.0	9.0%
Cash and cash equivalents (2)	0.9	4.8	13.6	433.3%	183.3%	13.9	2.2%
Inventories	9.2	10.4	6.7	13.0%	(35.6%)	7.8	16.4%
Prepayments and other receivables (1)	1.7	2.2	2.3	29.4%	4.5%	3.2	39.1%
Total current assets	**67.1**	**62.5**	**59.3**	**(6.9%)**	**(5.0%)**	**64.8**	**9.3%**
Total assets	**126.0**	**119.0**	**119.0**	**(5.6%)**	**-**	**123.2**	**3.5%**
Share capital	33.7	33.8	33.7	0.3%	-	33.9	0.6%
Statutory reserve	11.1	11.8	11.8	6.3%	-	11.8	-
General reserve	0.8	0.8	-	-	(100.0%)	-	-
Retained earnings / (accumulated losses)	34.1	36.0	35.4	5.6%	(1.7%)	37.1	5.0%
Total equity	**79.7**	**82.3**	**80.9**	**3.3%**	**(1.7%)**	**82.7**	**2.2%**
Employees' end of service benefits	4.5	5.0	5.2	11.1%	4.0%	5.6	7.7%
Lease liabilities	14.9	14.5	18.4	(2.2%)	26.9%	18.6	0.7%
Total non-current liabilities	**19.3**	**19.5**	**23.7**	**1.0%**	**21.5%**	**24.2**	**1.7%**
Trade payables (3)	16.9	11.7	10.7	(30.8%)	(8.5%)	12.0	12.1%

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Accrued and other liabilities [3]	3.3	3.9	2.5	18.2%	(35.9%)	2.9	16.0%
Lease liabilities	1.1	1.1	1.2	-	9.1%	1.4	16.7%
Bank borrowings [4]	5.6	0.4	-	(92.9%)	(100.0%)	-	-
Total current liabilities	**26.9**	**17.2**	**14.4**	**(36.1%)**	**(16.3%)**	**16.3**	**12.7%**
Total liabilities	**46.3**	**36.6**	**38.1**	**(20.9%)**	**4.2%**	**40.4**	**5.6%**
Total liabilities and equity	**126.0**	**119.0**	**119.0**	**(5.6%)**	**-**	**123.2**	**3.1%**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G.

(1) The Company has presented the line items "Trade Receivables" and "Prepayments and Other Assets" as a single line item as "Trade Receivables and Prepayments" in the UPIC audited financial statements for the financial year ended 31 December 2022G.

(2) The term "Bank Balances and Cash" has been used for the item "Cash and Cash Equivalents" in the above table in the UPIC audited financial statements for the financial year ended 31 December 2022G.

(3) The Company has presented the above line items "Trade Payables" and "Accrued and Other Liabilities" as a single line item named "Trade Payables and Accruals" in the UPIC audited financial statements for the financial year ended 31 December 2022G.

(4) The term "Notes Payable" has been used for the item "Bank Borrowings" in the above table in the UPIC audited financial statements for the financial year ended 31 December 2022G.

6.9.3 Non-Current Assets

The following table presents UPIC's non-current assets as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.69: Non-Current Assets as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of UPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Property, plant and equipment	43.5	41.6	41.1	(4.4%)	(1.2%)	40.2	(2.2%)
Right of use assets	15.5	14.9	18.5	(3.9%)	24.2%	18.1	(2.2%)
Total non-current assets	**58.9**	**56.5**	**59.6**	**(4.1%)**	**5.5%**	**58.3**	**(2.1%)**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G.

6.9.3.1 Property, Plant and Equipment

As of 31 December 2023G, property, plant and equipment accounted for 34.5 per cent. of total assets and primarily included plant (SAR 38.1 million, 92.8 per cent. of property, plant and equipment) and buildings (SAR 1.7 million, 4.2 per cent. of property, plant and equipment).

Property and equipment (on net book value basis) decreased by SAR 1.9 million or 4.4 per cent., from SAR 43.5 million as of 31 December 2021G to SAR 41.6 million as of 31 December 2022G due to the normal course of depreciation and there were no major additions during 2022G.

Property and equipment further decreased by SAR 0.5 million or (1.2 per cent.), to SAR 41.1 million at 2023G due to the depreciation charged, offset by additions of SAR 1.1 million related to projects under construction. These relate to the following:

- new pulper machine, expected to help increase efficiency and reduce waste; and
- new firefighting system for the purpose of increasing safety measure.

The total estimated cost for the new pulper machine is approximately SAR 1.1 million, while the estimated total cost of the new firefighting system is SAR 1.6 million. These are expected to be completed during 2024G.

No major additions took place during between 2021G and 2023G and the decrease in property, plant and equipment was mainly due to annual depreciation.

As of 31 December 2023G, property, plant and equipment were 49.4 per cent. depreciated, plant was 43.9 per cent. depreciated, while buildings were 72.1 per cent. depreciated.

During 2023G, the company wrote-off machinery parts of SAR 11.2 million which were fully depreciated and necessary replacements were already in place.

Property and equipment (on net book value basis) decreased from SAR 41.3 million at 31 December 2023G to SAR 40.2 million at 30 June 2024G due to of the depreciation charge while no additions took place during the six-month period ended 30 June 2024G.

6.9.3.2 Right-of-Use Assets

This primarily represented a land lease contract where the plant is established. The lease contract originally commenced in 2018G and extend for 15 years (expiring in 2033G) and upon acquisition, was renewed during 2023G for 20 years (expiring in 2043G). The lease rentals are increasing each five years by the amounts fixed as per the repayment schedule.

There are other minor lease contracts related to the company's staff accommodation.

6.9.4 Current Assets

The following table presents UPIC's current assets as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.70: Current Assets as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of UPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Trade receivables	55.2	45.1	36.7	(18.2%)	(18.6%)	40.0	9.0%
Cash and cash equivalents	0.9	4.8	13.6	433.3%	183.3%	13.9	2.2%
Inventories	9.2	10.4	6.7	13.0%	(35.6%)	7.8	16.4%
Prepayments and other receivables	1.7	2.2	2.3	29.4%	4.5%	3.2	39.1%
Total current assets	**67.1**	**62.5**	**59.3**	**(6.9%)**	**(5.0%)**	**64.8**	**9.3%**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G.

6.9.4.1 Trade Receivables

As of 31 December 2023G, trade receivables comprised 30.9 per cent. of total assets. 31.8 per cent. of trade receivables were concentrated in three customers.

Trade receivable decreased from SAR 55.2 million as of 31 December 2021G to SAR 45.1 million as of 31 December 2022G due to improved collection leading to a decline in days sales outstanding from 143 days as of 31 December 2021G to 114 days 31 December 2022G and making an allowance of impairment of SAR 4.2 million during 2022G. In addition, UPIC wrote off SAR 5.4 million from the receivables provision booked as of 31 December 2022G.

Trade receivables further decreased to SAR 36.7 million as of 31 December 2023G in line with the decrease in revenue and writing off SAR 6.1 million representing the whole provision available in the beginning of the year bringing the provision balance to nil as of 31 December 2023G.

As of 31 December 2023G, 84.6 per cent. of trade receivables were not due, while the remaining were aged less than 60 days. UPIC extends its customers credit terms up to 120 days. Days sales outstanding ranged between 114 – 143 between 2021G and 2023G. Therefore, no provisions for doubtful debts were recorded at 2023G.

Trade receivable increased at 30 June 2024G to SAR 40.0 million due to a higher revenue generated in the 30 June 2024G compared to revenue generated in the second half of 2023G.

At 30 June 2024G, 86.7 per cent. of trade receivables were not due, while the remaining were aged less than 60 days.

6.9.4.2 Cash and Cash Equivalents

As of 31 December 2023G, cash and cash equivalents included bank deposits of SAR 12.3 million and current accounts of SAR 1.3 million.

The increase as of 31 December 2023G was due to establishing the bank deposit account of SAR 12.3 million, which represents deposits at Bank 4 related to short term placements earning a market-based interest per annum and can be liquidated at any time.

As of 30 June 2024G, cash and cash equivalents balance remained broadly stable as compared to 31 December 2023G.

6.9.4.3 Inventories

As of 31 December 2023G, spare parts of SAR 4.6 million comprised 68.3 per cent. of total inventory, followed by raw materials (SAR 1.0 million, 15.6 per cent.) and finished goods (SAR 0.9 million, 12.7 per cent.).

Inventories decreased by SAR 3.7 million or 35.6 per cent., from SAR 10.4 million as of 31 December 2022G to SAR 6.7 million as of 31 December 2023G, due to a decrease in finished goods by SAR 1.7 million as finished goods level returned to its normal levels towards the end of 2023G coupled with lower paper prices,

Furthermore, spare parts decreased by SAR 1.2 million due to allocating a new pulper equipment under the projects under construction in property, plant and equipment.

As of 30 June 2024G inventories increased to SAR 7.8 million, as a result of the increase in spare parts and work in progress balances, while raw materials and finished goods balances decreased.

6.9.4.4 Prepayments and Other Receivables

As of 31 December 2023G, prepayments and other receivables mainly included VAT receivables of SAR 1.1 million, margins against letters of guarantee of SAR 0.5 million, advances to suppliers of SAR 0.2 million.

Prepayments and other receivables remained broadly stable between 2021G and 2023G. while it increased slightly by SAR 3.2 million 30 June 2024G.

6.9.5 Non-Current Liabilities

The following table presents UPIC's non-current liabilities as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.71: Non-Current Liabilities as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of UPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Employees' end of service benefits	4.5	5.0	5.2	11.1%	4.0%	5.6	7.7%
Lease liabilities	14.8	14.5	18.4	(2.0%)	26.9%	18.6	1.1%
Total non-current liabilities	**19.3**	**19.5**	**23.7**	**1.0%**	**21.5%**	**24.2**	**2.1%**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G.

6.9.5.1 Employees' End of Service Benefits

Employee end of service benefits is determined in line with the labour law requirements in the UAE based on the employees' salaries and cumulative years of service in accordance with the International Accounting Standard No. 19 (IAS 19) which prescribes the accounting and disclosure requirements by employers for employee benefits using the projected unit credit method through actuarial valuations being carried out at the end of each year.

6.9.5.2 Lease Liabilities

See Section 6.7.13.3 (*Right-of-Use Assets*) above for further details.

6.9.6 Current Liabilities

The following table presents UPIC's current liabilities as of 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G:

Table 6.72: Current Liabilities as of 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G of UPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	30 June 2024G	Variance (2023G-30 June 2024G)
Trade payables	16.9	11.7	10.7	(30.8%)	(8.5%)	12.0	12.1%
Accrued and other liabilities	3.3	3.9	2.5	18.2%	(35.9%)	2.9	16.0%
Lease liabilities	1.1	1.1	1.2	-	9.1%	1.4	16.7%
Bank borrowings	5.6	0.4	-	(93.0%)	(100.0%)	-	-
Total current liabilities	**26.9**	**17.2**	**14.4**	**(36.1%)**	**(16.3%)**	**16.3**	**13.2%**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month period ended 30 June 2024G.

6.9.6.1 Trade Payables

Trade payables comprised balances due to suppliers (largely paper, gas, water and other raw materials suppliers).

Trade payables decreased by SAR 5.2 million or 30.8 per cent., from SAR 16.9 million as of 31 December 2021G to SAR 11.7 million as of 31 December 2022G and further to SAR 10.7 million due to settlements of balances, noting that purchases also decreased during the same period driven by the decrease in paper prices.

Top ten suppliers accounted for 60.6 per cent. in 2021G, increasing to 74.5 per cent. in 2022G and 74.2 per cent. in 2023G of UPIC purchases. Top three suppliers accounted for 49.6 per cent. of all UPIC purchases in 2023G.

Trade payables increased to SAR 12.0 million as a result of the higher raw materials purchases.

6.9.6.2 Accrued and Other Liabilities

As of 31 December 2023G, accrued and other liabilities included accrued expenses of SAR 2.0 million and other payables of SAR 0.5 million.

The decrease as of 31 December 2023G by SAR 1.4 million was due to a decrease in advances from customers by SAR 0.9 million (or 95.3 per cent.) which represented payments made by customers, for which related invoice details were not yet received for its allocation with related receivables and settlement of a related parties balance of SAR 0.3 million as of 31 December 2022G due to the previous directors of the company (prior the acquisition).

Accrued and other liabilities increased as of 30 June 2024G by SAR 0.4 million or 16.0 per cent. from SAR 2.5 million as of 31 December 2023G to SAR 2.9 million at 30 June 2024G.

6.9.6.3 Lease Liabilities

See the previously presented Section 6.7.13.3 (*Right-of-Use Assets*) above for further details.

6.9.7 Cash Flows Statement of the Company

The following table presents UPIC's cash flow statement data for the years ended 31 December 2021G, 2022G and 2023G, and the six-month periods ended 30 June 2023G and 2024G:

Table 6.73: Statement of Cash Flows Data for the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Periods Ended 30 June 2023G and 2024G of UPIC

Currency: SAR millions	31 December 2021G	31 December 2022G	31 December 2023G	Variance (2021G-2022G)	Variance (2022G-2023G)	Six-month period ended 30 June 2023G	Six-month period ended 30June 2024G	Variance 30 June (2023G-2024G)
Profit / (loss) for the year	**3.6**	**6.6**	**(1.5)**	**83.3%**	**(122.7%)**	**(1.8)**	**1.5**	**(183.3%)**
Adjustments for:								
Depreciation of property, plant and equipment	2.1	2.1	2.1	-	-	1.1	1.1	-
Depreciation of right of use asset	0.6	0.6	0.8	-	33.6%	0.3	0.5	66.7%
Provision for employees' end of service benefits	0.7	0.6	0.8	(14.3%)	33.3%	0.2	0.4	100.0%
Finance costs	1.0	1.1	1.0	10.0%	(9.1%)	0.3	0.2	(33.3%)
Allowance for expected credit losses	1.9	4.2	-	121.1%	(100.0%)	-	-	-
Operating cash flow before changes in working capital	**10.0**	**15.2**	**3.3**	**52.0%**	**(78.3%)**	**0.2**	**3.8**	**1,800.0%**
Cash from operations before working capital changes								
Inventories	(2.1)	(1.1)	3.7	(47.6%)	(408.3%)	1.0	(0.9)	(190.0%)
Trade receivables and prepayments	(9.9)	5.9	8.2	(159.6%)	39.0%	6.0	(4.0)	(166.7%)
Trade payables and accruals	5.9	(4.6)	(2.3)	(178.0%)	(50%)	(1.2)	1.6	(233.3%)
Cash generated from operations	**3.9**	**15.3**	**12.8**	**292.3%**	**(16.3%)**	**5.9**	**0.3**	**(95.0%)**
Finance costs paid	(0.2)	(0.3)	(0.1)	50.0%	(66.7%)	-	-	-
Employees' end of service benefits paid	(0.3)	(0.1)	(0.4)	(66.7%)	300%	(0.04)	(0.1)	(150.0%)
Net cash inflow from operating activities	**3.4**	**15.0**	**12.3**	**341.2%**	**(18.0%)**	**5.9**	**0.2**	**(96.6%)**
Purchase of property, plant and equipment	(1.1)	(0.2)	(1.7)	(82.0%)	750%	-	-	-
Net cash outflow used in investing activities	**(1.1)**	**(0.2)**	**(1.7)**	**(82.0%)**	**750%**	**-**	**-**	**-**
Dividends paid	(6.8)	(4.1)	-	(39.7%)	(100.0%)	-	-	-
Proceeds from borrowings	23.5	27.5	-	17.0%	(100.0%)	-	-	-
Repayment of borrowings	(20.2)	(32.7)	(0.4)	61.9%	(98.8%)	-	-	-
Payment of lease liabilities	(1.1)	(1.1)	(1.4)	-	27.3%	(1.7)	(0.0)	(100.0%)
Net cash outflow used in financing activities	**(4.6)**	**(10.4)**	**(1.8)**	**126.1%**	**(82.7%)**	**(1.7)**	**(0.0)**	**(100.0%)**
Net (decrease)/ increase in cash and cash equivalents	**(2.3)**	**4.3**	**8.8**	**(287.0%)**	**104.7%**	**4.2**	**0.3**	**(94.8%)**
Cash and cash equivalents at the beginning of the year	3.3	0.5	4.8	(84.8%)	860.0%	4.8	13.6	183.3%
Cash and cash equivalents at end of year	**0.9**	**4.8**	**13.6**	**433.3%**	**183.3%**	**9.0**	**13.9**	**54.4%**

Source: The audited financial statements of UPIC for the year ended 31 December 2022G, the related information prepared by the management of UPIC and Management information. for the financial year ended 31 December 2023G and the six-month periods ended 30 June 2023G and 2024G.

6.9.7.1 Cash Flows from Operating Activities

The Company generated positive cash flows from operating activities between 2021G and 2023G.

In 2022G, net cash flows from operations increased by SAR 11.6 million driven by the increase of 2022G profits and the decrease in trade receivables.

In 2023G, the decrease by SAR 2.7 million (17.8 per cent.) was primarily due to the loss incurred in 2023G and the further decrease in the trade working capital of the business supported by the decrease in trade receivables, inventories and partly offset by the decrease in trade payables accounts.

Cash used in operating activities was SAR 0.2 million in the six-month period ended 30 June 2024G supported by an increase in trade receivables by SAR 4.0 million, with adjustments to income amounting to SAR 2.2 million, resulting in a total of SAR 3.8 million.

6.9.7.2 Cash Flows used in Investing Activities

In 2022G, cash flows used in investing activities decreased by SAR 0.9 million or 82.0 per cent. from SAR 1.1 million in 2021G to SAR 0.2 million in 2022G due to lower property, plant and equipment purchases.

In 2023G, cash flows from investing activities increased by negative SAR 1.5 million mainly due to the additions related to the projects under construction (SAR 1.1 million).

During the First half of 2024G, UPIC did not incur any additions related to property, plant, and equipment.

6.9.7.3 Cash Flows used in Financing Activities

In 2022G, net cash used in financing activities increased by SAR 5.8 million or 126.1 per cent., from SAR (4.6) million in 2021G to SAR (10.4) million in 2022G due to higher settlements of borrowings (by SAR 12.5 million).

In 2023G, cash from financing activities declined by SAR 8.6 million supported by the decrease in accounts related to borrowings which were largely settled prior to the acquisition date in addition no dividend payment in 2023G.

As of 30 June 2024G, the Company had no changes in financing activities.

6.9.8 Capitalisation and Indebtedness

The selling shareholders currently own the entire issued capital of the Group. After the completion of the initial public offering, they will retain ownership of approximately 70 per cent. of the Company's shares.

The following table presents the capitalisation of the Company as derived from its audited financial statements for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, noting that the table should be read in conjunction with the relevant financial statements, including the notes thereto set out in Section 19 (*Financial Statements and Independent Auditors' Reports*):

Table 6.74: Capitalisation and Indebtedness of the Company

Currency: SAR	As of 31 December			As of 30 June
	2021G	2022G	2023G	2024G
Short-term borrowings	70,000,000	139,718,094	30,168,532	-
Lease liabilities (current and non-current)	15,809,339	15,797,439	50,129,989	47,125,681
Cash and cash equivalents	(12,801,519)	(10,075,518)	(30,586,197)	(29,527,005)
Net debt	**73,007,820**	**145,440,015**	**49,712,324**	**17,598,676**
Equity				
Share capital	200,000,000	200,000,000	200,000,000	400,000,000
Statutory reserve	60,000,000	60,000,000	60,000,000	-
Translation reserve	-	-	(546,329)	(554,346)
Retained Earnings	116,455,669	167,351,695	222,616,209	145,349,862
Total equity	**376,455,669**	**427,351,695**	**482,069,880**	**544,795,517**
Total capitalisation (net debt + total equity)	**449,463,489**	**572,791,710**	**531,782,204**	**562,394,192**
Net debt / total capitalisation	**16.24%**	**25.39%**	**9.35%**	**3.1%**

Source: Group information.

The Board of Directors declare the following:

- The Group and its Subsidiaries do not have any debt instruments as of the date of this Prospectus;
- None of the Company's shares are subject to rights or options; and
- The Group's balance and cash flows are sufficient to cover its estimated cash requirements for working capital and capital expenditures for at least 12 months from the date of this Prospectus, barring any negative or material changes in the Group's operations.

Dividend Distribution Policy

7. Dividend Distribution Policy

Pursuant to Article 107 of the Companies Law, each Shareholder is entitled to the rights attached to each of its Shares, including disposition of shares, attending shareholder assemblies, participating in their deliberations, and voting on their decisions and the right to receive a portion of the declared dividends. The declaration and distribution of dividends will be recommended by the Board of Directors before being presented to the Shareholders at a General Assembly meeting for approval. The decision to declare dividends will depend on, amongst other things, the Company's historic and anticipated earnings and cash flows, financing and capital requirements and market and general economic conditions, the Company's Zakat position and legal and regulatory considerations. The distribution of dividend is subject to limitations contained in the Company's Bylaws. Dividends will be distributed in Saudi Arabian Riyals.

The Company's annual net profits shall be distributed following a deduction of all general and other expenses as follows:

a. the Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the net profits to form a voluntary reserve to be allocated to support the financial position of the Company;

b. the dividends shall be distributed to shareholders in the percentage recommended by the Board of Directors and approved by the General Assembly;

c. allocation of an amount as remuneration for the Board of Directors, upon the recommendation of the Board and the approval of the Ordinary General Assembly, provided that the entitlement to this remuneration shall be proportional to the number of sessions attended by the Director; and

d. the Board of Directors is authorised, at its discretion, to distribute interim dividends to Shareholders during the year, based on an annual resolution by the Ordinary General Assembly.

The following is a summary of the dividends that the Company has announced and distributed since the beginning of 2021G:

Table 7.1: Dividends Declared and Distributed and Ratio of Dividends Distributed to Net Profits in the Financial Years Ended 31 December 2021G, 2022G and 2023G, and the Six-Month Period Ended 30 June 2024G

SAR	Financial Year Ended 31 December			Six-Month Period Ended 30 June
	2021G (1)	2022G (2)	2023G (3)	2024G
Declared Dividends During the Year	25,000,000	25,000,000	100,000,000	-
Paid Dividends Throughout the Year	25,000,000	25,000,000	100,000,000(4)	-
Profit Before Zakat and Income Tax (Declared During the Year/Period)	6,570,362	74,415,332	166,930,711	72,246,513
Net Profit for the Year/Period	7,047,704	69,518,440	156,697,764	62,733,645
Ratio of Dividends Declared During the Year to Net Profit for the Year	354.7%	36.0%	63.8%	-

Source: The Company.

(1) The General Assembly approved the distribution of dividends in the amount of SAR 25.0 million for the financial year ended 31 December 2021G at its meeting held on 19 Sha'ban 1443H (corresponding to 22 March 2022G).

(2) The General Assembly approved the distribution of dividends in the amount of SAR 25.0 million for the financial year ended 31 December 2022G at its meeting held on 13 Ramadan 1444H (corresponding to 4 April 2023G).

(3) The General Assembly approved the distribution of dividends in the amount of SAR 100.0 million for the financial year ended 31 December 2023G at its meeting held on 19 Shawwal 1445H (corresponding to 28 April 2024G).

(4) Shareholders approved a nominal dividend of SAR 5.00 per share, amounting to SAR 100.0 million, compared to SAR 1.25 per share and SAR 25.0 million in 2022G. A deduction of SAR 0.45 million was made for dividends due to a non-Saudi shareholder, resulting in a net dividend distribution of SAR 99.55 million after shareholders agreed to bear their own Zakat and income tax provisions. To ensure that Saudi shareholders bear Zakat and foreign shareholders bear income tax expenses as per the Shareholders' agreement, there was a slight variation in the dividend per share paid to shareholders.

Offer Shares are not entitled to any dividends announced prior to the date of this Prospectus, as the first entitlement of Offer Shares shall be dividends announced by the Company from the date of this Prospectus and the subsequent financial years. As of the date of this Prospectus, the Directors undertake that there are no declared or outstanding dividends for the financial years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G, except for a dividend distribution of SAR 65.0 million approved by the Board of Directors in its resolution dated 15 Muharram 1446H (corresponding to 21 July 2024G). The first instalment of SAR 46.0 million was paid on 22 Muharram 1446H (corresponding to 28 July 2024G) as per the aforementioned resolution, while the second instalment of SAR 19.0 million was paid on 27 Rabi Al-Awwal 1446H (corresponding to 30 September 2024G) pursuant to the Board of Directors' resolution dated 23 Rabi Al-Awwal 1446H (corresponding to 26 September 2024G), bringing the total paid amount to SAR 65.0 million.

The General Assembly, in its meeting held on 19 Shawwal 1445H (corresponding to 28 April 2024G), authorised the Board of Directors to distribute interim dividends until the next Annual General Meeting.

Use of Proceeds

8. Use of Proceeds

The total Offering Proceeds are estimated at six hundred million Saudi Arabian Riyals (SAR 600,000,000) of which approximately twenty four million Saudi Arabian Riyals (SAR 24,000,000) will be applied towards the Offering expenses, which include the regulatory fees, the fees of the Financial Advisor, the Lead Manager, the Bookrunner, the Underwriter, the Legal Advisors, the Financial Due Diligence Advisor, the Auditors, the Receiving Agents, the Market Consultant and the Exchange, as well as marketing, printing and distribution fees and other costs and expenses related to the Offering.

The Net Offering Proceeds of approximately five hundred seventy-six million Saudi Arabian Riyals (SAR 576,000,000) will be distributed to the Selling Shareholders. The Company will not receive any part of the proceeds from the Offering. The Selling Shareholders will bear all fees, costs and expenses in relation to the Offering.

Statements by Experts

9. Statements by Experts

All Advisors and Auditors, whose names are listed starting on pages (x) and (xi), have given and, as of the date of this Prospectus, have not withdrawn, their written consent to the publication of their names, logos and statements/reports (as applicable) attributed to each of them in this Prospectus, and neither they themselves, nor their employees forming part of the team serving the Company or its Subsidiaries, nor any of their relatives, have any shareholding or interest of any kind in the Company or its Subsidiaries as of the date of this Prospectus which would impair their independence, with the exception of Ernst & Young Professional Services (Professional LLC) which have declared their independence as Auditors until 13 January 2022G, which is the date of the audit report on the financial statements for the financial year ended 31 December 2021G.

Declarations

10. Declarations

The Directors declare the following:

(a) they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;

(b) none of the companies in which any of the Directors, Senior Executives or the Secretary has been employed, in a managerial or supervisory capacity, was declared bankrupt or insolvent during the past five years;

(c) except as specified in Section 11.10 (*Related Party Contracts and Transactions*), none of the Directors, Senior Executives, Secretary, or any of their relatives or affiliates have any material interest in any written or verbal contract or arrangement under consideration or expected to be conducted with the Company and its Subsidiaries as of the date of this Prospectus;

(d) except as otherwise described in Section 5.7 (*Conflicts of Interest*), and Section 11.10 (*Related Party Contracts and Transactions*), none of the Directors, Senior Executives, Secretary or their relatives have any shareholding or interest of any kind in the Company or its Subsidiaries in any debt instruments of the Company or its Subsidiaries, and the Company is prohibited from granting a loan to a Director or guaranteeing a loan entered into by a Director;

(e) all of the transactions with Related Parties described in Section 11.10 (*Related Party Contracts and Transactions*), including the determination of the financial consideration for contracts, have been carried out in a systematic and legal manner and on appropriate and fair commercial principles used in transactions with third parties;

(f) no commissions, discounts, brokerages or other non-cash compensation were granted by the Company or its Subsidiaries within the three years immediately preceding the application for the registration and offer of securities in connection with the issue or sale of any securities;

(g) there has been no interruption in the Company's business or that of its Subsidiaries that has or may have significantly affected their financial position during the last 12 months, except as discussed in Section 4.6.3.1 (*Security*);

(h) there is no intention to introduce any material changes to the nature of the Company's business or that of its Subsidiaries;

(i) the Directors will not vote on General Assembly resolutions that relate to any transaction or contract in which they have a direct or indirect interest;

(j) there has been no material adverse change in the financial or trading position of the Company or its Subsidiaries in the three years ended 31 December 2021G, 2022G and 2023G, and the six-month period ended 30 June 2024G immediately preceding the date of filing the application for registration and the offering of securities that are the subject of this Prospectus and during the period from the end of the period covered in the Auditors' Report to the date of approval of this Prospectus, except as discussed in Section 4.6.3.1 (*Security*);

(k) as of the date of this Prospectus, the Company does not have any employee share schemes in place for its employees or any other similar arrangement involving the employees in the capital of the Company;

(l) the Company does not have any securities (contractual or otherwise) or assets, the value of which is subject to fluctuation that would adversely and materially affect its financial position;

(m) except as disclosed in Section 2 (*Risk Factors*) and Section 6.2 (*Key Factors Affecting the Group's Operations*), the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have materially affected or may materially affect (directly or indirectly) its operations;

(n) except as disclosed in Section 2 (*Risk Factors*), the Company is not aware of any material seasonal information or business cycles related to its business that would affect the Company's operations or financial position;

(o) the statistical information used in Section 3 (*Market Overview*) obtained from third party sources represents the latest information available from each respective source;

(p) except as stated in Section 2.1.37 (*Risks Related to the Adequacy and Availability of Insurance Coverage*), the Company has insurance policies with sufficient insurance coverage to carry out its activities and it renews its insurance policies regularly to ensure continued insurance coverage;

(q) all of the contracts and agreements which the Company considers to be material or significant or which may have an impact on a Subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed;

(r) all terms and conditions that may affect the decisions of the Investors to invest in Offer Shares have been disclosed;

(s) except as specified in Section 11.10 (*Related Party Contracts and Transactions*), as of the date of this Prospectus, there are no material Related Party contracts or transactions that have any material impact on the Company's activities or that of its Subsidiaries, and the Company has no intention to enter into any new agreements with Related Parties;

(t) the Selling Shareholders will incur all of the expenses and costs related to the Offering, and such costs will be deducted from the Offering Proceeds, including the fees of the Financial Advisor, the Lead Manager, the Bookrunner, the Underwriter, the Legal Advisors, the Financial Due Diligence Advisor, the Market Consultant, the Receiving Agents and the Exchange, as well as marketing, printing and distribution costs and other expenses related to the Offering, except for any such expenses and costs that were already incurred or paid by the Company that will be reimbursed to the Company from the Offering Proceeds;

(u) as of the date of this Prospectus, the Company is not involved in any material disputes or objections related to ZATCA. The Selling Shareholders shall, each according to its relevant shares, incur any additional claims that may be filed by ZATCA against the Company and its Subsidiaries for the preceding years until the date of Admission. Relevant Shareholders' Undertakings have been given;

(v) they have developed procedures, controls and systems that would enable the Company to meet all the requirements of the relevant laws and regulations, including the Companies Law, the CML and its implementing regulations (including the Rules on the Offer of Securities and Continuing Obligations), and the Listing Rules;

(w) all of the Company's employees are under its sponsorship;

(x) as of the date of this Prospectus, the Shareholders whose names appear in Section 4.3.1 (*Current Shareholding Structure*) are the legal and beneficial owners, whether direct or indirect owners, of the Shares;

(y) all increases in the share capital of the Company are in compliance with the applicable laws and regulations of the Kingdom;

(z) except as disclosed in Section 2 (*Risk Factors*), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares;

(aa) except as disclosed in Section 2.1.36 (*Risks Related to Licences and Approvals*) and Section 11.5 (*Government Consents, Licences and Certificates*), the Company has obtained all essential licences and approvals required to conduct its activities;

(bb) except as disclosed in Section 11.13 (*Litigation*), the Company is not subject to any lawsuits or regulatory proceedings that, individually or in aggregate, could materially affect the Company's business or financial condition;

(cc) except as disclosed in Section 11.7 (*Financing Agreements*), the Company has not issued any debt instruments, nor does it have any term loans or any other outstanding loans or indebtedness (including bank overdrafts, financial liabilities under acceptance, acceptance credits or purchase commitments);

(dd) except as disclosed in Section 11.7 (*Financing Agreements*), the Board of Directors acknowledges that none of the Company's assets are under mortgage, right or charge as of the date of this Prospectus;

(ee) the Company individually or in association with its Subsidiaries, has working capital sufficient for at least 12 months immediately following the date of this Prospectus;

(ff) no Shares in the Company or in its Subsidiaries are under option;

(gg) the financial information contained in this Prospectus and the audited financial statements for the financial year ended 31 December 2021G and the audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G, and the accompanying notes thereto have been prepared in compliance with IFRS that are endorsed in the Kingdom and other standards and pronouncements issued by SOCPA. The unaudited condensed consolidated interim financial information for the three-month and the three-month and the six-month periods ended 30 June 2024G has been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" as endorsed in the Kingdom;

(hh) the financial information appearing in this Prospectus has been extracted from the Company's audited financial statements, and no material amendments have been made thereto except as disclosed therein.

(ii) the financial information appearing in Section 6 (*Management Discussion and Analysis of Financial Condition and Results of Operations*) has been extracted from the Company's audited financial statements for the financial year ended 31 December 2021G and audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G and the unaudited condensed consolidated interim financial information for the three-month and the six-month periods ended 30 June 2024G. Furthermore, the financial information is presented in a manner consistent with the audited annual financial statements of the company and the unaudited financial information of the Company;

(jj) except as disclosed in Section 4.6.10 (*Research and Development (Innovations)*), as of the date of this Prospectus, the Company does not have a policy in connection with research and development for the last three years;

(kk) the Company is capable of preparing the required reports in a timely manner in accordance with the implementing regulations issued by the CMA;

(ll) all necessary approvals have been obtained from lenders in relation to the Offering and Admission;

(mm) except as disclosed in Section 11.7 (*Financing Agreements*), as of the date of this Prospectus, there have been no breaches of the contractual terms and conditions under the agreements with the providers of all loans, facilities and financing;

(nn) all of the terms and conditions that may affect the decisions of the Subscribers in the Company's shares have been disclosed;

(oo) all of the material facts regarding the Company and its financial performance have been disclosed in this Prospectus, and there are no other facts the omission of which would make any statement herein misleading;

(pp) the Directors acknowledge that the Company does not own any other assets outside the Kingdom other than through its Subsidiaries;

(qq) the Offering does not violate the relevant laws and regulations of the Kingdom;

(rr) the Offering does not violate any of the material contracts or agreements to which the Company is a party;

(ss) all material legal information relating to the Company has been disclosed in this Prospectus;

(tt) the Company's Directors are not to be subject to any legal proceedings or actions that may, individually or collectively, have a material effect on the Company's business, and its Subsidiaries or their financial position; and

(uu) the Company acknowledges the appointment of a Head of Internal Audit in the first quarter of 2025G.

In addition to the above, the Directors confirm that:

(a) this Prospectus contains all of the information required to be included under the Rules on the Offer of Securities and Continuing Obligations, and no facts that may affect the application for registration and offer of securities were omitted from this Prospectus;

(b) the information and data contained in this Prospectus that were obtained from third parties, including information obtained from the Market Study Report prepared by the Market Consultant, is reliable and there is no reason for the Company to believe that such information is materially inaccurate;

(c) they have submitted, and will submit, to the CMA all of the documents required under CML and the Rules on the Offer of Securities and Continuing Obligations;

(d) the Company has prepared its internal control policies on sound principles where the Company has implemented a written policy regulating and resolving possible conflicts of interest issues, which include the misuse of the Company's assets and misfeasance due to Related Party transactions. The Company has ensured that its operational and financial policies are sound and that control procedures appropriate for risk management are implemented in accordance with Part 5 of the Corporate Governance Regulations. The Directors review the Company's internal controls on an annual basis;

(e) the internal control, accounting, and information technology systems of the Company are sufficient and adequate;

(f) except as disclosed in Section 11.10 (*Related Party Contracts and Transactions*), there are no conflicts of interest related to the Directors with respect to contracts or transactions entered into with the Company;

(g) except as otherwise described in Section 5.7 (*Conflicts of Interest*), none of the Directors has engaged in any activities similar to or competitive with the activities of the Company or its Subsidiaries. The Directors undertake to fulfil this regulatory requirement in the future as per Article 27 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

(h) unless otherwise approved by the General Assembly, a Director may not have a direct or indirect interest in the transactions and contracts entered into by the Company;

(i) the Directors shall notify the Board of Directors of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board of Directors meeting;

(j) all transactions with Related Parties shall be entered into on an arm's-length basis and all works and contracts with Related Parties shall be subject to a vote in meetings of the Board of Directors and, if required by the Companies Law, the General Assembly. Directors may not vote on any decision related to transactions or contracts with the Company in which they have a direct or indirect interest, whether in the Board of Directors or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

(k) the Directors and the Chief Executive Officer shall not have the right to vote on decisions related to their fees and remuneration; and

(l) neither the Directors nor any Senior Executive shall not obtain a loan from the Company or its Subsidiaries, and the Company shall not guarantee any loan entered into by a Director, except for loans available to all employees pursuant to the Company's policy as allowed by the MHRSD.

The Directors undertake to:

(a) record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Directors;

(b) disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations;

(c) comply with the provisions of Articles 27, 71 and 72 of the Companies Law and Chapter 6 of Part 3 of the Corporate Governance Regulations;

(d) submit the most recent interim financial statements to the CMA, provided that such interim financial statements are included in either the preliminary Prospectus prior to the commencement of the Offering or the final Prospectus prior to the listing of the Shares (as applicable), in accordance with the time periods stipulated in Article 81 (Disclosure of Financial Information) of the Rules on the Offer of Securities and Continuing Obligations, and in accordance with the relevant continuing obligations of listed companies; and

(e) amend the Company's Bylaws after listing in accordance with the Corporate Governance Regulations issued by CMA and other applicable laws and regulations.

Legal Information

11. Legal Information

11.1 Statements Concerning Legal Information

The members of the Board of Directors hereby certify that:

- The issuance does not violate any applicable laws and regulations in the Kingdom of Saudi Arabia;
- The issuance does not breach any contracts or agreements to which the Issuer is a party;
- All material legal information concerning the Issuer has been disclosed in the Prospectus;
- Except as disclosed in Section 11.13 (*Litigation*) of this Prospectus, neither the Issuer nor its subsidiaries are subject to any legal proceedings that could individually or collectively have a material effect on the Issuer or its subsidiaries' business, and financial condition; and
- The members of the Board of Directors of the Issuer are not subject to any legal proceedings that could individually or collectively have a material effect on the Issuer or its subsidiaries' business, and financial condition.

11.2 The Company

United Carton Industries Company is a closed joint stock company pursuant to Ministerial Resolution No G/137 dated 12 Jumada al-Ula 1438H (corresponding to 9 February 2017G) with commercial registration No 4030065231 dated 18 Ramadan 1409H (corresponding to 24 April 1989G). The Company's registered head office is located at the Industrial Area – Phase No. 5, P.O. Box 31503, 21418 Jeddah, Kingdom of Saudi Arabia. The current capital of the Company is four hundred million Saudi Arabian Riyals (SAR 400,000,000) divided into forty million 40,000,000 ordinary Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share (for further information, see Section 4.10 (*Evolution of Capital*)). According to its main commercial registration certificate, the Company's main activities include manufacture of paper pulp from fibre, industry of pulp, paper and cardboards, manufacture of clear and glossy papers, manufacture of papers and corrugated cardboards (pasteboard), manufacture of cardboard boxes, boxes, single or folded bags from paper or corrugated cardboards, manufacture of paper bags, manufacture of paper file boxes, manufacture of paper roll covers, manufacture of sanitary papers, napkins, cleaning napkins and towels, manufacture of paper products for household purposes, includes (dishes and cups), manufacture of egg boxes and the like, manufacture of printing and writing papers and ready-to-use computer, manufacture of varnishes (polishing materials), repair and maintenance of paper making machinery, cardboard and plastic products stores, collection of recyclable materials, wholesale of stationery, wholesale of wires and switches and other installation equipment for industrial use, wholesale of electrical generators and transformers, wholesale of fire protection devices and equipment, wholesale of machinery for industrial use (including woodworking machines and saws), wholesale of packing equipment, wholesale of paint and varnish, wholesale of paper in bulk, wholesale of metal and non-metal waste and scrap and materials for recycling (including collecting, sorting, separating, stripping, storage and delivery), retail sale of basic materials for rug, tapestry or embroidery making, retail sale of paints, varnishes and adhesives, retail of office furniture, retail of fire protection devices and equipment and retail sale of packing equipment.

11.3 Ownership Structure

The following table summarises the shareholding structure of the Company pre-and post-Offering:

Table 11.1: Shareholding Structure of the Company Pre-and Post-Offering

Shareholder	(Pre-Offering)			(Post-Offering)		
	Number of Shares	Shareholding (%) (1)	Nominal Value (SAR)	Number of Shares	Shareholding (%) (1)	Nominal Value (SAR)
Omar Kassem Alesayi and Company	12,000,000	30.0%	120,000,000	8,400,000	21.0%	84,000,000
Frimex Investment LCC	12,000,000	30.0%	120,000,000	8,400,000	21.0%	84,000,000
Zamil Group Holding Company	12,000,000	30.0%	120,000,000	8,400,000	21.0%	84,000,000
Zamil Group Investment Company	2,000,000	5.0%	20,000,000	1,400,000	3.5%	14,000,000

Shareholder	(Pre-Offering)			(Post-Offering)		
	Number of Shares	Shareholding (%) [1]	Nominal Value (SAR)	Number of Shares	Shareholding (%) [1]	Nominal Value (SAR)
Eastern Industrial Investment Company	2,000,000	5.0%	20,000,000	1,400,000	3.5%	14,000,000
Public	-	-	-	12,000,000	30.0%	120,000,000
Total	**40,000,000**	**100.0%**	**400,000,000**	**40,000,000**	**100.0%**	**400,000,000**

Source: The Company.

(1) Ownership percentages have been rounded to the first decimal place.

For further details regarding the Shareholders and the shareholding structure of the Company, see Section 4.3.1 (*Current Shareholding Structure*).

11.4 The Subsidiaries

The Company owns direct and indirect ownership interests in four of its subsidiaries as shown in the following table:

Table 11.2: The Subsidiaries

No	Name of Subsidiary	Country of Incorporation	Direct Ownership (%)	Indirect Ownership (%)	Remaining Ownership
1.	Integrated Packaging Industries Company	Kingdom of Saudi Arabia	100%	-	-
2.	United Paper Industries Company FZCO	United Arab Emirates	99.7%	(0.3% through IPIC)	-
3.	Ras Al Khaimah Packaging LLC	United Arab Emirates	100%	-	-
4.	Integrated Paper Industry Company [1]	Kingdom of Saudi Arabia	100%	-	-

Source: The Company.

(1) This Company does not engage in any commercial activity, nor does it have any ongoing operational activities.

For further details regarding the Company's Subsidiaries, see Section 4.3.3 (*Overview of Subsidiaries*).

11.5 Government Consents, Licences and Certificates

The Company and its Subsidiaries hold several operational and regulatory licences and certificates issued by the relevant competent authorities and which are periodically renewed. The Directors declare that the Company and its Subsidiaries have obtained all of the licences and certificates necessary to execute their operations in order to engage in the relevant activities, except for certain operational licences expired or not obtained, as disclosed in the tables below. The following tables list licences and certificates obtained by the Company and its Subsidiaries as of the date of this Prospectus:

Table 11.3: Details of Commercial Registration Certificates Obtained by the Company and its Subsidiaries

	Company	Location	Type of Commercial Registration	Commercial Registration No	Registration Date	Expiration Date
1.	The Company	Jeddah, Kingdom of Saudi Arabia	Main	4030065231	18 Ramadan 1409H (corresponding to 24 April 1989G)	1 Thul-Qi'dah 1449H (corresponding to 26 March 2028G)
		Jeddah, Kingdom of Saudi Arabia	Branch	4030201068	3 Jumada al-Akhirah 1431H (corresponding to 16 May 2010G)	3 Jumada al-Akhirah 1446H (corresponding to 3 December 2024G)
		Jeddah, Kingdom of Saudi Arabia	Branch	4030198716	30 Rabi' al-Awwal 1431H (corresponding to 15 March 2010G)	29 Rabi' al-Awwal 1447H (corresponding to 20 September 2025G)
		Jeddah, Kingdom of Saudi Arabia	Branch	4030125875	13 Sha'ban 1419H (corresponding to 1 December 1998G)	12 Sha'ban 1447H (corresponding to 30 January 2026G)
		Riyadh, Kingdom of Saudi Arabia	Branch	1010053015	19 Rabi' al-Thani 1404H (corresponding to 21 January 1984G)	10 Jumada al-Akhirah 1447H (corresponding to 1 December 2025G)

	Company	Location	Type of Commercial Registration	Commercial Registration No	Registration Date	Expiration Date
		Riyadh, Kingdom of Saudi Arabia	Branch	1010585737	30 Shawwal 1440H (corresponding to 2 July 2019G)	24 Thul-Hijjah 1450H (corresponding to 8 May 2029G)
		Riyadh, Kingdom of Saudi Arabia	Branch	1010268185	25 Jumada al-Ula 1430H (corresponding to 19 May 2009G)	25 Jumada al-Ula 1449H (corresponding to 24 October 2027G)
		Al Kharj, Kingdom of Saudi Arabia	Branch	1011023950	27 Jumada al-Akhirah 1437H (corresponding to 4 April 2016G)	27 Jumada al-Akhirah 1446H (corresponding to 27 December 2024G)
		Dammam, Kingdom of Saudi Arabia	Branch	2050075036	7 Rabi' al-Thani 1432H (corresponding to 11 March 2011G)	6 Rabi' al-Thani 1447H (corresponding to 27 September 2025G)
2.	IPIC	Al Oyun, Eastern Province, Kingdom of Saudi Arabia	Main	2257024095	23 Rabi' al-Thani 1416H (corresponding to 17 September 1995G)	7 Shawwal 1449H (corresponding to 3 March 2028G)
		Al Mubarraz, Eastern Province, Kingdom of Saudi Arabia	Branch	2252011935	24 Jumada al-Ula 1408H (corresponding to 14 January 1988G)	12 Jumada al-Ula 1447H (corresponding to 3 November 2025G)
3.	UPIC	Jebel Ali Free Zone, Dubai, UAE	Main	4032	1 Jumada al-Ula 1424H (corresponding to 1 July 2003G)	6 Safar 1447H (corresponding to 31 July 2025G)
4	RAKP CO	Ras Al Khaimah, UAE	Main	177	9 Jumada al-Ula 1414H (corresponding to 25 October 1993G)	28 Sha'ban 1446H (corresponding to 27 February 2025G)

Source: The Company.

Table 11.4: Details of Regulatory Licences and Certificates Obtained by the Company and its Subsidiaries

	Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
1.	The Company	Ministry of Human Resource and Social Development	816804-26193804	Certificate of compliance with Saudisation requirements	12 Jumada al-Akhirah 1445H (corresponding to 25 December 2023G)	4 Rajab 1446H (corresponding to 4 January 2025G)
			276136-15577658	Certificate of compliance with Saudisation requirements	11 Jumada al-Akhirah 1445H (corresponding to 24 December 2023G)	4 Rajab 1446H (corresponding to 4 January 2025G)
			126932-36884791	Certificate of compliance with Saudisation requirements	22 Sha'ban 1445H (corresponding to 3 March 2024G)	4 Rajab 1446H (corresponding to 4 January 2025G)
			165294-17892527	Certificate of compliance with Saudisation requirements	22 Sha'ban 1445H (corresponding to 3 March 2024G)	4 Rajab 1446H (corresponding to 4 January 2025G)
			20092410056235	Certificate of wage protection	18 Rabi' al-Thani 1446H (corresponding to 21 October 2024G)	21 Rajab 1446H (corresponding to 21 January 2025G)
			20012410107846	Certificate of wage protection	18 Rabi' al-Thani 1446H (corresponding to 21 October 2024G)	21 Rajab 1446H (corresponding to 21 January 2025G)
			20012410107847	Certificate of wage protection	18 Rabi' al-Thani 1446H (corresponding to 21 October 2024G)	21 Rajab 1446H (corresponding to 21 January 2025G)
			20022410003617	Certificate of wage protection	18 Rabi' al-Thani 1446H (corresponding to 21 October 2024G)	21 Rajab 1446H (corresponding to 21 January 2025G)
		Jeddah Chamber of Commerce and Industry, Kingdom of Saudi Arabia	32658	Chamber of Commerce and Industry membership certificate	9 Shawwal 1445H (corresponding to 18 April 2024G)	1 Thul-Qi'dah 1449H (corresponding to 27 March 2028G)

	Company	Issuing Authority	Licence Number	Purpose	Issue Date	Expiration Date
		Al Kharj Chamber of Commerce and Industry, Kingdom of Saudi Arabia	104011234441	Chamber of Commerce and Industry membership certificate	12 Shawwal 1445H (corresponding to 21 April 2024G)	27 Jumada al-Akhirah 1446H (corresponding to 28 December 2024G)
		Riyadh Chamber of Commerce and Industry, Kingdom of Saudi Arabia	223111	Chamber of Commerce and Industry membership certificate	2 Ramadan 1430H (corresponding to 23 August 2009G)	25 Jumada al-Ula 1449H (corresponding to 25 October 2027G)
			28849	Chamber of Commerce and Industry membership certificate	21 Thul-Hijjah 1403H (corresponding to 28 September 1983G)	29 Jumada al-Ula 1446H (corresponding to 1 December 2024G)
		ZATCA	1112144979	Certificate enabling the Company to finalise all processes	27 Shawwal 1445H (corresponding to 6 May 2024G)	2 Thul-Qi'dah 1446H (corresponding to 30 April 2025G)
			100231094527196	VAT registration certificate	3 Thul-Hijjah 1438H (corresponding to 25 August 2017G)	N/A
		GOSI	80327320	Certificate of fulfilment of the GOSI obligations	6 Jumada al-Ula 1446H (corresponding to 8 November 2024G)	6 Jumada al-Akhirah 1446H (corresponding to 7 December 2024G)
			80328186	Certificate of fulfilment of the GOSI obligations	6 Jumada al-Ula 1446H (corresponding to 8 November 2024G)	6 Jumada al-Akhirah 1446H (corresponding to 7 December 2024G)
			80327542	Certificate of fulfilment of the GOSI obligations	6 Jumada al-Ula 1446H (corresponding to 8 November 2024G)	6 Jumada al-Akhirah 1446H (corresponding to 7 December 2024G)
			80328057	Certificate of fulfilment of the GOSI obligations	6 Jumada al-Ula 1446H (corresponding to 8 November 2024G)	6 Jumada al-Akhirah 1446H (corresponding to 7 December 2024G)
2.	IPIC	Ministry of Human Resources and Social Development	190065-85754383	Certificate of compliance with Saudisation requirements	29 Jumada al-Ula 1445H (corresponding to 13 December 2023G)	5 Sha'ban 1446H (corresponding to 4 February 2025G)
			20082411008695	Certificate of wage protection	4 Jumada al-Ula 1446H (corresponding to 6 November 2024G)	7 Sha'ban 1446H (corresponding to 6 February 2025G)
		Al Ahsa Chamber of Commerce and Industry, Kingdom of Saudi Arabia	302001120666	Chamber of Commerce and Industry membership certificate	23 Sha'ban 1445H (corresponding to 4 March 2024G)	7 Shawwal 1449H (corresponding to 3 March 2028G)
		ZATCA	1022265603	Certificate enabling the Company to finalise all processes	1 Thul-Qi'dah 1445H (corresponding to 9 May 2024G)	2 Thul-Qi'dah 1446H (corresponding to 30 April 2025G)
			100231093811104	VAT registration certificate	N/A	N/A
		GOSI	79961911	Certificate of fulfilment of the GOSI obligations	4 Jumada al-Ula 1446H (corresponding to 6 November 2024G)	4 Jumada al-Akhirah 1446H (corresponding to 5 December 2024G)
3.	UPIC	Federal Authority for Nuclear Regulation (FANR)	FANR/2024/5985	Licence to conduct a regulated activity involving regulated material	22 Ramadan 1445H (corresponding to 1 April 2024G)	24 Shawwal 1448H (corresponding to 1 April 2027G)
		Federal Tax Authority	100345746000003	VAT registration certificate	3 Rajab 1445H (corresponding to 15 January 2024G)	N/A
		Dubai Chamber of Commerce & Industry	99588	Chamber of Commerce and Industry membership certificate	15 Safar 1446H (corresponding to 19 August 2024G)	1 Safar 1447H (corresponding to 26 July 2025G)

Source: The Company.

Table 11.5: Summary of Operational Licences Obtained by the Company and its Subsidiaries

	Company	Issuing Authority	Licence Number	Branch	Purpose	Issue Date	Expiration Date
1.	The Company	Eastern Region Municipality, Kingdom of Saudi Arabia	40092192984	Sales branch	Engaging in commercial activities licence	N/A	16 Ramadan 1449H (corresponding to 12 February 2028G)
		General Directorate of Civil Defence, Kingdom of Saudi Arabia	2-000677087-45	Plant 1	Civil defence licence	16 Muharram 1446H (corresponding to 22 July 2024G)	1 Rabi' al-Awwal 1446H (corresponding to 4 September 2024G) (1)
		Ministry of Investment, Kingdom of Saudi Arabia	11103400989475	Plant 1	Industrial investment licence	8 Ramadan 1440H (corresponding to 13 May 2019G)	28 Safar 1446H (corresponding to 28 February 2025G)
		Ministry of Industry and Mineral Resources, Kingdom of Saudi Arabia	431110119754	Plant 1	Industrial facility licence	5 Thul-Qi'dah 1408H (corresponding to 19 June 1988G)	20 Safar 1449H (corresponding to 24 July 2027G)
			451110130531	Plant 1	Industrial facility licence	4 Safar 1442H (corresponding to 21 September 2020G)	19 Jumada al-Akhirah 1450H (corresponding to 6 November 2028G)
			451102132723	Plant 2	Industrial facility licence	3 Thul-Hijjah 1402H (corresponding to 21 September 1982G)	7 Rabi' al-Thani 1449H (corresponding to 8 September 2027G)
			441110120969	Plant 3	Industrial facility licence	5 Rabi' al-Thani 1413H (corresponding to 2 October 1992G)	14 Rabi' al-Thani 1449H (corresponding to 15 September 2027G)
			431102118386	Plant 4	Industrial facility licence	10 Rabi' al-Awwal 1401H (corresponding to 17 January 1981G)	14 Thul-Qi'dah 1448H (corresponding to 21 April 2027G)
			451110131085	Plant 5	Industrial facility licence	29 Rabi' al-Awwal 1438H (corresponding to 28 December 2016G)	6 Jumada al-Akhirah 1450H (corresponding to 24 October 2028G)
		Saudi Authority for Industrial Cities and Technology Zones (MODON), Kingdom of Saudi Arabia	OLC-24-03-26000676	Plant 1	Operational licence	16 Ramadan 1445H (corresponding to 26 March 2024G)	26 Ramadan 1446H (corresponding to 26 March 2025G)
			OLC-23-08-24003078	Plant 1	Operational licence	8 Safar 1445H (corresponding to 24 August 2023G)	20 Safar 1446H (corresponding to 24 August 2024G) (1)
			OLC-23-07-26002616	Plant 2	Operational licence	8 Muharram 1445H (corresponding to 26 July 2023G)	20 Muharram 1446H (corresponding to 26 July 2024G)(1)
			OLC-24-08-22002456	Plant 4	Operational licence	18 Safar 1446H (corresponding to 22 August 2024G)	28 Safar 1447H (corresponding to 22 August 2025G)
			OLC-24-08-22002457	Plant 4	Operational licence	18 Safar 1446H (corresponding to 22 August 2024G)	28 Safar 1447H (corresponding to 22 August 2025G)
			OLC-23-05-01001161	Plant 5	Operational licence	11 Shawwal 1444H (corresponding to 1 May 2023G)	14 Thul-Qi'dah 1447H (corresponding to 1 May 2026G)
		National Center for Environmental Compliance, Kingdom of Saudi Arabia	010581-2024-EPOPP	Plant 1	Environmental permit for operations	17 Jumada al-Ula 1446H (corresponding to 19 November 2024G)	20 Jumada al-Akhirah 1449H (corresponding to 19 November 2027G)
			2202024103	Plant 2	Environmental permit for operations	29 Thul-Hijjah 1444H (corresponding to 17 July 2023G)	16 Safar 1447H (corresponding to 10 August 2025G)

	Company	Issuing Authority	Licence Number	Branch	Purpose	Issue Date	Expiration Date
			2201022622	Plant 3	Environmental permit for operations	26 Thul-Hijjah 1443H (corresponding to 25 July 2022G)	9 Thul-Qi'dah 1446H (corresponding to 7 May 2025G)
			008843-2024-EPOPP	Plant 4	Environmental permit for operations	25 Jumada al-Ula 1446H (corresponding to 27 November 2024G)	28 Jumada al-Akhirah 1449H (corresponding to 27 November 2027G)
			009229-2024-EPOPP	Plant 5	Environmental permit for operations	25 Jumada al-Ula 1446H (corresponding to 27 November 2024G)	28 Jumada al-Akhirah 1449H (corresponding to 27 November 2027G)
2.	IPIC	Ministry of Investment, Kingdom of Saudi Arabia	121034307129238	Main branch	Industrial investment licence	27 Rajab 1443H (corresponding to 1 March 2022G)	23 Rajab 1446H (corresponding to 23 January 2025G)
		Ministry of Industry and Mineral Resources, Kingdom of Saudi Arabia	441102124057	Main branch	Industrial facility licence	15 Rajab 1414H (corresponding to 29 December 1993G)	24 Safar 1447H (corresponding to 18 August 2025G)
		Saudi Authority for Industrial Cities and Technology Zones (MODON), Kingdom of Saudi Arabia	OLC-24-10-10003236	Main branch	Operational licence	7 Rabi' al-Thani 1446H (corresponding to 10 October 2024G)	12 Shawwal 1446H (corresponding to 10 April 2025G)
		National Center for Environmental Compliance, Kingdom of Saudi Arabia	2203023887	Main branch	Environmental permit for operations	15 Safar 1444H (corresponding to 11 September 2022G)	23 Rabi' al-Thani 1447H (corresponding to 15 October 2025G)
3.	UPIC	Ports, Customs & Free Zone Corporation, Dubai, UAE	2291	Main branch	Certificate of no-objection to engaging in an activity	21 Thul-Hijjah 1445H (corresponding to 27 June 2024G)	5 Muharram 1447H (corresponding to 30 June 2025G)
4.	RAKP CO	Ministry of Interior – Dubai Civil Defence General Command, UAE	2015-6-138651	Main branch	Safety Compliance Certificate	1 Ramdan 1445H (corresponding to 11 March 2024G)	26 Sha'ban 1446H (corresponding to 25 February 2025G)
		Environment Protection and Development Authority – Ras Al Khaimah Government, UAE	E21DI00354	Main branch	Environmental Permit	6 Jumada al-Akhirah 1441H (corresponding to 31 January 2020G)	30 Rajab 1446H (corresponding to 30 January 2025G)
		Ministry of Industry and Advanced Technology, UAE	IL001271	Main branch	Industrial Production Licence	20 Sha'ban 1416H (corresponding to 11 January 1996G)	24 Rajab 1446H (corresponding to 24 January 2025G)

Source: The Company.

(1) The licence is expired, and the Company is in the process of renewing it.

11.6 Material Agreements

The Company and its subsidiaries have entered into a number of agreements for the purpose of their business. The following is a summary of those agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision to invest in the Offer Shares. The Company does not consider any of the agreements that its subsidiaries have concluded material, since those agreement do not reach the materiality threshold, which requires the relevant agreement to generate annual revenues exceeding SAR 70.0 million or a net income of SAR 3 million annually or resulting in costs or expenses exceeding SAR 3 million annually. The Company believes that all such agreements, in addition to the key provisions thereunder, have been included in this Section and that there are no other agreements, which are material in the context of the Company's business, that have not been disclosed. As of the date of this Prospectus, the Company has not breached any of the provisions of the material business agreements during the relevant term of such agreements and it is not aware of any event which, with the passing of time, may become a breach or default under any such agreements. These summaries do not purport to describe all of the applicable provisions of such agreements. For further details on the Company's lease agreements and insurance policies, see Section 11.9.2 (*Leases*), and Section 11.8 (*Insurance Policies*). The following table sets out the material agreements (except for lease agreements and insurance policies) entered into by the Company for the purposes of its business:

Table 11.6: Details of Material Agreements

Name of Agreement	Parties	Short Description	Term and Renewal Mechanism	Value for the Financial Year Ended 31 December			Value for the Six-Month Period Ended 30 June 2024G	Applicable Law	Disputes
				2021G	2022G	2023G			
Agreements with Key Suppliers									
Service Agreement	The Company (as customer) and Yaqoot Corporation (as service provider)	The Company has entered into a service agreement for the purpose of obtaining manpower services.	The agreement is valid for a period of one year starting from 26 Muharram 1446H (corresponding to 1 August 2024G) to 26 Muharram 1446H (corresponding to 1 August 2025G), renewable by written agreement.	N/A	N/A	SAR 695,139.54	SAR 2,370,862.53	Laws of the Kingdom.	Any dispute arising from the agreement shall be resolved amicably within thirty (30) days, if not resolved amicably, it will be referred to the competent courts in Jeddah.
Service Agreement	The Company (as customer) and Rose Al Hijaz Establishment (as service provider)	The Company has entered into a service agreement for the purpose of obtaining cleaning, maintenance and operations services.	The agreement is valid for a period of one year starting from 11 Jumada al-Akhirah 1445H (corresponding to 24 December 2023G) to 23 Jumada al-Akhirah 1446H (corresponding to 24 December 2024G), renews automatically for a similar period.	N/A	N/A	SAR 5,431,498.37	SAR 2,562,814	Laws of the Kingdom.	Any dispute arising from the agreement shall be resolved amicably, if not resolved amicably, it will be referred to the competent authority in Jeddah.
Transactions on a Purchase Order Basis	The Company (as customer) and Middle East Paper Company (MEPCO) (as supplier)	The Company has made several transactions, on a purchase order basis, for obtaining raw paper from the supplier.	N/A	SAR 186,196,442	SAR 212,941,629	SAR 111,922,141.20	SAR 58,057,466	N/A	N/A
Transactions on a Purchase Order Basis	The Company (as customer) and Union Paper Mills (as supplier)	The Company has made several transactions, on a purchase order basis, for obtaining raw paper from the supplier.	N/A	SAR 75,839,377	SAR 129,837,605	SAR 64,440,406	SAR 32,300,259	N/A	N/A
Transactions on a Purchase Order Basis	The Company (as customer) and Heinzel Import Export Incorporated (as supplier)	The Company has made several transactions, on a purchase order basis, for obtaining raw paper from the supplier.	N/A	SAR 8,747,661	SAR 8,764,922	SAR 25,924,267.60	SAR 24,934,403	N/A	N/A
Transactions on a Purchase Order Basis	The Company (as customer) and Arab Paper Mills (WARAQ) (as supplier)	The Company has made several transactions, on a purchase order basis, for obtaining raw paper from the supplier.	N/A	SAR 54,467,103	SAR 89,049,415	SAR 64,067,442	SAR 31,305,812	N/A	N/A
Transactions on a Purchase Order Basis	The Company (as customer) and Sociedad Anónima Industrias Celulosa Aragonesa (SAICA) (as supplier)	The Company has made several transactions, on a purchase order basis, for obtaining raw paper from the supplier.	N/A	SAR 88,701,751	SAR 143,651,097	SAR 90,282,292	SAR 41,948,825	N/A	N/A
Transactions on a Purchase Order Basis	The Company (as customer) and Fortex International AB (as supplier)	The Company has made several transactions, on a purchase order basis, for obtaining raw paper from the supplier.	N/A	SAR 100,705,592	SAR 190,539,368	SAR 166,981,896	SAR 114,588,650	N/A	N/A

Name of Agreement	Parties	Short Description	Term and Renewal Mechanism	Value for the Financial Year Ended 31 December			Value for the Six-Month Period Ended 30 June 2024G	Applicable Law	Disputes
				2021G	2022G	2023G			
Service Agreement	IPIC (as customer) and Talabat Al Maktab Company Limited (as service provider)	The Company has entered into a service agreement for the purpose of obtaining printing services from the service provider.	The agreement is valid for a period of three years starting from 22 Ramadan 1445H (corresponding to 1 April 2024G) to 24 Shawwal 1448H (corresponding to 1 April 2027G), renews automatically for a similar period, unless either party notifies the other party of its intention not to renew at least sixty (60) days before the expiry of the original period.	N/A	N/A	SAR 108,040.84	SAR 27,010	Laws of the Kingdom.	N/A
Printer Lease Agreement	IPIC (as lessee) and Canar Office Systems Company (as lessor)	The Company has entered into a printer lease agreement for the purpose of leasing a multifunctional printer.	The agreement is valid for a period of five years starting from 22 Jumada al-Akhirah 1441H (corresponding to 16 February 2020G) to 17 Sha'ban 1446H (corresponding to 16 February 2025G), renews automatically for a similar period, unless either party notifies the other party of its intention not to renew at least thirty (30) days before the expiry of the original period.	N/A	N/A	SAR 23,048	N/A	Laws of the Kingdom.	N/A
Service Agreement	IPIC (as customer) and Miqat Al Modon for Contracting, Maintenance and Operations (as service provider)	The Company has entered into a service agreement for the purpose of obtaining manpower services from the service provider.	The agreement is valid for a period of one year starting from 26 Thul-Qi'dah 1444H (corresponding to 15 June 2023G), renews automatically for a similar period, unless either party send a written notification to the other party of its intention not to renew at least thirty (30) days before the expiry of the original period.	N/A	N/A	SAR 1,609,888	SAR 402,472	Laws of the Kingdom	N/A
Agreements with Key Customers									
Supply Agreement	The Company (as supplier) and Al Rabie Saudi Food Company Limited (as customer)	The Company has entered into a supply agreement for the purpose of supplying corrugated carton products to the customer.	The agreement is valid for a period of one year starting from 19 Jumada al-Akhirah 1445H (corresponding to 1 January 2024G), renews automatically for a similar period, unless either party notifies the other party of its intention not to renew at least (30) days before the expiry of the original period.	N/A	N/A	SAR 23,919,200.15	SAR 11,026,166	Laws of the Kingdom.	N/A
Transactions on a Purchase Order Basis	The Company (as supplier) and Saudi Snack Foods Company Limited (PepsiCo) (as customer)	The Company has made several transactions, on a purchase order basis, for the purpose of supplying corrugated carton products to the customer.	N/A	SAR 25,193,701	SAR 36,919,905	SAR 31,890,257.89	SAR 13,349,544	N/A	N/A
Supply Agreement	The Company (as supplier) and Makkah Water (Safa) (as customer)	The Company has entered into a supply agreement for the purpose of supplying corrugated carton products to the customer.	The agreement is valid for a period of one year starting from 28 Jumada al-Ula 1445H (corresponding to 4 December 2023G).	N/A	N/A	SAR 36,702,422.38	SAR 18,407,910	Laws of the Kingdom.	N/A

Name of Agreement	Parties	Short Description	Term and Renewal Mechanism	Value for the Financial Year Ended 31 December			Value for the Six-Month Period Ended 30 June 2024G	Applicable Law	Disputes
				2021G	2022G	2023G			
Sales Agreement	The Company (as seller) Health Water Bottling Company (as buyer)	The Company has entered into a sales agreement for the purpose of selling packaging products to the buyer.	The agreement is valid for a period of one year starting from 19 Jumada al-Akhirah 1445H (corresponding to 1 January 2024G). Health Water Bottling Company has a right to renew this agreement by signing the renewal appendix at least thirty (30) days before the expiry of the original period.	N/A	N/A	SAR 73,085,405.14	SAR 37,637,584	Laws of the Kingdom.	Any dispute arising from the agreement shall be resolved amicably within thirty (30) days, if not resolved amicably, it will be referred to the competent courts in Riyadh.
Purchase Agreement	The Company (as seller) and the buyer [(1)]	The Company has entered into a purchase agreement for the purpose of selling corrugated carton products to the buyer.	The agreement is valid for a period of three years starting from 13 Thul-Hijjah 1444H (corresponding to 1 July 2023G) to 15 Muharram 1448H (corresponding to 30 June 2026G). The buyer has the right to terminate the agreement based on the submission of a written notice to the Company if the Company is subject to any change in its ownership by more than 50% of the voting shares in the Company, or if it transfers, sells or disposes of all its assets used in performance under this agreement.	N/A	N/A	SAR 60,789,705.49	SAR 14,298,007.57	Laws of the Kingdom.	N/A
Supply Agreement	The Company (as supplier) and Pure Beverages Company (as customer)	The Company has entered into a supply agreement for the purpose of supplying corrugated carton products to the customer.	The agreement is valid for a period of one year starting from 8 Jumada al-Akhirah 1444H (corresponding to 1 January 2023G). The agreement was renewed on 19 Jumada al-Akhirah 1445H (corresponding to 1 January 2024G) for a similar term.	N/A	N/A	SAR 32,003,524.08	SAR 13,874,232	Laws of the Kingdom.	Any dispute arising from the agreement shall be settled amicably.
Supply Agreement	The Company (as supplier) and Saudia Dairy and Foodstuff Company (SADAFCO) (as customer)	The Company has entered into a supply agreement for the purpose of supplying corrugated carton products to the customer.	The agreement is valid for a period of one year starting from 28 Jumada al-Ula 1444H (corresponding to 22 December 2022G). The agreement was renewed on 19 Jumada al-Akhirah 1445H (corresponding to 1 January 2024G) for a similar term.	N/A	N/A	SAR 27,655,850.37	SAR 10,402,817	Laws of the Kingdom.	Any dispute arising from the agreement shall be settled amicably.
Purchase Agreement	The Company (as supplier) and the customer [(1)]	The Company has entered into a purchase agreement for the purpose of selling corrugated carton products to the buyer.	The agreement is valid for a period of one year starting from 18 Rabi' al-Thani 1445H (corresponding to 2 November 2023G), renews automatically for a similar period, unless either party notifies the other party of its intention not to renew at least three (3) months before the expiry of the original period.	N/A	N/A	SAR 26,922,996.75	SAR 15,127,772	Laws of the Kingdom.	Any dispute arising from the agreement shall be resolved amicably within thirty (30) days, if not resolved amicably, it will be referred to the International Chamber of Commerce.

Source: The Company.

(1) The name of the client has not been disclosed, as the Company believes that this information is of a commercially sensitive nature, due to the confidentiality clause in the agreement.

11.7 Financing Agreements

The Company has entered into three financing agreements and UPIC has entered into one financing agreement relating to its business. The following is a summary of the financing agreements which the Company considers material or important or which may otherwise influence a Subscriber's decision with respect to the Offer Shares. As of the date of this Prospectus, the Company and its Subsidiary have not breached any of provisions of the financing agreements during the relevant term of such agreements and is not aware of any event which with the passing of time may become a breach or default under any financing agreement. These summaries include only the material provisions, not all applicable provisions of such agreements and cannot be considered as an alternative to the terms and conditions of those agreements.

The financing agreements to which the Company is a party include provisions that require the submission of a prior notification or obtaining prior written consent in connection with any change of control or change in the ownership structure of the Company, or when offering the Company's Shares for public subscription. The Company, in this regard, obtained all the consents required from the financers.

The following tables show the financing agreements concluded by the Company for purposes related to its business:

Table 11.7: Shari'ah Compliant Facilities Agreement between Saudi Awwal Bank (formerly Saudi British Bank) and the Company

Date of Agreement and Termination	12 Jumada al-Ula 1445H (corresponding to 25 December 2023G) and will expire on 24 Jumada al-Akhirah 1446H (corresponding to 25 December 2024G).
Value of Facilities and Purpose	SAR 140,000,000 for the purpose of financing its working capital.
Utilised Amount	SAR 68,068,655 as of 30 June 2024G.
Facilities	– Combined limit of SAR 120,000,000: • Short term finance facility of SAR 70,000,000; • Letters of credit facility of SAR 120,000,000; • Import finance facility of SAR 120,000,000; • Avalisation facility of SAR 120,000,000; • Shipping guarantee of SAR 120,000,000; • Letters of credit facility of SAR 10,000,000; and • Letters of guarantee facility (miscellaneous guarantees) of SAR 5,000,000. – Combined limit under Al Kifah Paper Products (currently known as Integrated Packaging Industries Company) of SAR 20,000,000: • Short term finance facility of SAR 20,000,000; • Letters of credit facility of SAR 20,000,000; • Import finance facility of SAR 20,000,000; • Avalisation facility of SAR 20,000,000; • Shipping guarantee of SAR 20,000,000; • Letters of credit facility of SAR 20,000,000; and • Letters of guarantee facility (miscellaneous guarantees) of SAR 5,000,000.
Guarantees	– A promissory note issued by the Company for an amount of SAR 140,000,000.
Covenants	– Submission of contract status progress report on a quarterly basis; – submission of aging stocks and receivables report on a quarterly basis; and – no dividends shall be declared until after meeting Saudi Awwal Bank's commitments.
Applicable Law	– Governed by the laws of the Kingdom and any disputes arising therefrom shall be resolved amicably. Otherwise, the disputes shall be referred to the competent judicial bodies in the Kingdom of Saudi Arabia.
On 19 Shawwal 1445H (corresponding to 28 April 2024G), Saudi Awwal Bank consented to the Offering.	

Source: the Company.

Table 11.8: Facilities Agreement between Saudi National Bank and the Company

Date of Agreement and Termination	19 Thul-Qi'dah 1445H (corresponding to 27 May 2024G) until 2 Shawwal 1446H (corresponding to 31 March 2025G).
Value of Facilities and Purpose	SAR 195,000,000 for the purpose of financing its working capital.
Utilised Amount	SAR 20,162,813 as of 30 June 2024G.
Facilities	– SAR 190,000,000 as a limit on an on-sight commercial facilitation for the purpose of financing of both types of credit with a commission of 0.7 per cent. annually over SAIBOR; – SAR 190,000,000 as a limit on international documentary credit for the purpose of purchasing raw material with a fee payable to the Saudi National Bank; – SAR 190,000,000 as a limit on local documentary credit for the purpose of purchasing raw material with a fee payable to the Saudi National Bank; – SAR 190,000,000 as a limit on deferred local documentary credit for the purpose of purchasing raw material with a fee payable to the Saudi National Bank and an annual deferral fee of 1.0 per cent; – SAR 190,000,000 as a limit on deferred international documentary credit for the purpose of purchasing raw material with a fee payable to the Saudi National Bank and an annual deferral fee of 1.0 per cent; – SAR 100,000,000 as a limit on commercial facilitation fixed dividends for the purpose of financing working capital deficit requirements with a commission of 0.7 per cent. annually over SAIBOR; – SAR 190,000,000 as a limit on commercial facilitation fixed dividends for the purpose of financing yields with a commission of 0.7 per cent. annually over SAIBOR; – SAR 190,000,000 as a limit on commercial facilitation fixed dividends for the purpose of financing local and international invoices with a commission of 0.7 per cent. annually over SAIBOR; and – SAR 190,000,000 as a limit on documents received for collection for the purpose of purchasing raw materials with an opening fee of 1.5 per cent. Annually; and – SAR 5,000,000 as a limit for banking and hedging.
Guarantees	– A promissory note issued by the Company in the amount of SAR 195,000,000.
Covenants	– To maintain a maximum leverage ratio of 2:0.
Applicable Law	– Governed by the laws of the Kingdom and any disputes arising therefrom shall be resolved amicably. Otherwise, the disputes shall be referred to the competent judicial bodies in the Kingdom.
On 16 Ramadan 1445H (corresponding to 26 March 2024G), Saudi National Bank consented to the Offering.	

Source: The Company.

Table 11.9: Financing Agreement between Banque Saudi Fransi and the Company

<table>
<tr><td>Date of Agreement and Termination</td><td>20 Jumada al-Akhirah 1445H (corresponding to 2 January 2024G) and will expire on 1 Sha'ban 1446H (corresponding to 31 January 2025G).</td></tr>
<tr><td>Value of Facilities and Purpose</td><td>SAR 215,000,000 for the purpose of financing its working capital, acquisitions and dividends.</td></tr>
<tr><td>Utilised Amount</td><td>SAR 37,061,683 as of 30 June 2024G.</td></tr>
<tr><td>Facilities</td><td>– General Financing:
1. Multi-Purpose Financing:
1.1 Financing:
(a) Islamic Multi Import:
• Term: 180 days
(b) Islamic Avalisation:
• Term: 180 days
(c) Tawarroq Post Finance:
• Pricing: SAIBOR + 0.9% annually
• Term: 180 days.
(d) Tawarroq Post Finance
• Pricing: SAIBOR + 0.9% annually
• Term: 180 days.
1.2 Tawarroq:
• Sub-limit: SAR 50,000,000.
• Profit margin: SAIBOR +0.9% annually.
• Term: 180 days.
1.3 Tawarroq:
• Sub-limit: SAR 40,000,000.
• Profit margin: SAIBOR +1.0% annually.
• Term: 180 days.
2. Multi-Purpose Financing: Forward Purchase & Sale of Foreign Currencies – Islamic and Currency option:
• Facility limit: SAR 10,000,000.
3. Islamic Payment Guarantee:
• Facility limit: SAR 4,000,000.
• Term: 360 days.
4. Multi Bonding Finances: for the issuance of Islamic Bid Bonds, Islamic Advance Payment Bonds, Islamic Performance Bonds and Islamic Retention Bonds:
• Facility limit: SAR 1,000,000.
• Term: 180 days for the Islamic Bid Bonds, 1,080 days for the Islamic Advance Payment Bonds, 1,080 days for the Islamic Performance Bonds, and 360 days for the Islamic Retention Bonds.

– Specific financing related to acquisition of United Paper Industries Company FZCO:
• Facility limit: SAR 55,000,000, although said amount of the general financing value mentioned above is allocated.
• Profit margin: SAIBOR+ 0.7 per cent. per annum for Tawarroq post finance.
• Term: 180 days for the Tawarroq post finance and 360 days for the short-term Islamic financing against letters of credit.

– Financing granted to Al Kifah Paper Products (currently known as Integrated Packaging Industries Company):
1. Multi-Purpose Financing (Islamic Multi Import, Islamic Avalisation, Islamic Shipping Guarantee and Tawarroq Post Financing):
1.1 Financing limit: SAR 30,000,000, although the amount mentioned of the general financing amount mentioned above is being allocated.
• Term: 240 days for the Islamic Avalisation and 180 days for the Tawarroq Post Financing.
• Pricing: SAIBOR,+0.9% annually for Tawarroq Post Financing.
1.2 Tawarroq:
• Financing sub-limit: SAR 20,000,000.
• Profit margin: SAIBOR+ 1 per cent. per annum.
• Term: 180 days.</td></tr>
<tr><td>Guarantees</td><td>– A promissory note issued by the Company (payable on sight) for an amount of SAR 215,000,000.</td></tr>
</table>

Covenants	– Banque Saudi Fransi to be "pari passu" with the Company's bankers in terms of security documents; – to maintain a maximum leverage ratio of 2.5:1; – to maintain a minimum liquidity ratio of 1:1; and – to route gradually increase the Company's sales through its current account held with Banque Saudi Fransi until it reaches 40 per cent. within next three years as follows: 28 per cent. in 2024G, 34 per cent. in 2025G and 40 per cent. in 2026G.
Applicable Law	– Governed by the laws of the Kingdom and any disputes arising therefrom shall be resolved amicably. Otherwise, the disputes shall be referred to the competent judicial bodies in the Kingdom of Saudi Arabia.
On 16 Ramadan 1445H (corresponding to 26 March 2024G), Banque Saudi Fransi consented to the Offering.	

Source: The Company

Table 11.10: Facility Offer Letter between UPIC and First Abu Dhabi Bank (FAB)

Date of Agreement and Termination	8 Shawwal 1444H (corresponding to 17 April 2024G) until 29 Sha'ban 1446H (corresponding to 8 February 2025G).
Value of Facilities and Purpose	AED 12,200,000 (corresponding to approximately SAR 12,455,712).
Utilised Amount	AED 3,589,180 (equivalent to approximately SAR 3,696,855) as of 30 June 2024G.
Facilities	1. Overdraft Revolving facility; 2. Trust Receipt, which comprises of the following sub-limits: (a) Trust Receipt (against documentary credit); (b) Trust Receipt (against Open Account); (c) Trust Receipt (against Advance Payment Guarantee); (d) Trust Receipt (against Document Collection); and (e) Bill / Cheques Discounting, which also includes Invoice Discounting (Revolving). 3. Letter of Guarantee, Financial Guarantee / Performance Bond (Revolving), which comprises the following sub-limits: (a) Letter of Guarantee (Labour Guarantee); and (b) Letter of Guarantee (Sight / Usance – Local / Foreign) (Non-Revolving).
Guarantees	Pursuant to the facility offer letter, in consideration of the FAB providing certain facilities to UPIC, the following instruments were required to be executed as security/credit support: – Irrevocable Corporate Guarantee issued by Gulf Paper Manufacturing Company KSC – Kuwait (UPIC's Parent Company) in favour of FAB; – Assignment of insurance policy covering stocks and machinery (on a pari-passu basis with other banks in favour of First Abu Dhabi Bank) from an insurance company acceptable to FAB; – Undertaking letter from Gulf Paper Manufacturing Company KSC – Kuwait (UPIC's Parent Company) to provide adequate financial support to repay UPIC's due to FAB; and – Cash margin, which we have been made to understand by UPIC was never supported by a cash margin security agreement. However, on 8 Shawwal 1445H (corresponding to 17 April 2024G), a renewed Facility Offer Letter was concluded between UPIC and FAB. Since UPIC's parent company is now the Company, the security instruments required pursuant to the Facility Offer Letter have been amended as follows: – Irrevocable Corporate Guarantee issued by the Company in favour of FAB; – Assignment of insurance policy covering stocks and machinery (on a pari-passu basis with other banks in favour of FAB) from an insurance company acceptable to FAB; – 100% cash margin against the Letter of Guarantee [Labour Guarantee] (Revolving) which has been availed by UPIC; and – Moveable Assets Security Agreement in relation to all current and future accounts of UPIC held by the FAB.
Covenants	Details of the security instruments set out above have been provided in the above Section (3.3.5). Regarding the cash margin, we understand that it appears to have been provided as security for the labour guarantee. This would mean that the cash amount of AED 700,000 (corresponding to approximately SAR 714,658) has been deposited with FAB and FAB has in turn issued the labour guarantee. As such, this means that FAB is fully secured by UPIC for the relevant labour guarantee. Further, we note that as condition precedent to utilising the facilities being provided under the Facility Offer Letter, UPIC has executed the 'General Terms and Conditions for Banking Facilities' (Terms) of the FAB. Pursuant to the Terms, the borrower (UPIC) undertakes to ensure that no substantial change to its ownership, control or legal status is made or any steps are taken to alter the liability of UPIC to FAB. Accordingly, we understand that UPIC's shareholding would remain the same and UPIC's parent company's shareholding would be altered in this case. The Terms are silent on any indirect change in shareholding, however, and depending on the number of Shares of the Company being listed and the view taken by FAB in these circumstances, it may be possible that this undertaking is contravened.
Applicable Law	Governed by the laws of the UAE. Any disputes arising therefrom shall be resolved by the courts of Abu Dhabi, UAE.

Source: The Company.

11.8 Insurance Policies

The Company and its Subsidiaries maintain insurance policies covering different types of risks they may be exposed to. These insurance policies have been concluded with several insurers. The following table sets out the key particulars of the insurance policies held by the Company and its Subsidiaries:

Table 11.11: Details of Insurance Policies

#	Policy No	Type of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
1	P/WRO1/2024/BPV/0000009	Boiler and Pressure Vessel Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	UCIC Plant 1: SAR 5,250,000. UCIC Plant 2: SAR 630,000. Standard Kessel: SAR 840,000. UCIC Plant 3: SAR 500,000. 6-Ton Fire Tube Boiler: SAR 500,000. UCIC Plant 4: SAR 577,500. Boiler: SAR 577,500. 8-Ton Fire Tube Boiler: SAR 1,850,124. UCIC Plant 5: SAR 1,790,798.
2	P/WRO1/2024/PE/0000006	Contractor's Plant/Machinery Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	SAR 14,181,630.61 in aggregate
3	P/WRO1/2024/MO/0000029	Money Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Estimate Annual Carrying: SAR 20,820,000. Cash in Transit – UCIC Plant 1 and 2: SAR 300,000. Cash in Transit – UCIC Plant 1 and: SAR 600,000. Cash in Safe – UCIC Plant 4: SAR 300,000. Cash in Transit – UCIC Plant 4: SAR 120,000. Cash in Safe – UCIC Plant 5: SAR 300,000. Cash in Transit – UCIC Plant 5: SAR 120,000.
4	P/WRO1/2024/FG/0000017	Fidelity Guarantee Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Maximum Limit for Each Employee: SAR 200,000. Aggregate Limit Guarantee: SAR 3,000,000.
5	32/MO/020183/00/00	Cargo Plus Marine Open Cover	Gulf Insurance Group Company (formerly AXA) (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Imports by Sea/Air: SAR 7,500,000. Imports by Land: SAR 1,000,000.
6	11073400	Cooperative Health Insurance	Bupa Arabia for Cooperative Insurance (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	SAR 1,000,000 per member.
7	2/VO/275/0/5	Commercial Vehicle Insurance	Gulf Insurance Group Company (formerly AXA) (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	In any one occurrence or series of claims in respect of third-party death, bodily injury and third-party property damage shall not exceed an amount of SAR 10,000,000.

#	Policy No	Type of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
8	P/WRO1/2024/PA/0000002	Personal Accident Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Accumulation Limit: SAR 70,000,000 any one event.
9	P/WRO1/2024/CGL/0000062	Commercial General Liability Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	UCIC Plant 1: SAR 2,000,000. UCIC Plant 2: SAR 2,000,000. UCIC Plant 3: SAR 2,000,000. UCIC Plant 4: SAR 2,000,000. UCIC Plant 5: SAR 2,000,000. UCIC Plant 1 - Extension: SAR 2,000,000. UCIC Plant Wosta: SAR 2,000,000.
10	24/07/202004	Commercial and Non-Commercial – Comprehensive Insurance	The Arab Investment & Export Credit Guarantee Corporation (as insurer) and the Company (as insured)	23 Muharram 1446H (corresponding to 29 July 2024G) to 3 Safar 1447H (corresponding to 28 July 2025G)	SAR 5,850,000 in aggregate
11	2/FA/2900655/0/23	Property All Risks Insurance	Gulf Insurance Group Company (formerly AXA)/ Chubb Arabia Cooperative Insurance Company (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	UCIC Plant 1 Buildings: SAR 97,626,830 Machinery: SAR 363,619,405. Stock: SAR 38,800,000. Increased Cost: SAR 127,880,745. Miscellaneous: SAR 12,206,605. Workers Housing Complex. Buildings: SAR 5,321,726. Machinery: SAR 289,709. Miscellaneous: SAR 413,129. Dammam Office Buildings: SAR 25,234. Machinery: SAR 70,005. Miscellaneous: SAR 1,905. Al Khumra Warehouse Buildings: SAR 20,847,653. Machinery: SAR 1,752,892 Stock: SAR 85,000,000 Miscellaneous: SAR 2,652,011 UCIC Plant 1 – Extension Buildings: SAR 13,723,058 Machinery: SAR 2,945,600 Stock: SAR 1,000,000 Increased Cost: SAR 127,880,745 Miscellaneous: SAR 2,863,373
12	2/FA/2900621/0/28	Property All Risks Insurance	Gulf Insurance Group Company (formerly AXA), Chubb Arabia Cooperative Insurance Company (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	UCIC Plant 2 Buildings: SAR 35,582,338. Machinery: SAR 231,662,122. Stock: SAR 17,450,000. Increased Cost: SAR 60,200,218. Miscellaneous: SAR 7,813,889.

#	Policy No	Type of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
13	2/FA/2900623/0/24	Property All Risks Insurance	Gulf Insurance Group Company (formerly AXA), Chubb Arabia Cooperative Insurance Company (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	UCIC Plant 3 Buildings: SAR 33,708,553. Machinery: SAR 53,724,005. Stock: SAR 10,900,000. Miscellaneous: SAR 2,476,651. Employee Accommodation Building Buildings: SAR 391,952. Machinery: SAR 668,502. Miscellaneous: SAR 36,509.
14	2/FA/2900828/0/4	Property All Risks Insurance	Gulf Insurance Group Company (formerly AXA), Chubb Arabia Cooperative Insurance Company (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	UCIC Plant 4 Buildings: SAR 47,563,504. Machinery: SAR 203,200,712. Stock: SAR 26,150,000. Increased Cost: SAR 79,999,645. Miscellaneous: SAR 7,713,364. Warehouse Buildings: SAR 3,458,706. Machinery: SAR 710,216. Stock: SAR 15,000,000. Miscellaneous: SAR 883,378. Employee Accommodation Buildings: SAR 1,986,514. Machinery: SAR 283,635. Miscellaneous: SAR 476,353. Al Wosta Building Buildings: SAR 4,328,379. Machinery: SAR 10,329,044. Stock: SAR 150,000. Miscellaneous: SAR 1,306,148.
15	2/FA/2900637/0/21	Property All Risks Insurance	Gulf Insurance Group Company (formerly AXA), Chubb Arabia Cooperative Insurance Company (as insurer) and the Company (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	UCIC Plant 5 Building: SAR 98,418,557. Machinery: SAR 264,160,002. Stock: SAR 24,900,000. Increased Cost: SAR 119,515,241. Miscellaneous: SAR 9,869,571. Employees Accommodation Buildings: SAR 1,948,955. Miscellaneous: SAR 232,779.
16	P/WRO1/2024/BPV/0000008	Boiler and Pressure Vessel Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and IPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Boiler Vessel: SAR 200,000. Liability of Property Not Belonging to Policyholder: SAR 200,000,000. Liability of Non-Fatal Injuries Others: SAR 200,000,000.
17	P/WRO1/2024/PE/0000007	Contractor's Plant & Machinery Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and IPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	SAR 1,005,000 in aggregate.

#	Policy No	Type of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
18	P/WRO1/2024/FG/0000016	Fidelity Guarantee Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and IPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	SAR 100,000 per employee.
19	P/WRO1/2024/MO/0000028	Money Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and IPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Cash in Safe: SAR 50,000. Cash in Transit: SAR 600,000.
20	P/WRO1/2024/CGL/0000061	Commercial General Liability Insurance	Arabian Shield Cooperative Insurance Company (formerly Alinma Tokyo Marine) (as insurer) and IPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Limit of Liability Any One Occurrence: SAR 10,000,000.
21	1040037468	Cooperative Health Insurance	Al Rajhi Company for Cooperative Insurance (Al Rajhi Takaful) (as insurer) and IPIC (as insured)	14 Rabi' al-Awwal 1446H (corresponding to 17 September 2024G) to 24 Rabi' al-Awwal 1447H (corresponding to 16 September 2025G)	SAR 1,000,000 per member.
22	2/FA/2900859/0/1	Property All Risks Insurance	Gulf Insurance Group Company (formerly AXA), Chubb Arabia Cooperative Insurance Company (as insurer) and IPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Printing Plant Buildings: SAR 8,383,668. Machinery: SAR 7,656,428. Miscellaneous: SAR 820,802.
23	2/FA/2900860/0/1	Property All Risks Insurance	Gulf Insurance Group Company (formerly AXA) (as insurer) and IPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Paper Plant Buildings: SAR 26,249,946. Machinery: SAR 93,799,828. Stock: SAR 15,500,000. Increased Cost: SAR 30,000,000. Miscellaneous: SAR 3,410,995. Worker's Accommodation Buildings: SAR 2,669,119. Miscellaneous: SAR 305,832. Warehouse Buildings: SAR 2,700,000. Stock: SAR 12,000,000. Miscellaneous: SAR 294,000.
24	2/VO/498/0/0	Motor Car Comp (Commercial) Insurance	Gulf Insurance Group Company (formerly AXA) (as insurer) and IPIC (as insured)	5 Rajab 1445H (corresponding to 17 January 2024G) to 16 Rajab 1446H (corresponding to 16 January 2025G)	In any one occurrence or series of claims in respect of third-party bodily injury and third-party property damage shall not exceed SAR 10,000,000
25	OIC/LD/GL/OIG-619	Group Term Life Insurance	Sukoon Insurance Company (formerly Oman Insurance Company) (as insurer) and UPIC (as insured)	19 Jumada al-Akhirah 1445H (corresponding to 1 January 2024G) to 30 Jumada al-Akhirah 1446H (corresponding to 31 December 2024G) Extended up to 2 Shawwal 1446H (corresponding to 31 March 2025G)	AED 765,000 (corresponding to approximately SAR 781,034.4) (free cover limit)
26	13/BS/UNITEDPAPER/2024	Workers' Compensation Insurance	Gulf Insurance Group (as insurer) and UPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	USD 1,000,000 (corresponding to approximately SAR 3,750,000)

#	Policy No	Type of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
27	13/BS/UNITEDPAPER/2024	Third Party (Public) Liability Insurance	Gulf Insurance Group (as insurer) and UPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	USD 1,000,000 (corresponding to approximately SAR 3,750,000)
28	13/FA/34461/0/0	Property (All Risks) Insurance	Gulf Insurance Group (as insurer) and UPIC (as insured)	5 Thul-Hijjah 1444H (corresponding to 23 June 2023G) to 16 Thul-Hijjah 1445H (corresponding to 22 June 2024G) Extended up to 4 Thul-Hijjah 1446H (corresponding to 31 March 2025G).	AED 98,071,022 (corresponding to approximately SAR 100,126,590.6211)
29	13/ZF/30537/0/0	Fidelity Guarantee Insurance	Gulf Insurance Group (as insurer) and UPIC (as insured)	5 Thul-Hijjah 1444H (corresponding to 23 June 2023G) to 16 Thul-Hijjah 1445H (corresponding to 22 June 2024G) Extended up to 4 Thul-Hijjah 1446H (corresponding to 31 March 2025G).	AED 50,000 (corresponding to approximately SAR 51,048) (any one person) and AED 100,000 (corresponding to approximately SAR 102,096) (the aggregate in any one period of the insurance)
30	13/ZM/30977/0/0	Money Insurance	Gulf Insurance Group (as insurer) and UPIC (as insured)	5 Thul-Hijjah 1444H (corresponding to 23 June 2023G) to 16 Thul-Hijjah 1445H (corresponding to 22 June 2024G) Extended up to 4 Thul-Hijjah 1446H (corresponding to 31 March 2025G).	The insurance coverage in this case varies, depending on the particulars of the loss
31	EMOC201300000107	Marine Cargo Insurance	Sukoon Insurance Company (formerly Oman Insurance Company) (as insurer) and UPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	AED 1,500,000 (corresponding to approximately SAR 1,531,440)
32	13/VF/911008045/0/0	Commercial Vehicle Fleet Insurance	Gulf Insurance Group (as insurer) and UPIC (as insured)	7 Rabi' al-Thani 1446H (corresponding to 10 October 2024G) to 17 Rabi' al-Thani 1447H (corresponding to 9 October 2025G)	AED 50,000 (corresponding to approximately SAR 51,048)
33	3000381632	Motor Vehicle Insurance (Mitsubishi Lancer)	Gulf Insurance Group (as insurer) and UPIC (as insured)	9 Ramadan 1445H (corresponding to 19 March 2024G) to 10 Shawwal 1445H (corresponding to 18 April 2025G)	AED 20,000 (corresponding to approximately SAR 20,419.2)
34	3000381634	Motor Vehicle Insurance (Mitsubishi Lancer)	Gulf Insurance Group (as insurer) and UPIC (as insured)	9 Ramadan 1445H (corresponding to 19 March 2024G) to 10 Shawwal 1445H (corresponding to 18 April 2025G)	AED 20,000 (corresponding to approximately SAR 20,419.2)
35	3000330900	Motor Vehicle Insurance (Caterpillar Forklift)	Gulf Insurance Group (as insurer) and UPIC (as insured)	10 Jumada al-Ula 1445H (corresponding to 24 November 2023G) to 10 Jumada al-Akhirah 1445H (corresponding to 23 December 2024G)	Maximum liability in respect of property damage for third party liability is AED 3,670,000 (corresponding to approximately SAR 3,746,849.8)
36	3000330902	Motor Vehicle Insurance (Caterpillar Forklift)	Gulf Insurance Group (as insurer) and UPIC (as insured)	10 Jumada al-Ula 1445H (corresponding to 24 November 2023G) to 10 Jumada al-Akhirah 1445H (corresponding to 23 December 2024G)	Maximum liability in respect of property damage for third party liability is AED 3,670,000 (corresponding to approximately SAR 3,746,849.8)

#	Policy No	Type of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage
37	3000370640	Motor Vehicle Insurance (Caterpillar Forklift)	Gulf Insurance Group (as insurer) and UPIC (as insured)	13 Sha'ban 1445H (corresponding to 23 February 2024G) to 22 Ramadan 1446H (corresponding to 22 March 2024G)	Maximum liability in respect of property damage for third party liability is AED 3,670,000 (corresponding to approximately SAR 3,746,849.8)
38	13/VX/911001389/0/0	Commercial Vehicle Fleet Insurance	Gulf Insurance Group (as insurer) and UPIC (as insured)	7 Rabi' al-Thani 1446H (corresponding to 10 October 2024G) to 17 Rabi' al-Thani 1447H (corresponding to 9 October 2025G)	Maximum liability in respect of property damage for third party liability is AED 3,670,000 (corresponding to approximately SAR 3,746,849.8)
39	3000365959	Motor Vehicle Insurance (Nissan 2400)	Gulf Insurance Group (as insurer) and UPIC (as insured)	3 Sha'ban 1445H (corresponding to 13 February 2024G) to 12 Ramadan 1446H (corresponding to 12 March 2025G)	AED 20,000 (corresponding to approximately SAR 20,419.20)
40	3000409063	Motor Vehicle Insurance (Kais Loader)	Gulf Insurance Group (as insurer) and UPIC (as insured)	19 Thul-Qi'dah 1445H (corresponding to 27 May 2024G) to 1 Muharram 1447H (corresponding to 26 June 2025G)	Maximum liability in respect of property damage for third party liability is AED 3,670,000 (corresponding to approximately SAR 3,746,849.8)
41	P2420001136;P2420001136-1	Medical Insurance	Qatar Insurance Group (as insurer) and UPIC (as insured)	20 Thul-Qi'dah 1445H (corresponding to 28 May 2024G) to 29 Thul-Qi'dah 1446H (corresponding to 27 May 2025G)	While the maximum coverage depends on the category to which the insured belongs, it is noted that the limit is the same for each category in this case, which is AED 250,000 (approximately SAR 255,240).
42	P/04/PRO/PRL/2024/000024	Fire and Related Risks Insurance.	RAK Insurance Company (as insurer) and RAKP CO. (as insured)	29 Rabi' al-Thani 1446H (corresponding to 1 November 2024G) to 9 Jumada al-Ula 1447H (corresponding to 31 October 2025G)	AED 48,831,595 (corresponding to approximately SAR 49,198,518.23)
43	04/MED/2024/1206	Medical Insurance	RAK Insurance Company (as insurer) and RAKP CO. (as insured)	26 Sha'ban 1445H (corresponding to 7 March 2024G) to 6 Ramadan 1446H (corresponding to 6 March 2025G)	AED 100,000 (corresponding to approximately SAR 102,097) per person annually.
44	P/04/CAS/WCA/2024/00169	Workers' Compensation Policy	RAK Insurance Company (as insurer) and RAKP CO. (as insured)	6 Ramadan 1445H (corresponding to 16 March 2024G) to 15 Ramadan 1446H (corresponding to 15 March 2025G)	AED 3,337,536 (corresponding to approximately SAR 3,407,491)
45	P/04/MAR/MCO/2024/000024	Open Marine Insurance	RAK Insurance Company (as insurer) and RAKP CO. (as insured)	11 Jumada al-Ula 1446H (corresponding to 13 November 2024G) to 24 Jumada al-Ula 1447H (corresponding to 15 November 2025G)	AED 750,000 (corresponding to approximately SAR 766,815.25)

Source: The Company.

Table 11.12: Pending Insurance Claims

The following table shows the main details of outstanding insurance claims related to insurance policies held by the Company and its Subsidiaries:

Policy No	Types of Insurance Coverage	Insurer and Insured	Validity	Maximum Insurance Coverage	Summary of the Claim
2/FA/2900860/0/1	Property All Risks Insurance	Gulf Insurance Group Company (formerly AXA) (as insurer) and IPIC (as insured)	22 Ramadan 1445H (corresponding to 1 April 2024G) to 2 Shawwal 1446H (corresponding to 31 March 2025G)	Paper Plant Buildings: SAR 25,400,552 Machinery: SAR 95,255,845 Stock: SAR 15,500,000 Increased Cost: SAR 10,684,000 Miscellaneous: SAR 3,423,128 Worker's Accommodation Buildings: SAR 2,616,783 Miscellaneous: SAR 337,936 Warehouse - Stock: SAR 12,000,000 Miscellaneous: SAR 240,000	In February 2024G, a fire incident caused significant damage to one of the production halls of IPIC. The value of the damaged assets was SAR 2.3 million in inventory and SAR 0.8 million in property and equipment. IPIC submitted an insurance claim in May 2024G to the insurance company in the amount of SAR 40.0 million as compensation for the losses incurred, which include the replacement value and anticipated temporary work interruption costs. On 30 Jumada al-Akhirah1446H (corresponding to 31 December 2024G) and 1 Rajab 1446H (corresponding to 1 January 2025G), the Company received partial amounts aggregating to SAR 12.73 million, the claim is still pending.

Source: The Company.

11.9 Real Estate

11.9.1 Title Deeds

As of the date of this Prospectus, the Company owns the following title deed:

Table 11.13: Details of Title Deeds Owned by the Company

Title Deed Particulars	Location	Description and Purpose	Book Value	Rights of Third Parties/Disputes
Title deed number 510124011741 dated 21 Thul-Qi'dah 1432H (corresponding to 19 October 2011G)	Umalshal District, Riyadh, Kingdom of Saudi Arabia	A plot of land with a total surface area of 62,118.67 sqm. The Company owns 83.19% of the land.	SAR 5,427,488 for the land, as of 31 December 2023G and the six-month period ended 30 June 2024G.	16.81% of the plot of land is owned jointly by others.

Source: The Company.

11.9.2 Leases

As of the date of this Prospectus, the Company and its Subsidiaries have entered into a number of lease agreements in connection with its business. The Company and its Subsidiaries, as lessees in these agreements, guarantee the payment of the annual rental amount as specified in each agreement. The lease term varies in each agreement, but it usually ranges from one to ten years and some agreements provide for automatic renewal. Most lease agreements provide provisions that allow one party to terminate the agreement by providing notice of no less than fifteen days to one month before the end of the agreement. As of the date of this Prospectus, the Group has registered all lease agreements on the Ejar platform except for four lease agreements. The Company's Board of Directors acknowledges that there are no substantive lease agreements on which the Company or its Subsidiaries depend on for its operations. The following table shows the details of the lease agreements concluded by the Company:

Table 11.14: Details of Lease Agreements

#	Parties	Property Location	Size of Leased Premises (sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/Post Termination Procedures	Purpose	Subleasing/ Assignment
1.	The Company (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	First Industrial City, Jeddah, Kingdom of Saudi Arabia.	44,819 sqm.	SAR 257,709.25 annually.	Twenty years, starting from 12 Jumada al-Ula 1437H (corresponding to 21 February 2016G) to 11 Jumada al-Ula 1457H (corresponding to 17 July 2035G).	N/A	Industrial land.	N/A
2.	The Company (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	First Industrial City, Jeddah, Kingdom of Saudi Arabia.	10,026 sqm.	SAR 50,130 annually.	Twenty years, starting from 5 Thul-Qi'dah 1440H (corresponding to 8 July 2019G) to 4 Thul-Qi'dah 1460H (corresponding to 1 December 2038G).	N/A	Industrial land.	N/A
3.	The Company (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	Second Industrial City, Riyadh, Kingdom of Saudi Arabia.	1,018 sqm.	SAR 40,720 annually.	Twenty years, starting from 2 Thul-Qi'dah 1439H (corresponding to 15 July 2018G) to 1 Thul-Qi'dah 1459H (corresponding to 8 December 2037G). Renewable for a similar period upon a written notice given to the lessor at least six months prior to the expiry of the agreement.	The lessee has the right to terminate the agreement by giving a six month notice to the lessor prior to the expiration date.	Accommodation.	The lessee may not sublease or assign any portion of the property without the prior consent of the lessor.
4.	The Company (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	Second Industrial City, Riyadh, Kingdom of Saudi Arabia.	23,146 sqm.	SAR 92,584 annually.	Twenty years, starting from 15 Shawwal 1440H (corresponding to 18 June 2019G) to 14 Shawwal 1460H (corresponding to 11 November 2038G).	N/A	Industrial land.	N/A
5.	The Company (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	Second Industrial City, Riyadh, Kingdom of Saudi Arabia.	4,469 sqm.	SAR 17,876 annually.	Twenty years from 15 Shawwal 1440H (corresponding to 18 June 2019G) to 14 Shawwal 1460H (corresponding to 11 November 2038G). The agreement is terminated at the end of the initial term. If the lessee wishes to renew, a written notice shall be given to the lessor at least one year prior to the expiry of the agreement.	N/A	Industrial land.	The lessee may not sublease or assign any portion of the property without the prior consent of the lessor.
6.	The Company (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	First Industrial City, Jeddah, Kingdom of Saudi Arabia.	25,210 sqm.	SAR 126,050 annually.	Twenty years, starting from 1 Muharram 1445H (corresponding to 19 July 2023G) to 30 Thul-Hijjah 1464H (corresponding to 13 December 2042G).	N/A	Industrial land.	N/A

#	Parties	Property Location	Size of Leased Premises (sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/Post Termination Procedures	Purpose	Subleasing/ Assignment
7.	The Company (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	Al Kharj, Riyadh, Kingdom of Saudi Arabia.	96,897 sqm.	SAR 193,794 annually.	The term of the lease starts from 8 Rabi' al-Thani 1444H (corresponding to 2 November 2022G) to 7 Rabi' al-Thani 1455H (corresponding to 4 July 2033G).	N/A	Industrial land.	N/A
8.	The Company (as lessee) and Halah Tah Abdullah Baksh (as lessor)	Jeddah, Kingdom of Saudi Arabia.	30,000 sqm.	SAR 1,900,000 semi-annually.	Five years, starting from 21 Thul-Qi'dah 1444H (corresponding to 10 June 2023G) to 16 Muharram 1450H (corresponding to 9 June 2028G). The agreement is terminated at the end of the initial term. If the parties wish to renew, a new agreement shall be signed.	The affected party has the right to terminate the agreement if the other party has breached its obligations under the agreement and fails to remedy it within fifteen (15) days of receiving a notice by the affected party.	N/A	N/A
9.	The Company (as lessee) and Abdulelah Ahmad Saad Al Hazani (as lessor)	Al Kharj, Riyadh, Kingdom of Saudi Arabia.	320 sqm.	SAR 170,000 semi-annually.	364 days, starting from 20 Sha'ban 1445H (corresponding to 1 March 2024G) to 29 Sha'ban 1446H (corresponding to 28 February 2025G). The agreement is terminated at the end of the initial term. If the parties wish to renew, a new agreement shall be signed.	The affected party has the right to terminate the agreement if the other party has breached its obligations under the agreement and fails to remedy it within fifteen (15) days of receiving a notice by the affected party.	N/A	N/A
10.	The Company (as lessee) and Fafa Training Center, owned by Salman Mohammed Hassan Al Jishi (as lessor)	King Fahad Road, Dammam, Kingdom of Saudi Arabia.	110 sqm.	SAR 55,000 annually.	730 days, starting from 28 Muharram 1445H (corresponding to 15 August 2023G) to 20 Safar 1447H (corresponding to 14 August 2025G). Automatically renewable, unless either party notifies the other of its intention not to renew at least fifteen (15) days prior to the expiry of the agreement.	The affected party has the right to terminate the agreement if the other party has breached its obligations under the agreement and fails to remedy it within fifteen (15) days of receiving a notice by the affected party.	N/A	N/A
11.	The Company (as lessee) and Al Bairag Trading Enterprise (as lessor)	Industrial City, Jeddah, Kingdom of Saudi Arabia.	960 sqm.	SAR 450,000 annually.	Two years, starting from 1 Ramadan 1432H (corresponding to 1 August 2011G), automatically renewable, unless either party sends a written notification to the other of its intention not to renew at least three (3) months prior to the expiry of the agreement.	N/A	Accommodation.	The lessee may not sublease or assign any portion of the property.
12.	IPIC (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	First Industrial City, Al Ahsa, Kingdom of Saudi Arabia.	26,547.78 sqm.	SAR 106,191.11 annually.	The term of the lease starts from 16 Rabi' al-Thani 1445H (corresponding to 31 October 2023G) to 15 Rabi' al-Thani 1459H (corresponding to 31 May 2037G).	N/A	Industrial land.	N/A

#	Parties	Property Location	Size of Leased Premises (sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/Post Termination Procedures	Purpose	Subleasing/ Assignment
13.	IPIC (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	First Industrial City, Al Ahsa, Kingdom of Saudi Arabia.	400 sqm.	SAR 6,000 annually.	The term of the lease starts from 8 Thul-Qi'dah 1445H (corresponding to 16 May 2024G) to 7 Thul-Qi'dah 1448H (corresponding to 14 April 2027G).	N/A	Accommodation.	N/A
14.	IPIC (as lessee) and Al Amoudi Trading Company, owned by Abdulrahman Abu Bakr Al Amoudi and Partners (as lessor)	Dammam, Kingdom of Saudi Arabia	3,000 sqm.	SAR 230,000 semi-annually.	364 days starting from 28 Safar 1446H (corresponding to 1 September 2024G) to 8 Rabi' al-Awwal 1447H (corresponding to 31 August 2025G). The agreement is terminated at the end of the initial term. If the parties wish to renew, a new agreement shall be signed.	The affected party has the right to terminate the agreement if the other party has breached its obligations under the agreement and fails to remedy it within fifteen (15) days of receiving written notice by the affected party. In the event of the lessee's bankruptcy, insolvency, or liquidation for any reason whatsoever, this lease contract shall be deemed terminated as of the date on which the lessor acknowledges such event or upon the expiry of the original term or any renewed term, whichever is earlier. Such termination shall not prejudice the lessor's right to claim payment for the period prior to the aforementioned termination.	Commercial complex.	N/A
15.	IPIC (as lessee) and Saudi Authority for Industrial Cities and Technology Zones (MODON) (as lessor)	First Industrial City, Al Ahsa, Kingdom of Saudi Arabia	409 sqm.	SAR 8,180 annually.	The term of the lease starts from 14 Shawwal 1444H (corresponding to 4 May 2023G) to 13 Shawwal 1449H (corresponding to 9 March 2028G).	N/A	Accommodation.	N/A
16.	UPIC (as lessee) Jebel Ali Free Zone FZE (as lessor)	Plot No B056R01, P.O Box: 18075, Jebel Ali, Dubai, UAE	15,000 sqm	The rent payable by the UPIC increases every year. For the year 2023G – 2024G: the rent is AED 375,000 (corresponding to approximately SAR 382,860).	Twenty years, starting from 14 Muharram 1445H (corresponding to 1 August 2023G) to 24 Sha'ban 1465H (corresponding to 31 July 2043G).	The lessor has a right to terminate the lease and re-enter the premises under the following circumstances: if the rent or any part thereof remains unpaid for thirty (30) days after becoming payable (whether formally demanded or not); or – if any of the covenants in relation to the tenant, contained in the lease, are not performed or observed; or – if the lessee, for the time being, and/or the guarantor (if any) enters into liquidation (whether compulsory or voluntary) or takes any steps to wind itself up or if an individual, becomes bankrupt or makes an arrangement or settlement with its creditors. – If the lessor elects to terminate the lease, then all sums paid by UPIC to the lessor shall be forfeited and the lessor (or its authorised agent) shall have the lawful right and entitlement to enter the premises and repossess the premises. However, the lessor does not have a right to dispose of/sell any property found inside the premises (which belongs to UPIC), unless UPIC owes the lessor any money, rental, damages or compensation which is due but not paid, then such amount may be deducted by the lessor, and the balance must be returned to UPIC.	Commercial purpose.	Any change in the shareholding of UPIC shall be deemed to be an assignment of the lease and the lessor shall have the right to charge a consent fee and/or require a new lease to be entered into at the market rent and conditions. The lease is silent on any indirect change in shareholding, however, and depending on the number of shares of the Company which are being listed and the view taken by the lessor in these circumstances, it may be possible that this condition of the lease is triggered, as a result of which UPIC will be required to pay a consent fee (in such amount as determined by the lessor) and may be required to enter into a new lease agreement with the lessor.

#	Parties	Property Location	Size of Leased Premises (sqm)	Rent	Term of Lease/ Renewal Mechanism	Right to Terminate/Post Termination Procedures	Purpose	Subleasing/ Assignment
17	RAKP CO. (as lessee) and Ras Al Khaimah Economic Zone – RAKEZ (as lessor)	Plot number PL274 is located in the Al Hamra Industrial Area - NFZ.	47,118.40 sqm	AED 706,776 (corresponding to approximately SAR 722,348.90) (payment is due starting from the lease commencement date).	Twenty years starting from 25 Muharram 1448H (corresponding to 10 July 2026G). RAKP CO. may renew the lease agreement by notifying the lessor in writing of its intention to renew the lease at least one year prior to the expiration date of the lease.	RAKP CO. has committed not to terminate the lease agreement during the first two (2) years of the agreement. However, if RAKP CO. decides to terminate the agreement during the first two (2) years, written approval from RAKEZ is required, and all amounts paid by RAKP CO. to RAKEZ (including the security deposit) will be forfeited. Additionally, RAKP CO. will be obligated to pay the full amount for the first two (2) years of the agreement to RAKEZ and to comply with its return obligations, which are specified below. RAKP CO. has the right to terminate this lease agreement, at its discretion, starting from the third anniversary of the lease commencement date. It may exercise its right of early termination by sending a notice at least six (6) months in advance to RAKEZ, subject to meeting certain conditions (as outlined in the lease agreement). In the event of termination of the lease by RAKP CO. or expiration of the lease by RAKEZ: (a) RAKP CO. or RAKEZ (as applicable) shall make every effort to identify and recommend a party (the new tenant) to enter into a lease assignment agreement with RAKEZ to assign and transfer all rights and obligations of RAKP CO. under the lease concerning the plot of land (including structures) to the new tenant, in accordance with the terms agreed upon between the tenant, the new tenant, and RAKEZ. RAKP CO. has the right to claim any consideration, fees, or charges (as determined by RAKP CO. at its sole discretion) from the new tenant regarding the use of the structures and/or any additional improvements made by RAKP CO. on the plot, and these terms may be recorded under a separate agreement between RAKP CO. and the new tenant. RAKEZ hereby irrevocably and unconditionally agrees to grant approval to RAKP CO. to assign its leasehold interest to any new tenant identified and recommended by RAKP CO. (b) RAKEZ and RAKP CO. shall undertake to perform (or undertake to perform) all actions and execute and deliver such additional documents as may be required under applicable laws or as may be reasonably requested by RAKEZ or RAKP CO. to effectuate and/or execute the lease assignment. (c) To the extent that RAKP CO. is unable to identify and appoint a new tenant, RAKEZ reserves the right to require RAKP CO. to surrender the plot (with or without removal of structures at the sole discretion of RAKP CO.), free from any encumbrances or burdens. If this option is exercised by RAKP CO. and RAKEZ, and to the extent that RAKEZ requests RAKP CO. to assign the plot without removing the structures, RAKP CO. will not be obligated to pay any applicable demolition fees to RAKEZ that may be incurred by RAKEZ thereafter.	RAKP CO. is permitted to use the property for the activities specified in its industrial licence number 177 (the Licence). The Licence allows RAKP CO. to engage in the following activities: "Manufacturing corrugated paper or cardboard packaging and wholesale trade of paper."	RAKP CO. may not assign the lease or any interest therein without prior written approval from RAKEZ (at its sole discretion), agreeing unconditionally and irrevocably not to unreasonably withhold or delay such approval. RAKP CO. is permitted to assign this lease to an affiliate or subsidiary after obtaining prior written approval from RAKEZ. RAKP CO. shall not lease the entire plot or any part thereof, assign it, share its possession or occupancy, grant any third parties any rights over the plot, or subdivide it without prior written approval from RAKEZ (at its sole discretion). RAKP CO. is allowed to lease the entire plot or any part thereof, assign it, or share its possession or occupancy with any affiliate or subsidiary after obtaining prior written approval from RAKEZ.

Source: The Company.

11.9.3 Movable Assets

As of the date of this prospectus, the Company and its Subsidiaries own a number of movable assets that they consider to be material. The following table shows the movable assets that the Company considers to be material:

Table 11.15: Details of Movable Assets Owned by the Company

#	Holder of Tittle/ Holder of Right in Asset	Location	Description and Purpose	Type of Right	Book Value	
					Financial Year Ended 31 December 2023G	Six-Month Period Ended 30 June 2024G
1.	The Company	Jeddah, Kingdom of Saudi Arabia	Nozomi digital printer (P1 digital machine EFI)	Ownership	SAR 14,280,843.22	SAR 13,278,139.57
2.	The Company	Riyadh, Kingdom of Saudi Arabia	Material handling system (P4)	Ownership	SAR 3,134,586.05	SAR 2,874,632.27
3.	The Company	Riyadh, Kingdom of Saudi Arabia	Gopfert Rotary Die CUTTE (P4)	Ownership	SAR 4,178,924.51	SAR 3,536,013.08
4.	The Company	Jeddah, Kingdom of Saudi Arabia	HVAC System P2 Project	Ownership	SAR 4,360,987.84	SAR 3,612,597.53
5.	The Company	Al Kharj Region, Riyadh, Kingdom of Saudi Arabia	Piping distribution (P5 building)	Ownership	SAR 4,158,780.77	SAR 3,649,542.33
6.	IPIC	Al Oyun, Al Ahsa, Kingdom of Saudi Arabia	Plant and machinery production	Ownership	SAR 5,000,964.28	SAR 4,760,332.48
7.	IPIC	Al Oyun, Al Ahsa, Kingdom of Saudi Arabia	Plant and machinery production	Ownership	SAR 4,052,322.21	SAR 3,918,018.66

Source: The Company.

11.10 Related Party Contracts and Transactions

This section provides a summary of the Company's and its Subsidiaries' contracts and transactions with related parties. The members of the Board of Directors acknowledge that all contracts and transactions with related parties described in this section do not include any preferential terms and are concluded on appropriate commercial grounds. In compliance with Article 71 of the Companies Law, all agreements and transactions concluded with related parties, which have been concluded during the relevant years, and existing transactions have been approved by the General Assembly of the Company or the Board of Directors in accordance with the authorisation issued to it by the General Assembly.

The following table shows the related party transactions entered into by the Company:

Table 11.16: Details of Related Party Contracts and Transactions Agreements

#	Parties	Nature of Agreement/ Transaction	Effective Date of Agreement	Total Revenue from the Contract/Transaction		Interest	Approval
				Financial Year Ended 31 December 2023G	Six-Month Period Ended 30 June 2024G		
1.	The Company (as supplier) and National Biscuits and Confectionary Company (as customer)	Agreement to provide carton to the client	The agreement was concluded on 14 Jumada al-Akhirah 1445H (corresponding to 27 December 2023G) for a term of one year.	SAR 30,590,121	SAR 14,910,184	These transactions are considered to be with a related party due to the indirect interest of Director Ibrahim Hayel Saeed Anam in his capacity as Chairman of the Board of Directors of the National Biscuits and Confectionary Company and Shawki Ahmed Hayel Saeed in his capacity as Director of the National Biscuits and Confectionary Company.	This transaction and interests were submitted to the Company's General Assembly held on 10 Shawwal 1445H (corresponding to 28 April 2024G) and they were approved.

#	Parties	Nature of Agreement/ Transaction	Effective Date of Agreement	Total Revenue from the Contract/Transaction		Interest	Approval
				Financial Year Ended 31 December 2023G	Six-Month Period Ended 30 June 2024G		
2.	The Company (as supplier) and National Food Industries Company (as customer)	Agreement to provide carton to the client	The agreement was concluded on 21 Jumada al-Ula 1445H (corresponding to 5 December 2023G) for a term of one year.	SAR 13,623,072	SAR 6,274,357	These transactions are considered to be with a related party due to the indirect interest of Director Ibrahim Hayel Saeed Anam in his capacity as Chairman of the Board of Directors of the National Food Industries Company, and the indirect interest of Directors Shawki Ahmed Hayel Saeed and Aidroos Hassan Omar Alesayi in their capacity as Directors of the National Food Industries Company.	This transaction and interests were submitted to the Company's General Assembly held on 10 Shawwal 1445H (corresponding to 28 April 2024G) and they were approved.
3.	The Company (as supplier) and Zamil Air Conditioner and Home Appliances (as customer).	Transactions on a Purchase Order Basis to provide carton to the client	N/A	SAR 2,115,465	SAR 81,958	These transactions are considered to be with a related party due to the indirect interest of the Chairman of the Board of Directors, Adib Abdullah Hamad Al Zamil and the Director Sattam Abdulaziz Abdullah Al Zamil, in their capacity as shareholders in Zamil Air Conditioner and Home Appliances.	This transaction and interests were submitted to the Company's General Assembly held on 10 Shawwal 1445H (corresponding to 28 April 2024G) and they were approved.
4.	The Company (as supplier) and Zamil Plastic Industries Company (as customer).	Agreement to supply carton to the client	The agreement was concluded on 15 Jumada al-Akhirah 1445H (corresponding to 28 December 2023G) for a term of one year.	SAR 887,314	SAR 443,459	These transactions are considered to be with a related party due to the indirect interest of the Chairman of the Board of Directors, Adib Abdullah Hamad Al Zamil and the Director Sattam Abdulaziz Abdullah Al Zamil, in their capacity as shareholders in Zamil Plastic Industries Company.	This transaction and interests were submitted to the Company's General Assembly held on 10 Shawwal 1445H (corresponding to 28 April 2024G) and they were approved.
5.	The Company (as supplier) and Modern Plastic Company (as customer).	Agreement to supply carton to the client	The agreement was concluded on 15 Jumada al-Akhirah 1445H (corresponding to 28 December 2023G) for a term of one year.	SAR 1,392,592	SAR 775,537	These transactions are considered to be with a related party due to the indirect interest of the Chairman of the Board of Directors, Adib Abdullah Hamad Al Zamil and the Director Sattam Abdulaziz Abdullah Al Zamil, in their capacity as shareholders in Modern Plastic Company.	This transaction and interests were submitted to the Company's General Assembly held on 10 Shawwal 1445H (corresponding to 28 April 2024G) and they were approved.

#	Parties	Nature of Agreement/ Transaction	Effective Date of Agreement	Total Revenue from the Contract/Transaction		Interest	Approval
				Financial Year Ended 31 December 2023G	Six-Month Period Ended 30 June 2024G		
6.	The Company (as supplier) and Zamil Central Air Conditioner Company (as customer).	Transactions on a Purchase Order Basis to supply carton to the client	N/A	SAR 136,241	SAR 67,496	These transactions are considered to be with a related party due to the indirect interest of the Chairman of the Board of Directors, Adib Abdullah Hamad Al Zamil and the Director Sattam Abdulaziz Abdullah Al Zamil, in their capacity as shareholders in Zamil Central Air Conditioner Company.	This transaction and interests were submitted to the Company's General Assembly held on 10 Shawwal 1445H (corresponding to 28 April 2024G) and they were approved.
7.	The Company (as supplier) and Zamil Food Industries Limited (as customer).	Agreement to supply carton to the client	The agreement was concluded on 29 Jumada al-Ula 1445H (corresponding to 13 December 2023G) for a term of one year.	SAR 2,668,255	SAR 2,174,071	These transactions are considered to be with a related party due to the indirect interest of the Chairman of the Board of Directors, Adib Abdullah Hamad Al Zamil and the Director Sattam Abdulaziz Abdullah Al Zamil, in their capacity as shareholders in Zamil Food Industries Limited.	This transaction and interests were submitted to the Company's General Assembly held on 10 Shawwal 1445H (corresponding to 28 April 2024G) and they were approved.
8.	The Company (as customer) and Techno Val Information System (as service provider)	Agreement to obtain support services from the service provider	The agreement was concluded on 24 Ramadan 1444H (corresponding to 15 April 2023G) and was for a term of one year. The agreement was renewed on 6 Shawwal 1445H (corresponding to 15 April 2024G) for another term of one year.	SAR 1,774,149	SAR 48,500	These transactions are considered to be with a related party due to the indirect interest of Director Ibrahim Hayel Saeed Anam in his capacity as a shareholder in Techno Val Information System.	This transaction and interests were submitted to the Company's General Assembly held on 10 Shawwal 1445H (corresponding to 28 April 2024G) and they were approved.
9.	IPIC (as customer) and Techno Val Information System (as service provider)	Agreement to obtain support services from the service provider	The agreement was concluded on 24 Ramadan 1444H (corresponding to 15 April 2023G) and was for a term of one year. The agreement was renewed on 6 Shawwal 1445H (corresponding to 15 April 2024G) for another term of one year.	SAR 278,908	SAR 35,477	These transactions are considered to be with a related party due to the indirect interest of Director Ibrahim Hayel Saeed Anam in his capacity as a shareholder in Techno Val Information System.	This transaction and interests were submitted to the Company's General Assembly held on 10 Shawwal 1445H (corresponding to 28 April 2024G) and they were approved.

#	Parties	Transaction No.	Date of Transaction	Amount of Transaction	Nature of Interest
1.	UPIC (as seller) and the Company (as buyer)	72948	22 Muharram 1445H (corresponding to 9 August 2023G)	AED 28,860.69 (corresponding to approximately SAR 29,465.03)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
2.	UPIC (as seller) and the Company (as buyer)	74873	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 30,633.81 (corresponding to approximately SAR 31,275.28)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
3.	UPIC (as seller) and the Company (as buyer)	74874	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 30,802.42 (corresponding to approximately SAR 31,447.42)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
4.	UPIC (as seller) and the Company (as buyer)	74875	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 29,299.89 (corresponding to approximately SAR 29,913.42)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
5.	UPIC (as seller) and the Company (as buyer)	74876	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 29,026.58 (corresponding to approximately SAR 29,634.39)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
6.	UPIC (as seller) and the Company (as buyer)	74877	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 30,758.98 (corresponding to approximately SAR 31,403.07)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
7.	UPIC (as seller) and the Company (as buyer)	74878	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 31,121.59 (corresponding to approximately SAR 31,773.27)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
8.	UPIC (as seller) and the Company (as buyer)	74879	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 31,014.10 (corresponding to approximately SAR 31,663.53)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
9.	UPIC (as seller) and the Company (as buyer)	74880	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 30,635.72 (corresponding to approximately SAR 31,277.23)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
10.	UPIC (as seller) and the Company (as buyer)	74969	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 31,173.63 (corresponding to approximately SAR 31,826.40)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
11.	UPIC (as seller) and the Company (as buyer)	74970	9 Sha'ban 1445H (corresponding to 19 February 2024G)	AED 31,219.86 (corresponding to approximately SAR 31,873.60)	This is a Related Party transaction as the seller is a subsidiary of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.

#	Parties	Transaction No.	Date of Transaction	Amount of Transaction	Nature of Interest
12.	UPIC (as seller) and RAKP CO. (as buyer)	76469	5 Muharram 1446H (corresponding to 11 July 2024G)	AED 42,145.13 (corresponding to approximately SAR 43,028.49)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
13.	UPIC (as seller) and RAKP CO. (as buyer)	76480	5 Muharram 1446H (corresponding to 11 July 2024G)	AED 17,571.09 (corresponding to approximately SAR 17,939.38)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
14.	UPIC (as seller) and RAKP CO. (as buyer)	76480	5 Muharram 1446H (corresponding to 11 July 2024G)	AED 26,067.66 (corresponding to approximately SAR 26,614.03)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
15.	UPIC (as seller) and RAKP CO. (as buyer)	76553	11 Muharram 1446H (corresponding to 17 July 2024G)	AED 41,454.55 (corresponding to approximately SAR 42,323.43)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
16.	UPIC (as seller) and RAKP CO. (as buyer)	76584	13 Muharram 1446H (corresponding to 19 July 2024G)	AED 42,390.57 (corresponding to approximately SAR 42,279.07)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
17.	UPIC (as seller) and RAKP CO. (as buyer)	76644	18 Muharram 1446H (corresponding to 24 July 2024G)	AED 17,761.27 (corresponding to approximately SAR 18,133.54)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
18.	UPIC (as seller) and RAKP CO. (as buyer)	76644	18 Muharram 1446H (corresponding to 24 July 2024G)	AED 5,981.47 (corresponding to approximately SAR 6,106.84)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
19.	UPIC (as seller) and RAKP CO. (as buyer)	76645	18 Muharram 1446H (corresponding to 24 July 2024G)	AED 9,727.36 (corresponding to approximately SAR 9,931.24)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
20.	UPIC (as seller) and RAKP CO. (as buyer)	77199	7 Rabi' al-Awwal 1446H (corresponding to 10 September 2024G)	AED 25,408.84 (equivalent to approximately SAR 25,940.64)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
21.	UPIC (as seller) and RAKP CO. (as buyer)	77199	7 Rabi' al-Awwal 1446H (corresponding to 10 September 2024G)	AED 16,117.45 (equivalent to approximately SAR 16,454.78)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
22.	UPIC (as seller) and RAKP CO. (as buyer)	77220	8 Rabi Al-Awwal 1446H (corresponding to 11 September 2024G)	AED 42,665.10 (equivalent to approximately SAR 43,558.08)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.

#	Parties	Transaction No.	Date of Transaction	Amount of Transaction	Nature of Interest
23.	UPIC (as seller) and RAKP CO. (as buyer)	77230	9 Rabi' al-Awwal 1446H (corresponding to 12 September 2024G)	AED 42,739.51 (equivalent to approximately SAR 43,634.04)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
24.	UPIC (as seller) and RAKP CO. (as buyer)	77243	10 Rabi' al-Awwal 1446H (corresponding to 13 September 2024G)	AED 40,571.34 (equivalent to approximately SAR 41,420.49)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
25.	UPIC (as seller) and RAKP CO. (as buyer)	77245	10 Rabi' al-Awwal 1446H (corresponding to 13 September 2024G)	AED 18,670.65 (equivalent to approximately SAR 19,061.42)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
26.	UPIC (as seller) and RAKP CO. (as buyer)	77245	10 Rabi' al-Awwal 1446H (corresponding to 13 September 2024G)	AED 21,963.46 (equivalent to approximately SAR 22,423.15)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
27.	UPIC (as seller) and RAKP CO. (as buyer)	77250	10 Rabi' al-Awwal 1446H (corresponding to 13 September 2024G)	AED 29,738.72 (equivalent to approximately SAR 30,361.15)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
28.	UPIC (as seller) and RAKP CO. (as buyer)	77250	10 Rabi' al-Awwal 1446H (corresponding to 13 September 2024G)	AED 11,703.59 (equivalent to approximately SAR 11,948.54)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
29.	UPIC (as seller) and RAKP CO. (as buyer)	77255	11 Rabi' al-Awwal 1446H (corresponding to 14 September 2024G)	AED 41,053.31 (equivalent to approximately SAR 41,912.55)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
30.	UPIC (as seller) and RAKP CO. (as buyer)	77265	13 Rabi' al-Awwal 1446H (corresponding to 16 September 2024G)	AED 39,964.52 (equivalent to approximately SAR 40,800.97)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
31.	UPIC (as seller) and RAKP CO. (as buyer)	77282	14 Rabi' al-Awwal 1446H (corresponding to 17 September 2024G)	AED 23,983.45 (equivalent to approximately SAR 24,485.42)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
32.	UPIC (as seller) and RAKP CO. (as buyer)	77282	14 Rabi' al-Awwal 1446H (corresponding to 17 September 2024G)	AED 12,925.71 (equivalent to approximately SAR 13,196.24)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
33.	UPIC (as seller) and RAKP CO. (as buyer)	77291	15 Rabi' al-Awwal 1446H (corresponding to 18 September 2024G)	AED 9,864.62 (equivalent to approximately SAR 10,071.08)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.

#	Parties	Transaction No.	Date of Transaction	Amount of Transaction	Nature of Interest
34.	UPIC (as seller) and RAKP CO. (as buyer)	77292	15 Rabi' al-Awwal 1446H (corresponding to 18 September 2024G)	AED 31,649.25 (equivalent to approximately SAR 32,311.66)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
35.	UPIC (as seller) and RAKP CO. (as buyer)	77325	18 Rabi' al-Awwal 1446H (corresponding to 21 September 2024G)	AED 40,201.56 (equivalent to approximately SAR 41,042.97)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
36.	RAKP CO. (as seller) and UPIC (as buyer)	13036	6 Muharram 1446H (corresponding to 12 July 2024G)	AED 5,342 (equivalent to approximately SAR 5,453.8)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
37.	RAKP CO. (as seller) and UPIC (as buyer)	13037	6 Muharram 1446H (corresponding to 12 July 2024G)	AED 6,199 (equivalent to approximately SAR 6,328.7)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
38.	RAKP CO. (as seller) and UPIC (as buyer)	13068	14 Muharram 1446H (corresponding to 20 July 2024G)	AED 5,866 (equivalent to approximately SAR 5,988.77)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
39.	RAKP CO. (as seller) and UPIC (as buyer)	13069	14 Muharram 1446H (corresponding to 20 July 2024G)	AED 6,333 (equivalent to approximately SAR 6,465.54)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
40.	RAKP CO. (as seller) and UPIC (as buyer)	13070	14 Muharram 1446H (corresponding to 20 July 2024G)	AED 5,637 (equivalent to approximately SAR 5,754.98)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
41.	RAKP CO. (as seller) and UPIC (as buyer)	13071	14 Muharram 1446H (corresponding to 20 July 2024G)	AED 6,105 (equivalent to approximately SAR 6,232.77)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
42.	RAKP CO. (as seller) and UPIC (as buyer)	13072	14 Muharram 1446H (corresponding to 20 July 2024G)	AED 5,515 (equivalent to approximately SAR 5,630.42)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
43.	RAKP CO. (as seller) and UPIC (as buyer)	13108	23 Muharram 1446H (corresponding to 29 July 2024G)	AED 6,183 (equivalent to approximately SAR 6,312.41)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
44.	RAKP CO. (as seller) and UPIC (as buyer)	13181	15 Safar 1446H (corresponding to 19 August 2024G)	AED 6,197 (equivalent to approximately SAR 6,326.70)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.

#	Parties	Transaction No.	Date of Transaction	Amount of Transaction	Nature of Interest
45.	RAKP CO. (as seller) and UPIC (as buyer)	13182	15 Safar 1446H (corresponding to 19 August 2024G)	AED 6,230 (equivalent to approximately SAR 6,360.39)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
46.	RAKP CO. (as seller) and UPIC (as buyer)	13183	15 Safar 1446H (corresponding to 19 August 2024G)	AED 6,290 (equivalent to approximately SAR 6,421.64)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
47.	RAKP CO. (as seller) and UPIC (as buyer)	13184	15 Safar 1446H (corresponding to 19 August 2024G)	AED 5,449 (equivalent to approximately SAR 5,563.04)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
48.	RAKP CO. (as seller) and UPIC (as buyer)	13185	15 Safar 1446H (corresponding to 19 August 2024G)	AED 6,339 (equivalent to approximately SAR 6,471.67)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
49.	RAKP CO. (as seller) and UPIC (as buyer)	13186	15 Safar 1446H (corresponding to 19 August 2024G)	AED 5,302 (equivalent to approximately SAR 5,412.97)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
50.	RAKP CO. (as seller) and UPIC (as buyer)	13187	15 Safar 1446H (corresponding to 19 August 2024G)	AED 6,153 (equivalent to approximately SAR 6,281.78)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
51.	RAKP CO. (as seller) and UPIC (as buyer)	13188	15 Safar 1446H (corresponding to 19 August 2024G)	AED 6,093 (equivalent to approximately SAR 6,220.52)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
52.	RAKP CO. (as seller) and UPIC (as buyer)	13246	27 Safar 1446H (corresponding to 31 August 2024G)	AED 6,328 (equivalent to approximately SAR 6,460.44)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
53.	RAKP CO. (as seller) and UPIC (as buyer)	13247	27 Safar 1446H (corresponding to 31 August 2024G)	AED 6,323 (equivalent to approximately SAR 6,455.34)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
54.	RAKP CO. (as seller) and UPIC (as buyer)	13248	27 Safar 1446H (corresponding to 31 August 2024G)	AED 6,754 (equivalent to approximately SAR 6,895.36)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
55.	RAKP CO. (as seller) and UPIC (as buyer)	13261	27 Safar 1446H (corresponding to 31 August 2024G)	AED 5,853 (equivalent to approximately SAR 5,975.5)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.

#	Parties	Transaction No.	Date of Transaction	Amount of Transaction	Nature of Interest
56.	RAKP CO. (as seller) and UPIC (as buyer)	13293	8 Rabi' al-Awwal 1446H (corresponding to 11 September 2024G)	AED 6,877 (equivalent to approximately SAR 7,020.93)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
57.	RAKP CO. (as seller) and UPIC (as buyer)	13296	8 Rabi' al-Awwal 1446H (corresponding to 11 September 2024G)	AED 7,092 (equivalent to approximately SAR 7,240.43)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
58.	RAKP CO. (as seller) and UPIC (as buyer)	13297	8 Rabi' al-Awwal 1446H (corresponding to 11 September 2024G)	AED 7,152 (equivalent to approximately SAR 7,301.69)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
59.	RAKP CO. (as seller) and UPIC (as buyer)	13298	8 Rabi' al-Awwal 1446H (corresponding to 11 September 2024G)	AED 4,812 (equivalent to approximately SAR 4,912.71)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
60.	RAKP CO. (as seller) and UPIC (as buyer)	13350	22 Rabi' al-Awwal 1446H (corresponding to 25 September 2024G)	AED 5,817 (equivalent to approximately SAR 5,938.74)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
61.	RAKP CO. (as seller) and UPIC (as buyer)	13351	22 Rabi' al-Awwal 1446H (corresponding to 25 September 2024G)	AED 5,500 (equivalent to approximately SAR 5,615.11)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
62.	RAKP CO. (as seller) and UPIC (as buyer)	13352	22 Rabi' al-Awwal 1446H (corresponding to 25 September 2024G)	AED 6,937 (equivalent to approximately SAR 7,082.19)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
63.	RAKP CO. (as seller) and UPIC (as buyer)	13353	22 Rabi' al-Awwal 1446H (corresponding to 25 September 2024G)	AED 6,673 (equivalent to approximately SAR 6,812.66)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
64.	RAKP CO. (as seller) and UPIC (as buyer)	13369	23 Rabi' al-Awwal 1446H (corresponding to 26 September 2024G)	AED 7,541 (equivalent to approximately SAR 7,698.83)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.
65.	RAKP CO. (as seller) and UPIC (as buyer)	13373	24 Rabi' al-Awwal 1446H (corresponding to 27 September 2024G)	AED 6,566 (equivalent to approximately SAR 6,703.42)	This is a Related Party transaction as the seller and buyer are subsidiaries of the Company, in accordance with the Corporate Governance Regulations. However, this agreement does not require the approval of the Company's General Assembly as it does not involve any direct or indirect interest of any of the Directors.

Source: The Company.

11.11 Conflicts of Interest

As of the date of this Prospectus and except as disclosed in Section 11.10 (*Related Party Contracts and Transactions*), the Directors confirm that they do not have any conflicts of interest in relation to contracts and/or transactions entered into with the Company, and none of them has been engaged in any activities similar to, or competing with, the Company's activities.

11.12 Intellectual Property

11.12.1 Trademarks

The Company and its Subsidiaries have registered a number of trademarks on which they rely as a brand for their businesses. The Company and its Subsidiaries rely on these trademarks to ensure the success of their businesses and to support their competitive position in the market. Therefore, if the Company and its Subsidiaries fail to protect their trademarks or any of their businesses are forced to take legal action necessary to protect the same, this may have an adverse effect on their ability to use these trademarks, which would affect their businesses and results of operations (for further details on risks related to the trademarks, see Section 2.1.43 (*Risks Related to Protection of Intellectual Property Rights*)).

The following table sets out certain key particulars of the Company and its Subsidiaries' trademarks:

Table 11.17: Details of Registered Trademarks

#	Trademark Owner	Country of Registration	Registration Number	Validity/Expiration Date	Category	Logo
1.	The Company	The Kingdom	1437010953	Registered on 24 Sha'ban 1437H (corresponding to 31 May 2016G) and valid until 13 Jumada al-Ula 1447H (corresponding to 4 November 2025G).	16	UCIC
2.		The Kingdom	143407488	Registered on 13 Shawwal 1434H (corresponding to 20 August 2013G) and valid until 3 Jumada al-Akhirah 1454H (corresponding to 8 September 2032G).	16	وطن باك WATAN PAC
3.		The Kingdom	141202864	Registered on 26 Safar 1413H (corresponding to 25 August 1992G) and valid until 3 Rajab 1452H (corresponding to 30 October 2030G).	16	
4.	IPIC	The Kingdom	1444026323	Registered on 10 Shawwal 1444H (corresponding to 30 April 2023G) and valid until 17 Rajab 1454H (corresponding to 22 October 2032G).	16	
5.	UPIC	UAE	418566	Registered on 19 Thul-Hijjah 1445H (corresponding to 25 June 2024G) and valid until 16 Rabi' al-Thani 1456H (corresponding to 3 July 2034G).	16	UPiC

Source: The Company.

11.12.2 The Company's Other Intellectual Properties

The Company and its Subsidiaries own a number of internet domains registered under their name. The following table sets out the details of the internet domains registered under the Company and its Subsidiaries' names:

Table 11.18: Details of Internet Domain Names

#	Company	Internet Domain Name	Expiration Date
1.	The Company	www.ucic.com.sa	30 Jumada al-Akhirah 1446H (corresponding to 31 December 2024G).
2.	IPIC	www.ipic.com.sa	3 Jumada al-Ula 1447H (corresponding to 25 October 2025G).
3.	UPIC	www.upic.ae	16 Jumada al-Akhirah 1446H (corresponding to 17 December 2024G).
4.	RAKP CO	https://rakpack.ae	-

Source: The Company.

11.13 Litigation

As of the date of this Prospectus, the Company and its Subsidiaries have confirmed that they are not party to any pending or potential lawsuits, claims, or investigations that could individually or collectively have a material adverse effect on the Group. A lawsuit or claim is considered material if it has a value equivalent to 5 per cent. of the Group's revenue for the six-month period ended 30 June 2024G or if the Group deems it material by nature.

The Company and its Subsidiaries are parties to a number of lawsuits that have been filed in the ordinary course of their business. The following table summarises the non-material lawsuits and claims filed by or against the Company and its Subsidiaries as of the date of this Prospectus:

Table 11.19: Summary of Lawsuits of the Company and Its Subsidiaries

The Company
The Company has filed four non-material lawsuits and claims with a total value of SAR 2.4 million. Of these, two are enforcement requests before the Execution Court and two cases are ongoing before the Commercial Court. All of these requests and lawsuits relate to financial claims against former customers. No non-material lawsuits or claims have been filed against the Company as of the date of this Prospectus.
IPIC
No material or non-material lawsuits and claims have been filed against or by IPIC as of the date of this Prospectus.
UPIC
On 10 Ramadan 1445H (corresponding to 20 March 2024G), a bundle of waste collapsed unexpectedly on a member of the housekeeping team, resulting in his death. The Emirati authorities conducted the necessary investigations, and as a result, a sentence of one year imprisonment was issued for both the safety supervisor and the warehouse supervisor, with a three-year suspended sentence. Additionally, UPIC was fined AED 10,000 (equivalent to approximately SAR 10,210), and the fine was fully settled. In addition, a financial payment (blood money) of AED 200,000 (equivalent to approximately SAR 204,192) was imposed, to be paid jointly by UPIC, the safety supervisor, and the warehouse supervisor, and the blood money was fully settled. UPIC has appealed the judgement. Accordingly, the next hearing has been scheduled for 21 Rabi' al-Awwal 1446H (corresponding to 24 September 2024G) before the Court of Appeal. The blood money was settled by Sukoon Insurance Company (formerly Oman Insurance Company), with the insurance coverage amounting to AED 55,200 (equivalent to approximately SAR 56,357). UPIC also received insurance coverage of AED 31,699 (equivalent to approximately SAR 32,364.3) under workers' compensation insurance from Gulf Insurance Group. Accordingly, the warehouse supervisor, the safety supervisor, and UPIC will each be responsible for the remaining amount of the blood money, which is AED 113,101 (equivalent to approximately SAR 115,474.9), and the amount was settled. Additionally, the Ports, Customs and Free Zone Corporation of Dubai imposed a financial penalty of AED 200,000 (equivalent to approximately SAR 204,192), which is to be paid in four instalments of approximately AED 50,000 each (equivalent to approximately SAR 51,048). The fine has been fully settled. Except for the aforementioned, no material or non-material lawsuits or claims have been filed by UPIC as of the date of this Prospectus.
RAKP CO.
As of the date of this Prospectus, two non-material lawsuits have been filed by RAKP CO., with a total value of AED 602,446 (equivalent to approximately SAR 609,073). No material or non-material lawsuits and claims have been filed against RAKP CO. that arose during the ordinary course of business.

Source: The Company.

11.14 Summary of Bylaws

11.14.1 Establishment of the Company

The Company was transformed to a Saudi joint stock company in accordance with the provisions of the Companies Law issued by Royal Decree No M/132 dated 1 Thul-Hijjah 1443H and its executive regulations.

11.14.2 Name of the Company

The name of the Company is "United Carton Industries Company", a Saudi closed joint stock company.

11.14.3 Head Office of the Company

The head office of the Company shall be located in the city of Jeddah, Kingdom of Saudi Arabia. The Company may establish branches inside and outside the Kingdom by a resolution from the Board of Directors.

11.14.4 Objects of the Company

- manufacturing pulp, paper, and cardboard;
- manufacturing corrugated paper, cardboard, and paper-based containers;
- manufacturing various types of paper and cardboard products;

- manufacturing paints, varnishes, similar coatings, printing inks, and mastic pastes;
- repairing machines;
- collection of non-hazardous waste;
- wholesale of other household goods;
- wholesale of other machinery and equipment;
- wholesale of solid, liquid, gaseous fuels and related products;
- wholesale of waste, scrap, and other uncategorised products;
- retail sale of textiles in specialised stores;
- retail sale of metal tools, paint, and glass in specialised stores;
- retail sale of carpets, rugs, floor and wall coverings in specialised stores;
- retail sale of books, newspapers, and office supplies in specialised stores;
- retail sale of new goods in specialised stores;
- retail sale of used goods; and
- storage.

11.14.5 Duration of the Company

The term of the Company is unspecified.

11.14.6 Company's Share Capital

The share capital of the Company was set to four hundred million Saudi Arabian Riyals (SAR 400,000,000), divided into forty million (40,000,000) shares of equal value with a nominal value of ten Saudi Arabian Riyals (SAR 10) each, and all are ordinary shares for cash contributions, of which four hundred million Saudi Arabian Riyals (SAR 400,000,000) were paid in cash.

11.14.7 Share Subscription

The Shareholders have subscribed to the entire share capital, amounting to four hundred million Saudi Arabian Riyals (SAR 400,000,000), which has been fully paid.

11.14.8 Shareholders' Register

The Company shall prepare a Shareholders' register which shall contain the Shareholders' names, nationalities, domiciles, occupations and numbers of the Shares and the paid-up value of such Shares and said register shall be kept in the Kingdom. The Company shall provide the commercial register with the information referred to in paragraph 1 of this article and any amendment thereto within fifteen (15) days from the date of the Company's registration in the commercial register or from the date of the amendment, as the case may be.

11.14.9 Trading of Shares

The Company's Shares shall be traded upon recording such in the Shareholders' register, and the transfer of ownership of the share shall not be valid vis-à-vis the Company or third parties until the date on which the transfer of the share is recorded in the Shareholders' register.

11.14.10 Sale of Unpaid Value of Shares

The Shareholder undertakes to pay the value of his/her shares on the dates specified for that purpose. Failure to do so will give the Board of Directors the right, after informing the Shareholder by registered mail or any means of modern technology, of selling the Shares at a public auction or the stock exchange, as the case may be. And the Company shall collect the amounts payable thereto, from its sale proceeds, and shall repay the balance to the owner of the Shares. If the sale proceeds are not sufficient to satisfy such amounts, then the Company may recover the balance from all Shareholder assets. However, the defaulting Shareholder may, prior to the day of sale, pay the outstanding amount, including the expenses incurred by the Company in this regard. In such case, the Shareholder shall have the right to request the receipt of profits to be distributed. And the Company shall cancel Shares sold pursuant to the provisions of this article and give the buyer a new share certificate bearing the same serial numbers as those of the cancelled Shares, with an annotation made in the share register indicating the sale as well as the new owner's name.

11.14.11 Increase of Share Capital

The Board of Directors may adopt a resolution to increase the Company's issued capital, provided that the original issued capital must have been paid in full. The Extraordinary General Assembly may decide to increase the capital of the Company, provided that the capital has been paid up in full. This provision is not required when the unpaid portion of capital relates to shares issued in exchange for the conversion of financing or debt instruments into shares, and the prescribed period for such conversion has not expired.

11.14.12 Decrease of Share Capital

The Extraordinary General Assembly may resolve to decrease the Company's capital if it exceeds the Company's needs or if the Company suffers losses. The capital may, in the latter case alone, be decreased to less than the limit stipulated in article 59 of the Companies Law. Such resolution shall be issued only after a statement is read at the General Assembly, prepared by the Board of Directors, detailing reasons for the reduction, the obligations to be fulfilled by the Company, and the impact of the reduction on such obligations. This statement shall be accompanied by a report from the Company's auditor. If the reason for the capital reduction is that the capital is in excess of the Company's needs, the Company's creditors must be invited to express their objection to such a reduction within forty-five (45) days from the date scheduled for the Extraordinary General Assembly meeting convened to decide on the capital reduction. This notice must include a statement detailing the amount capital before and after the reduction, the date of the meeting, and the effective date of reduction. Should any creditor object and present to the Company evidentiary documents within the period set above; then the Company shall pay such debt, if already due, or present an adequate guarantee of payment if the debt is payable at a future date. In the event of a capital reduction, Shareholders that own shares of the same type and class shall be treated on an equal footing.

11.14.13 Participation

The Company, by itself, may establish limited liability or closed joint stock companies, provided that their capital meets the minimum amount stipulated by the Companies Law. The Company may also own shares or stock in other existing companies, or merge therewith; as well as participate with third parties in the establishment of joint stock or limited liability companies after fulfilling the requirements set forth by the applicable laws and regulations in the Kingdom (the "Applicable Law"). The Company may also dispose of said stock or shares provided that no brokerage activities are warranted upon the disposal of such stock or shares.

11.14.14 Board of Directors

The Company shall be managed by a Board of Directors composed of nine (9) members, who shall be natural persons, to be appointed by the Ordinary General Assembly for a term not exceeding four (4) years. The procedures for the Board of Directors are determined as follows:

1) The correct quorum for a valid meeting shall be the attendance of 50% of the members of the Board of Directors.
2) The correct legal quorum for valid decision-making shall be the approval of 51% of the members.
3) Board members may attend meetings by proxy.

11.14.15 Membership Termination

Board membership shall expire upon the expiration of the Board's term, or the expiration of the Board member's term, in accordance with any law or directives applicable in the Kingdom. The Ordinary General Assembly may, at the recommendation of the Board, terminate the membership of Board members that fail to attend three (3) consecutive meetings, or a total of five (5) meetings during their term, without a valid excuse which is satisfactory to the Board.

11.14.16 Termination of Board Term, Resignation of Board Members, or Membership Vacancy

Before the expiry of its term, the Board of Directors shall call the Ordinary General Assembly to convene in order to appoint a Board of Directors for a new term. If such appointment does not occur and the term of the then-current Board expires, the then-current Board members shall continue to perform their duties until the appointment of a Board for a new term, provided that the then current Board does not remain in office for a period exceeding that which is prescribed in the Implementing Regulations of the Companies Law. If the Chairman and Board members resign, the Ordinary General Assembly shall convene to appoint a new Board of Directors, and such resignation shall not take effect until the appointment of the new Board, provided that the then current Board does not remain in office for a period exceeding that which is prescribed in the Implementing Regulations of the Companies Law. A Board member may resign from the Board by giving written notice to the Chairman of the Board, but if the resigning member is the Chairman, then the notice shall be given to the other Board members and the Board's Secretary.

In both cases, the resignation shall be effective from the date set out in the notice. If the position of a Board member becomes vacant due to his death or resignation, and if the minimum number of members required for the validity of board meetings is not affected by such vacancy, the Board may appoint a qualified person with relevant expertise to temporarily fill the vacancy. Such appointment shall be reported to the Commercial Register within fifteen (15) days from the date of such appointment, and it shall be submitted to the Ordinary General Assembly in its first meeting. The appointed member shall complete the term of his predecessor. If the conditions for holding a valid meeting of the Board are not met, due to the number of Board members falling below the minimum number of Board members provided in the Companies Law or these Bylaws, the remaining Board members shall call for convening the Ordinary General Assembly within sixty (60) days to elect the required number of Board members.

11.14.17 Powers of the Board

Without prejudice to the powers conferred on the General Assembly, the Board of Directors shall be vested with the widest powers to manage the Company, to accomplish its purposes both within the Kingdom and abroad. The Board of Directors, collectively, shall have the following powers:

- issuance, renewal and cancellation of main and branch commercial registrations, buying and selling the establishment, signing all documents at the commercial chamber, following up with the Department of Commercial Registration, extracting, managing, cancelling, and modifying records, supervising records, transferring commercial registration, opening and renewing subscriptions at the Chamber of Commerce, approving and cancelling signature at the Chamber of Commerce, entering tenders and receiving forms, transferring branch of establishment, following up with GOSI, following up with ZATCA, following up with the Civil Defence, opening branches for records, managing, cancelling, amending and transferring the commercial registration, adding activity, reserving commercial name, waiving commercial name, issuing replacement for damaged or lost records, registering, assigning or cancelling a trademark, extracting, renewing, amending and cancelling licences, buying and selling boats, extracting, renewing and cancelling fishing permits, renewing, importing, cancelling and transferring boat licences, extracting a replacement for damaged or lost fishing permits and boat licences, reserving names, opening branches, opening a branch for licencing, transferring the licence, establishing a company, signing articles of association and amending and cancelling annexes, signing shareholders resolutions, appointing and dismissing managers, amending the company's objectives, liquidating the company, opening branches of the company, opening files, extracting and renewing licences for the company, converting the company from a joint stock company to a limited liability company, from a limited liability company to a joint stock company, and from a general partnership to a limited liability company, renewing, increasing and decreasing capital, determining capital, shareholders entry and exit, entering into existing companies, transferring shares, stocks and bonds, receiving surplus allocation, purchasing shares and stocks and paying the price, selling shares and stocks and receiving the value, relinquishing shares and stocks from the capital and accepting the relinquishment, selling a company branch, amending the nationality of one of the partners in the contract, purchasing shares and stocks and paying the price, opening and closing accounts with banks in the name of the company, signing agreements, registering the company, agencies and trademarks, attending general assemblies, signing articles of association and amendment appendices before a notary public, following up with the General Investment Authority and signing before it, following up with the Quality and Standards Department and the Specifications and Metrology Authority, following up with the CMA, converting the establishment into a company and the company into an establishment and the company's branch into an establishment and the company's branch into a company, publishing the articles of association and bylaws and amendment appendices and their summaries in the Official Gazette, reviewing telecommunications companies and establishing fixed or mobile phones in the name of the company, signing company contracts with others, amending the company name, extracting, cancelling and recovering visa amounts, receiving visa compensation, extracting and renewing residencies, extracting residencies instead of lost or damaged ones, updating workers' data and transferring information, opening, renewing and cancelling primary and secondary files, liquidating, cancelling and dropping workers, reporting worker escape, cancelling worker escape reports, settling and waiving workers, completing procedures for deceased workers, transferring sponsorships to others and to oneself, amending professions, adding the newborn, adding dependents, adding children to the father's and mother's passport and separating them from them, extracting replay viewing, transferring ownership of establishments, liquidating and cancelling them, reviewing the Department of Private Recruitment Offices, reviewing the Computer Department in the Manpower, extracting and renewing work permits, receiving Saudisation certificates, extracting a statement of workers' data and information (print), adding and deleting Saudis, activating the Saudi portal, recruiting workers from abroad, and completing labour procedures at Social insurance, amending nationalities, obtaining family visit visas and bringing families, obtaining Hajj permits, reviewing service affairs, reviewing the embassy, registering for the electronic service, extending and cancelling exit, return and visit visas, making the final exit, reviewing the Deportation and Expatriates Department, and amending the point of arrival. In relation to companies that the company enters as a partner: signing companies' contracts, buying and selling equities, liquidating the company, representing the company before the subsidiary, changing the legal entity, accepting the transfer of shares, increasing or decreasing the capital, the entry and exit of shareholders, amending the remaining provisions of the articles of association, and signing the shareholders resolution to merge. In relation to incorporating companies by the company's name: registering it at the ministry, representing before the notary, signing on the company's article of association, signing on the Shareholders' decisions and issuance, renewal and cancellation of commercial registrations. In relation to banks: opening and activating accounts and credits, depositing and withdrawing, issuing, receiving and objecting to checks, extracting and updating account statements, requesting facilities and guarantees, signing loan contracts, commercial papers and promissory notes, submitting any request, service or delegation powers from the requests and services falling under the jurisdiction of the Communications and Information Technology Commission, reviewing the Ministry of Agriculture and the Directorate of Agriculture, reviewing the notary public or the court to accept its discharge, waiving and transferring the agricultural decision, receiving and transferring salaries, receiving retirement salaries and end-of-service gratuity, compensation for vacations, extracting salary definition, receiving my dues, opening accounts with Shari'ah controls, closing and settling them, withdrawing from accounts, extracting ATM cards and credit cards that comply with Shari'ah provisions, receiving and disbursing remittances and transferring from accounts, cashing checks, extracting check books and account statements, issuing certified checks, requesting bank loans that comply with Shari'ah provisions and controls, opening, subscribing and renewing subscription to trust and investment funds and redeeming fund units Trusts and investments, management and liquidation of investment portfolios, obtaining proof of debt, requesting exemption from loans, rescheduling instalments, requesting points of sale, bank guarantee and bank credit, subscriptions in joint stock companies, receiving certificates of contributions, buying and selling shares that comply with Shari'ah provisions and receiving their profits and the value of shares, opening investment portfolios, and editing, amending and cancelling orders. In relation to managing properties: buying, selling and disposing of property including real estate and land, buying and selling stocks, mortgaging property, opening shops, obtaining health cards, converting agricultural land to residential, reviewing the General Administration of Urban Planning, obtaining, renewing, cancelling and transferring licences, obtaining building and restoration permits, planning owned and unowned lands, obtaining building completion certificates, fencing licences and demolition licences, supervising construction, signing a lease contract, signing contracts with construction companies and contractors, waiving the contract, and reviewing the Secretariat. In relation to the judiciary: appointing lawyers and arbitrators and representing before the notary public, and representing before Shari'ah courts, including hearing and responding to lawsuits, reconciliation, rejecting and accepting arbitration and reconciliation, acknowledgment and denial, pleading and advocacy, claiming, litigating and waiving, and using and implementing all electronic services of the Ministry of Justice, including signing the loan contract agreement and its amendments and appendices and all related documents, signing the follow-up and consultation agreement, industrial mortgage by mortgaging all the company's properties, documentary credit, legal guarantee, transferring obligations, amending the loan contract, arranging debts for the company and partners, issuing, amending and cancelling the waiver announcement, selling and discharging to the buyer, receiving deeds, updating them and entering them into the system, signing and renewing rental contracts and receiving the rent, division, sorting and donation, buying and selling a share, building and renting land, extracting a lost deed, changing the legal entity of the company, converting the company from a limited partnership to a limited liability company, dividing shares among the heirs and transferring them to their portfolios;

- the Board of Directors may also, within its powers, delegate one or more of its Directors or others to carry out certain acts; and
- the Board of Directors must obtain the approval of the General Assembly for the sale of Company assets the value of which exceeds fifty per cent. (50%) of the value of its total assets, whether the sale is made through one transaction, or more. In such case, the transaction which leads to the sale of more than fifty per cent. (50%) of the value of assets shall require the General Assembly's approval. Said percentage shall be calculated from the date the first transaction is concluded within the previous twelve (12) months.

11.14.18 Remuneration of the Directors

The remuneration of the Board of Directors shall be as set by the General Assembly. The report submitted by the Board of Directors to the General Assembly at its annual meeting shall include a detailed account of all the amounts the Board members received or were entitled to receive during the fiscal year in the form of remuneration, expense allowances, and other benefits. The report shall also include an account of the amounts received by the Board members in their capacity as employees or executives, or in exchange for technical, administrative, or consulting services. The report shall also include an account of the number of Board meetings and the number of meetings attended by each member from the date of the last General Assembly meeting.

11.14.19 Authorities of the Chairman, Deputy Chairman, Managing Director and Secretary

The Board of Directors shall appoint from among its members a Chairman of the Board and may appoint from among its members a Managing Director or Deputy Chairman of the Board of Directors. The Board of Directors shall appoint a Chief Executive Officer from among its members or from others.

- the Chairman of the Board shall have the following powers: issuance, renewal and cancellation of main and branch commercial registrations, buying and selling the establishment, signing all documents at the commercial chamber, following up with the Department of Commercial Registration, extracting, managing, cancelling, and modifying records, supervising records, transferring commercial registration, opening and renewing subscriptions at the Chamber of Commerce, approving and cancelling signature at the Chamber of Commerce, entering tenders and receiving forms, transferring branch of establishment, following up with GOSI, following up with ZATCA, following up with the Civil Defence, opening branches for records, managing, cancelling, amending and transferring the commercial registration, adding activity, reserving commercial name, waiving commercial name, issuing replacement for damaged or lost records, registering, assigning or cancelling a trademark, extracting, renewing, amending and cancelling licences, buying and selling boats, extracting, renewing and cancelling fishing permits, renewing, importing, cancelling and transferring boat licences, extracting a replacement for damaged or lost fishing permits and boat licences, reserving names, opening branches, opening a branch for licencing, transferring the licence, establishing a company, signing articles of association and amending and cancelling annexes, signing shareholders resolutions, appointing and dismissing managers, amending the company's objectives, liquidating the company, opening branches of the company, opening files, extracting and renewing licences for the company, converting the company from a joint stock company to a limited liability company, from a limited liability company to a joint stock company, and from a general partnership to a limited liability company, renewing, increasing and decreasing capital, determining capital, shareholders entry and exit, entering into existing companies, transferring shares, stocks and bonds, receiving surplus allocation, purchasing shares and stocks and paying the price, selling shares and stocks and receiving the value, relinquishing shares and stocks from the capital and accepting the relinquishment, selling a company branch, amending the nationality of one of the partners in the contract, purchasing shares and stocks and paying the price, opening and closing accounts with banks in the name of the company, signing agreements, registering the company, agencies and trademarks, attending general assemblies, signing articles of association and amendment appendices before a notary public, following up with the General Investment Authority and signing before it, following up with the Quality and Standards Department and the Specifications and Metrology Authority, following up with the CMA, converting the establishment into a company and the company into an establishment and the company's branch into an establishment and the company's branch into a company, publishing the articles of association and bylaws and amendment appendices and their summaries in the Official Gazette, reviewing telecommunications companies and establishing fixed or mobile phones in the name of the company, signing company contracts with others, amending the company name, extracting, cancelling and recovering visa amounts, receiving visa compensation, extracting and renewing residencies, extracting residencies instead of lost or damaged ones, updating workers' data and transferring information, opening, renewing and cancelling primary and secondary files, liquidating, cancelling and dropping workers, reporting worker escape, cancelling worker escape reports, settling and waiving workers, completing procedures for deceased workers, transferring sponsorships to others and to oneself, amending professions, adding the newborn, adding dependents, adding children to the father's and mother's passport and separating them from them, extracting replay viewing, transferring ownership of establishments, liquidating and cancelling them, reviewing the Department of Private Recruitment Offices, reviewing the Computer Department in the Manpower, extracting and renewing work permits, receiving Saudisation certificates, extracting a statement of workers' data and information (print), adding and deleting Saudis, activating the Saudi portal, recruiting workers from abroad, and completing labour procedures at Social insurance, amending nationalities, obtaining family visit visas and bringing families, obtaining Hajj permits, reviewing service affairs, reviewing the embassy, registering for the electronic service, extending and cancelling exit, return and visit visas, making the final exit, reviewing the Deportation and Expatriates Department, and amending the point of arrival. In relation to companies that the company enters as a partner: signing companies' contracts, buying and selling equities, liquidating the company, representing the company before the subsidiary, changing the legal entity, accepting the transfer of shares, increasing or decreasing the capital, the entry and exit of shareholders, amending the remaining provisions of the articles of association, and signing the shareholders resolution to merge. In relation to incorporating companies by the company's name: registering it at the ministry, representing before the notary, signing on the company's article of association, signing on the Shareholders' decisions and issuance, renewal and cancellation of commercial registrations. In relation to banks: opening and activating accounts and credits, depositing and withdrawing, issuing, receiving and objecting to checks, extracting and updating account statements, requesting facilities and guarantees, signing loan contracts, commercial papers and promissory notes, submitting any request, service or delegation powers from the requests and services falling under the jurisdiction of the Communications and Information Technology Commission, reviewing the Ministry of Agriculture and the Directorate of Agriculture, reviewing the notary public or the court to accept its discharge, waiving and transferring the agricultural decision, receiving and transferring salaries, receiving retirement salaries and end-of-service gratuity, compensation for vacations, extracting salary definition, receiving my dues, opening accounts with Shari'ah controls, closing and settling them, withdrawing from accounts, extracting ATM cards and credit cards that comply with Shari'ah provisions, receiving and disbursing remittances and transferring from accounts, cashing checks, extracting check books and account statements, issuing certified checks, requesting bank loans that comply with Shari'ah provisions and controls, opening, subscribing and renewing subscription to trust and investment funds and redeeming fund units Trusts and investments, management and liquidation of investment portfolios, obtaining proof of debt, requesting exemption from loans, rescheduling instalments, requesting points of sale, bank guarantee and bank credit, subscriptions in joint stock companies, receiving certificates of contributions, buying and selling shares that comply with Shari'ah provisions and receiving their profits and the value of shares, opening investment portfolios, and editing, amending and cancelling orders. In relation to managing properties: buying, selling and disposing of property including real estate and land, buying and selling stocks, mortgaging property, opening shops, obtaining health cards, converting agricultural land to residential, reviewing the General Administration of Urban Planning, obtaining, renewing, cancelling and transferring licences, obtaining building and restoration permits, planning owned and unowned lands, obtaining building completion certificates, fencing licences and demolition licences, supervising construction, signing a lease contract, signing contracts with construction companies and contractors, waiving the contract, and reviewing the Secretariat. In relation to the judiciary: appointing lawyers and arbitrators and representing before the notary public, and representing before Shari'ah courts, including hearing and responding to lawsuits, reconciliation, rejecting and accepting arbitration and reconciliation, acknowledgment and denial, pleading and advocacy, claiming, litigating and waiving, and using and implementing all electronic services of the Ministry of Justice, including signing the loan contract agreement and its amendments and appendices and all related documents, signing the follow-up and consultation agreement, industrial mortgage by mortgaging all the company's properties, documentary credit, legal guarantee, transferring obligations, amending the loan contract, arranging debts for the company and partners, issuing, amending and cancelling the waiver announcement, selling and discharging to the buyer, receiving deeds, updating them and entering them into the system, signing and renewing rental contracts and receiving the rent, division, sorting and donation, buying and selling a share, building and renting land, extracting a lost deed, changing the legal entity of the company, converting the company from a limited partnership to a limited liability company, dividing shares among the heirs and transferring them to their portfolios; and

- the Board of Directors shall appoint a Board Secretary from the Directors or others. The Chairman of the Board of Directors may delegate (by a written resolution) some of his powers to other members or directly to others to carry out certain acts. The Deputy Chairman of the Board shall replace the Chairman in his absence in cases where the Board has a Deputy Chairman.

11.14.20 Board Meetings

The Board shall convene at least four (4) times a year at the invitation of its Chairman. The Chairman shall invite the Board to meet whenever so requested by a Board member in writing to discuss any matter(s). The Board shall determine the location of its meetings and may hold its meetings through means of technology.

11.14.21 Board Resolutions

Board meetings shall only be valid if attended by members representing at least fifty per cent. (50%) of the Board, whether in person or by proxy. Board resolutions shall be passed by the majority of the attending members, whether in person or by proxy. In case of a tied vote, the Chairman of the Board of Directors, or his representative, shall have the casting vote. A resolution of the Board of Directors shall take effect from the date of its issuance, unless such resolution specifies another effective date or is contingent upon the fulfilment of certain conditions.

11.14.22 Board Resolutions on Urgent Cases

The Board may issue decisions in urgent cases - without holding a meeting - by approving them in writing through presenting them to the members by circulation unless a member requests a Board meeting to deliberate on them. These decisions will not be valid unless signed by a majority of members, and these decisions shall be presented to the Board of Directors at its first subsequent meeting to be recorded in the minutes of that meeting.

11.14.23 Board Deliberations

Board deliberations and resolutions shall be recorded in minutes prepared by the Board's Secretary and signed by the Chairman of the Board, the attending Board members, and the Secretary. Modern technology may be used to sign and record deliberations, resolutions and minutes.

11.14.24 Shareholders' General Assembly

Shareholders' General Assembly meetings shall be chaired by the Chairman of the Board of Directors, the Vice-Chairman in the Chairman's absence, or any member designated by the Board of Directors in the absence of both the Chairman and Vice-Chairman. If none of the above is possible, the Shareholders shall vote to designate a Board member or any other person to chair the General Assembly meeting. Any Shareholder shall have the right to attend General Assembly meetings and delegate a person other than a board member to attend such meetings on their behalf. General Assembly meetings may be held via means of modern technology.

11.14.25 Convening Assemblies

General Assemblies whether general or special shall convene at the invitation of the Board of Directors, and the Board of Directors must call for an Ordinary General Assembly to convene within thirty (30) days from the date on which it is requested to do so by the auditor or by a number of Shareholders representing at least ten per cent. (10%) of the Company's voting shares. The auditor may also call for the General Assembly to convene if the Board fails to do so within thirty (30) days from the date of the auditor's request. The call for a General Assembly meeting shall be made at least twenty-one (21) days prior to the date set for the meeting, by notifying the shareholders via registered letters sent to the addresses present in the shareholders' register, or the announcement of the call via means of modern technology or sending a copy of the invitation and agenda to the commercial register, as well as a copy to the Capital Market Authority if the company is listed on the financial market at the time of the invitation announcement. The invitation to the shareholders' meeting must at least include a statement of the shareholder's right to attend the meeting and their right to appoint a representative of their choice who is not a board member, a statement of their right to discuss the topics on the meeting agenda and ask questions, instructions on how to exercise voting rights, the location, date, and time of the meeting, the type of meeting (whether general or special), and the agenda of the meeting including the items that require shareholder voting.

11.14.26 Ordinary General Assembly Quorum

An ordinary General Assembly meeting shall be deemed valid only if attended by Shareholders, or representatives thereof, representing at least a quarter of the Company's voting shares. If the quorum required for the meeting prescribed in paragraph 1 of this article is not satisfied, the second meeting shall be held one hour after the first meeting, provided that the invitation for the first meeting includes an indication of the possibility of holding a second meeting. If the invitation for the first meeting does not include such an indication, an invitation shall be sent for a second meeting to be held within thirty (30) days from the date of the first meeting. The second meeting shall be convened in the manner prescribed in the article on invitations to assemblies in this bylaw. In all cases, the second meeting shall be deemed valid regardless of the number of voting shares represented therein.

11.14.27 Extraordinary General Assembly Quorum

An Extraordinary General Assembly meeting shall be deemed valid only if attended by shareholders who represent at least half of the Company's voting shares. If the quorum required for the meeting prescribed in paragraph 1 of this article is not satisfied, the second meeting shall be held one hour after the first meeting, provided that the invitation for the first meeting includes an indication of the possibility of holding a second meeting. In all cases, the second meeting shall be valid if attended by shareholders representing at least a quarter of the Company's voting shares. If the quorum required for the second meeting is not satisfied, an invitation shall be sent for a third meeting. The third meeting shall be convened in the manner prescribed in the article on invitations to assemblies in this bylaw. In all cases, the third meeting shall be deemed valid regardless of the number of voting shares represented therein.

11.14.28 Voting Assemblies

Cumulative voting shall be used in the election of the Board of Directors. Members of the Board of Directors may not vote on General Assembly resolutions relating to transactions and contracts in which they have a direct or indirect interest, or which involve a conflict of interest.

11.14.29 Assemblies' Resolutions

Ordinary General Assembly resolutions shall be issued by an absolute majority of voting shares represented therein. Extraordinary General Assembly resolutions shall be issued by a majority of two-thirds of the voting shares represented therein, at least. Unless the resolution is related to increasing or decreasing the Company's capital, liquidating or dissolving the Company prior to the expiry of its term specified in these Bylaws or merging the Company or dividing it into two or more companies, then the resolution shall be issued by a majority of three-quarters of the voting shares represented therein.

11.14.30 Deliberations at Assemblies

Each Shareholder has the right to discuss the matters listed on the agenda of the General Assembly and to direct questions in that regard to the members of the Board of Directors and the auditor. The Board of Directors or the auditor shall answer the questions to the extent that it does not harm the interests of the Company. If a Shareholder deems the response to their question to be insufficient, they may refer the matter to the General Assembly, and the decision of the General Assembly in this regard shall be binding.

11.14.31 Preparing Minutes

Meeting minutes shall be prepared during the General Assembly meeting, and shall specify the number of Shareholders present in person or by proxy, the number of shares held thereby in person or by proxy, the number of votes allocated to said shares, the resolutions made, the number of votes in favour or against each resolution, and a comprehensive summary of the discussions held during the meeting. The minutes shall be recorded regularly after each meeting in a special register, signed by the Chairman of the General Assembly, the Secretary, and canvasser.

11.14.32 Appointment of Auditor

The Company shall have one or more auditors, licenced to practice in the Kingdom and appointed by the ordinary General Assembly or the shareholders - as the case may be - and they shall determine the auditor's' remuneration, scope of work, and term thereof. Said auditor may be reappointed. The maximum period for the auditor, company or partner supervising the audit shall be in accordance with the provisions of the Companies Law and its Implementing Regulation. The General Assembly or the shareholders - as the case may be - may resolve to remove the auditor without prejudice to his right to compensation for any damage incurred, if justified. The Chairman of the Board of Directors shall inform the competent authority of such removal and the reasons therefor within a period not exceeding five (5) days from the date of the relevant resolution.

11.14.33 Powers of Auditor

The auditor shall, at any time, access the Company's books, accounting records, and other supporting documents, and he may request any information and clarifications he deems necessary to verify the Company's assets and liabilities, as well as any other matters falling within his scope of work. The Company's Board of Directors shall enable the auditor to carry out his assignment. If the auditor encounters any difficulty in carrying out his assignment, he shall submit a report to this effect to the Board of Directors. If the Board of Directors fails to facilitate the auditor's work, the auditor shall submit a request thereto to call for a meeting of the General Assembly to review the matter. The auditor himself may call for such General Assembly meeting if the Board of Directors fails to call for a meeting within thirty (30) days from the date of the auditor's relevant request.

11.14.34 Financial Year

The Company's fiscal year shall commence on 1 January and end on 31 December of each Gregorian year. A separate budget is prepared for the transition period resulting from the change in the financial year.

11.14.35 Financial Documents

At the end of each fiscal year, the Board of Directors shall prepare the Company's financial statements together with a report on its business and financial position for the ended fiscal year. This report shall include the proposed method for distributing dividends. The Board of Directors shall place such documents at the disposal of the auditor at least forty-five (45) days prior to the date set for convening the General Assembly. The Chairman of the Board, the CEO and the CFO shall sign the documents referred to in paragraph 1 of this article, with a copy thereof being placed at the Company's head office at the disposal of the shareholders. The Chairman of the Board shall provide the shareholders with the Company's financial statements and Board of Directors' report after signing the same, as well as the auditor's report, unless they are published through means of modern technology, at least twenty-one (21) days prior to the date set for the General Assembly meeting. The Chairman shall also deposit said documents, in accordance with the Implementing Regulations of the Companies Law.

11.14.36 Creation of Reserves

The Ordinary General Assembly may, when determining dividends from the net profit, resolve to create reserves to the extent that serves the Company's interest or ensures the distribution of fixed dividends, as feasible, to the Shareholders. The Ordinary General Assembly may allocate amounts from the net profits for social objectives that benefit the Company's employees. The General Assembly shall determine the percentage of net profits to be distributed to the Shareholders after deducting reserves (if any).

11.14.37 Entitlement of Dividends

A Shareholder shall be entitled to dividends pursuant to a resolution issued by the General Assembly in that regard. The decision shall indicate eligibility and distribution dates. Shareholders registered in the Shareholders' Register by the end of the eligibility date shall be eligible to receive dividends. The Board of Directors shall execute the General Assembly's resolution regarding the distribution of dividends to Shareholders.

11.14.38 Distribution of Dividends

The Ordinary General Assembly may, based on the recommendation of the Board of Directors, set aside the percentage of net profits to form a contractual reserve allocated for Company projects. The remainder is then distributed to Shareholders in the proportion recommended by the Board of Directors and approved by the Ordinary General Assembly. Taking into account the provisions of these Bylaws and the Companies Law, upon the recommendation of the Board of Directors and the approval of the Ordinary General Assembly, an amount shall be allocated as a reward for the Board of Directors, provided that the entitlement to this reward is proportional to the number of sessions attended by the Director. The Board of Directors may, at its discretion, distribute interim dividends during the year to Shareholders according to a mandate issued annually by the Ordinary General Assembly.

11.14.39 Dissolution and Winding up of the Company

The Company may be terminated for one of the reasons specified under article 243 of the Companies Law, upon which, it shall enter liquidation in accordance with the provisions of part 12 of the Companies Law. If the Company's term expired and its assets are not sufficient to settle its liabilities or if it is insolvent under the Bankruptcy Law, it shall apply to the competent judicial authority to initiate any of the liquidation procedures, in accordance with the Bankruptcy Law.

11.14.40 Liability Claim

One or more Shareholders, representing five per cent. (5%) of the Company's capital, may file a claim on behalf of the Company, against the Board of Directors in case of their violation of the provisions of the Applicable Laws or this Bylaws, or because of their errors or negligence in performing their duties, which results in damages to the Company, in the event such claim is not filed by the Company, provided that the filing of such claim serves the interests of the Company and is based on valid grounds, and provided that the plaintiff is acting in good faith and is a Shareholder in the Company at the time of filing the claim. In order to file the above-mentioned claim, the Company's Board members shall be notified of the intent to file the claim at least fourteen (14) days prior to the date of filing such claim.

11.14.41 Company's Losses

If Company losses amount to half of its paid-up capital, at any time during the financial year, any of the officers of the Company or the auditor must, upon becoming aware of such losses, inform the Chairman of the Board of Directors. The Chairman of the Board of Directors shall then immediately inform the members of the Board of Directors. The Board of Directors shall then call for an Extraordinary General Assembly meeting to be held within sixty (60) days from the date on which the Board was notified of the losses, call for an Extraordinary General Assembly meeting to be held within one hundred eighty (180) days from the date it became aware of the losses. The Extraordinary General Assembly must resolve whether to increase or decrease the capital of the Company in accordance with the provisions of the Companies Law, to the extent that it brings the losses below half of the Company's paid-up capital, or to dissolve the Company before the term specified under the Companies Law.

11.15 Share Description

11.15.1 Ordinary Shares

The Shares shall be nominal Shares and may not be issued at less than their nominal value. However, the Shares may be issued at a value higher than their nominal value, in which case the difference in value shall be added to the statutory reserve, even if such reserve has reached its maximum limit. Each Share shall be indivisible vis-à-vis the Company. In the event that a Share is owned by several persons, they shall select one person from amongst themselves to exercise, on their behalf, the rights pertaining to such Share, and they shall be jointly responsible for the obligations arising from the ownership of such Share.

11.15.2 Repurchase of Shares

According to Article 114 of the Companies Law, a company may buy its shares in accordance with the rules set by the competent authority, provided that the Shares purchased by the Company do not entitle it to votes in the Shareholders' assemblies.

11.15.3 Rights of Ordinary Shareholders

Pursuant to Article 107 of the Companies Law, Shares confer on the Shareholder all rights attached to the Shares, in particular the right to receive a share of the profits to be distributed, to receive a share of the Company's assets surplus upon liquidation, to attend the General Assemblies, to participate in its deliberations, to vote on its resolutions, to dispose of the shares, to request access to the Company's books and documents, to monitor the work of the Board of Directors, to file a claim of responsibility against the Directors, and to challenge the validity of the resolutions of the General Assembly in accordance with the conditions and restrictions contained in the Companies Law and the Bylaws.

Each Shareholder shall have the right to discuss the matters stated in the agenda of the General Assembly and direct related questions to the Directors and the external auditors. The Board of Directors or the external auditors shall answer the questions of the Shareholders to the extent that it does not put the interests of the Company at risk. If a Shareholder is not satisfied with the answer, he/she may refer the issue to the General Assembly whose resolution shall be binding in this regard.

11.15.4 Voting Rights

A General Assembly duly convened shall be deemed to represent all of the Shareholders and shall be held in the city where the Company's Head Office is located. Each Subscriber, regardless of the number of his/her shares, shall have the right to attend the Constituent Assembly, whether in person or by proxy.

Each Shareholder shall have a vote for every Share represented by him/her in the constituent General Assembly, and each Shareholder shall have a vote for every Share represented by him/her in the General Assemblies. The cumulative voting method shall be used in electing the Directors in accordance with the Corporate Governance Regulations issued by the CMA and any amendments thereto made from time to time.

11.15.5 Amendment to the Rights of Shareholders

Shareholders' rights related to receiving a share of the dividends to be distributed, receiving a share of the Company's surplus assets upon liquidation, attending the General Assemblies, participating in its deliberations, voting on its resolutions, disposing of Shares, requesting access to the Company's books and documents, monitoring the work of the Board of Directors, filing a claim of responsibility against the Directors, and challenging the validity of the resolutions of the General Assembly (under the conditions and restrictions set out in the Companies Law and the Bylaws) are granted under the Companies Law and therefore may not be amended.

Underwriting

12. Underwriting

The Underwriter, Al Rajhi Capital has undertaken to fully underwrite the Offering of twelve million (12,000,000) Offer Shares pursuant to the underwriting agreement (the "**Underwriting Agreement**") entered into with the Company and the Selling Shareholders on 7 Thul-Qi'dah 1446H (corresponding to 5 May 2025G), subject to certain conditions. The name and address of the Underwriter are set out below:

12.1 Underwriter

Al Rajhi Capital
King Fahad Road
P.O. Box 5561, Riyadh 11432
Kingdom of Saudi Arabia
Tel: + 966 (11) 920005856
Fax: +966 (11) 4600625
Website: www.alrajhi-capital.com
E-mail: ucicipo@alrajhi-capital.com

The principal terms of the Underwriting Agreement are set out below:

12.2 Summary of Underwriting Arrangements

Under the terms and subject to the conditions contained in the Underwriting Agreement:

(a) The Selling Shareholders undertakes to the Underwriter that, on the first Business Day after the allocation of the Offer Shares following the end of the Offering Period, they shall:

(i) sell and allocate the Offer Shares to any Individual Subscriber or Participating Party whose application for Offer Shares has been accepted by the Receiving Agents; and

(ii) sell and allocate to the Underwriter the Offer Shares that have not been subscribed by the Individual Subscribers or Participating Parties pursuant to the Offering.

(b) The Underwriter undertakes to the Selling Shareholders that at the date of allocation, it will purchase any Offer Shares that have not been subscribed by the Individual Subscribers or Participating Parties, in accordance with what is mentioned below:

Table 12.1: Underwritten Shares

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares Underwritten
Al Rajhi Capital	12,000,000	100%

source: The Company.

The Company and the Selling Shareholders have committed to satisfying all the provisions of the Underwriting Agreement.

12.3 Underwriting Costs

The Selling Shareholders will pay the Underwriter an underwriting fee based on the total value of the Offering, as well as the Underwriter's costs and expenses in connection with the Offering.

Expenses

13. Expenses

The Selling Shareholders will be responsible for all costs and expenses associated with the Offering, which are estimated at approximately twenty four million Saudi Arabian Riyals (SAR 24,000,000). This figure includes the fees of the Financial Advisor, the Lead Manager, the Bookrunner, the Underwriter, the Legal Advisors, the Financial Due Diligence Advisor, the Market Consultant, the Receiving Agents and the Exchange, as well as regulatory fees, marketing, printing and distribution fees and other costs and expenses related to the Offering. The Offering expenses will be deducted from the Offering Proceeds and will be apportioned to the Selling Shareholders on a pro rata basis according to the number of Offer Shares being sold by each of them.

Undertakings Following Admission

14. Undertakings Following Admission

Following Admission, the Company undertakes to:

(a) complete Form 8 (related to compliance with the Corporate Governance Regulations) and, in the event that the Company does not comply with any of the requirements of the Corporate Governance Regulations, to present justification for such non-compliance;

(b) provide the CMA with the date on which the first General Assembly will be held following Admission so that a representative thereof may attend;

(c) the Company undertakes, after its listing and upon holding the first general assembly, to amend the legal entity in the Company's regulatory documents (including the commercial register and articles of association) to become a joint stock company;

(d) submit transactions and contracts in which a Director has a direct or indirect interest for authorisation by the General Assembly (in accordance with the Companies Law and Corporate Governance Regulations), provided that the interested Director is prohibited from voting on the relevant resolution (whether in the Board or the General Assembly) (for further details regarding Related Party contracts and transactions, see Section 11.10 (*Related Party Contracts and Transactions*); and

(e) comply with all the mandatory provisions of the Rules on the Offer of Securities and Continuing Obligations, the Listing Rules and the Corporate Governance Regulations immediately upon Admission.

Similarly, following Admission, the Directors undertake to:

(a) record all Board of Directors resolutions by means of written minutes of meetings, which shall be signed by the Chairman and the Secretary; and

(b) disclose the details of any Related Party transactions in accordance with the Companies Law and the Corporate Governance Regulations.

Waivers

15. Waivers

The Company has not applied to the CMA for any waivers from any of its regulatory requirements.

Subscription Terms and Conditions

16. Subscription Terms and Conditions

The Company has made an application to the CMA for the registration and offer of the Shares under the Rules on the Offer of Securities and Continuing Obligations, and an application for the listing of the Shares on the Exchange in accordance with the Listing Rules.

All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Signing the Subscription Application Form and delivering it to a Bookrunner or to the Receiving Agent, as applicable, is deemed as acceptance and approval of the subscription terms and conditions.

16.1 Subscription to Offer Shares

The Offering will consist of twelve million (12,000,000) Offer Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share. The Offer Shares represent thirty per cent. (30%) of the Company's share capital at an Offer Price of fifty Saudi Arabian Riyals (SAR 50) per Offer Share and with a total offering value of six hundred million Saudi Arabian Riyals (SAR 600,000,000). The CMA also has the right to suspend the Offering if, at any time after its approval of this Prospectus and before the registration and Admission of the Offer Shares, a material adverse change occurs in respect of the Company's operations.

The Offering is restricted to the following groups of Investors:

16.1.1 Tranche (A): Participating Parties

Comprising the parties entitled to participate in the book-building process as specified under the Book-Building Instructions, including investment funds, companies, Qualified Foreign Investors, GCC Corporate Investors and certain other foreign investors pursuant to swap agreements. Participating Entities will provisionally be allocated twelve million (12,000,000) Offer Shares, representing one hundred per cent. (100%) of Offer Shares. The final allocation for the Participating Entities will be made upon the expiry of Individual Subscriber's subscription period, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. If there is sufficient demand by Individual Subscribers, the Financial Advisor, in coordination with the Company shall have the right to reduce the previously allocated Offer Shares to Participating Entities to nine million and six hundred thousand (9,600,000) Offer Shares, representing eighty per cent. (80%) of the total Offer Shares.

16.1.2 Tranche (B): Individual Subscribers

Comprising Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi person who can subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor Saudi Arabian children, as well as any non-Saudi natural persons resident in the Kingdom or GCC natural persons, in each case who have an investment account and an active portfolio with one of the Receiving Agents. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million and four hundred thousand (2,400,000) Offer Shares, representing twenty per cent. (20%) of the total Offer Shares shall be allocated to Individual Subscribers. If the Individual Subscribers do not subscribe in full to the Offer Shares allocated to them, the Financial Advisor in coordination with the Company, may reduce the number of Offer Shares allocated to Individual Subscribers in proportion to the number of Offer Shares subscribed by them.

16.2 Book-Building and Subscription by Participating Parties

(a) The Financial Advisor shall determine the price range for the purposes of book-building, which will be made available to all Participating Parties.

(b) Each of the Participating Parties shall submit a Bidding Participation Application during the book-building period. The Participating Entities may change or cancel their Bidding Participation Application at any time during the book-building period, provided that such change is made by submitting an amended or additional Bidding Participation Application, where applicable, prior to the conclusion of fixing the Offer Price, which precedes the commencement of the Offering Period. The number of Offer Shares to be subscribed by each

Participating Entity shall be no less than one hundred thousand (100,000) Offer Shares and no more than one million nine hundred ninety-nine thousand nine hundred ninety-nine (1,999,999) Offer Shares, and in relation only to public investment funds, without exceeding the maximum amount specified for each participating fund that is determined in accordance with Book-Building Instructions. The number of requested shares shall be subject to allocation. The Bookrunner will inform the Participating Entities of the Offer Price and the number of Offer Shares provisionally allocated to them, using the discretionary allocation mechanism. As a result, some of the Participating Entities may not be allocated any Offer Shares. Subscriptions by the Participating Entities shall commence during the Offering Period, which also includes the Individual Subscribers, according to the subscription terms and conditions set out in the Subscription Application Forms.

(c) After book-building for the Participating Entities is completed, the Bookrunner will announce the coverage percentage for the Participating Entities.

(d) The Financial Advisor, in coordination with the Company shall determine the Offer Price based on the supply and demand for the Offer Shares, provided that it does not exceed the price set out in the Underwriting Agreement and provided that the Offer Price is in accordance with the tick size applied by the Exchange.

16.3 Subscription by Individual Subscribers

Each Individual Subscriber shall subscribe for a minimum of ten Offer Shares and a maximum of four hundred thousand (400,000) ordinary Shares. Changes to or withdrawals of the subscription application shall not be permitted once the Subscription Application Form has been submitted.

Subscription Application Forms will be provided during the Offering Period by the Receiving Agents. Subscription Application Forms shall be completed in accordance with the instructions mentioned below. Individual Subscribers can also subscribe through the websites and electronic platforms of the Receiving Agents that offer any or all such services to Individual Subscribers, provided that, the following requirements are satisfied:

(a) the Individual Subscriber has an investment account and an active portfolio at a Receiving Agent, which offers such services;

(b) no changes in the personal information or data of the Individual Subscriber have occurred since his/her subscription in a recent initial public offering; and

(c) the Individual Subscriber has an investment account at one of the Capital Market Institutions which offer such services.

A signed Subscription Application Form represents a legally binding agreement between the Company and the relevant Individual Subscriber submitting the application to the Receiving Agents.

Individual Subscribers may obtain a copy of this Prospectus from the websites of the Company (www.ucic.com.sa), the CMA (www.cma.org.sa) or the Financial Advisor (www.alrajhi-capital.com) and the Subscription Application Forms from the websites of the following Receiving Agents providing such service:

Receiving Agents	
Alrajhi Capital (ARC) Headquarters, King Fahad Road, Al Murooj District P.O. Box 5561 Riyadh 12263 Kingdom of Saudi Arabia Tel. No: +966 (92) 000 5856 Fax No: +966 (11) 460 0625 Website: www.alrajhi-capital.com E-mail: arcipo@alrajhibank.com.sa	الراجحي المالية alrajhi capital
SNB Capital King Saud Road P.O. Box 2575 Riyadh 12624 Kingdom of Saudi Arabia Tel. No: +966 (92) 0000232 Website: www.alahlicapital.com E-mail: snbc.cm@alahlicapital.com	SNB كابيتال

Receiving Agents	
Saudi Fransi Capital Company King Fahad Road 8092 P.O. Box 23454 Riyadh 3735 - 12313 Kingdom of Saudi Arabia Tel. No: +966 (11) 282 6666 Fax No: +966 (11) 282 6823 Website: www.bsfcapital.sa E-mail: sfc-supportcenter@FransiCapital.com.sa	BSF Capital
Riyad Capital 2414 - Al Shuhada district, Unit No 69 P.O. Box 13241 Riyadh 7279 Kingdom of Saudi Arabia Tel. No: +966 (11) 486 5649 Fax No: +966 (11) 486 5908 Website: www.riyadcapital.com E-mail: ask@riyadcapital.com	الرياض المالية Riyad Capital
Albilad Investment Company King Fahad Road - Al Olaya Riyadh 12313 - 3701 Kingdom of Saudi Arabia Tel. No: +966 (92) 000 3636 Fax No: +966 (11) 290 6299 Website: www.albilad-capital.com E-mail: investmentbanking@albilad-capital.com	البلاد المالية Albilad Capital
Aljazira Capital Company King Fahad Sub-Road, Al Rahmaniyah P.O. Box 20438 Riyadh 11455 Kingdom of Saudi Arabia Tel. No: + 966 (11) 225 6000 Fax No: + 966 (11) 225 6182 Website: www.aljaziracapital.com.sa E-mail: contactus@aljaziracapital.com.sa	الجزيرة كابيتال ALJAZIRA CAPITAL الجزيرة للأسواق المالية
Alistithmar Capital King Fahad Road P.O. Box: 6888- 11452 Riyadh Kingdom of Saudi Arabia Tel. No: + 966 (11) 254 7666 Fax No: + 966 (11) 489 6253 Website: www.icap.com.sa E-mail: WebEcare@icap.com.sa	الاستثمار كابيتال Alistithmar Capital
Derayah Financial Al Takhassusi Street - Prestige Centre - Third Floor Riyadh Kingdom of Saudi Arabia Tel. No: + 966 (11) 299 8000 Fax No: + 966 (11) 419 5498 Website: www.derayah.com E-mail: support@derayah.com	دراية derayah

Receiving Agents	
Alinma Capital Al Anoud Tower 2, King Fahad Road P.O. Box 55560 Riyadh 11544 Kingdom of Saudi Arabia Tel. No: + 966 (11) 218 5999 Fax No: + 966 (11) 218 5970 Website: www.alinmacapital.com E-mail: info@alinmacapital.com	الإنماء المالية alinma capital
ANB Capital ANB Capital Building, King Faisal Street 3851 New Al Moayed - Al Murabba District P.O. Box 220009 Riyadh 11311 Kingdom of Saudi Arabia Tel: +966 (11) 406 2500 Fax: +966 (11) 406 2548 Website: anbcapital.com.sa Email: investment.banking@anbcapital.com.sa	anb capital
Yaqeen Capital Al Wurood District - Al Olaya Street P.O. Box 884 Riyadh 11421 Kingdom of Saudi Arabia Tel. No: 800 429 8888 Fax No: + 966 (11) 205 4827 Website: www.yaqeen.sa E-mail: addingvalue@yaqeen.sa	يقين Yaqeen
Alkhabeer Capital Al Madinah Road P.O. Box 128289 Jeddah 21362 Kingdom of Saudi Arabia Tel. No: + 966 (12) 612 29345 Fax No: + 966 (12) 685 6663 Website: www.alkhabeer.com E-mail: info@alkhabeer.com	الخبير المالية Alkhabeer Capital
Alawwal Invest (SAB Invest) Al Olaya Street P.O. Box No 1467, Riyadh 11431 Kingdom of Saudi Arabia Tel.: 8001242442 Fax No: + 966 (12) 216 9102 Website: www.sabinvest.com E-mail: customercare@sabinvest.com	الأول للاستثمار SAB Invest
Sahm Capital King Abdullah Financial District, Tower 305 Riyadh 13519 Kingdom of Saudi Arabia Tel. No: + 966 (11) 414 5260 Website: www.sahmcapital.com E-mail: Info@sahmcapital.com	Sahm

Receiving Agents
GIB Capital Low Rise Building 1, Granada Business & Residential Park Eastern Ring Road P.O Box 89589 Riyadh 11692 Kingdom of Saudi Arabia Tel: +966 (11) 511 2200 Fax: +966 (11) 511 2201 Website: www.gibcapital.com E-mail: GIBC.IB@gibcapital.com

The Receiving Agents will commence receiving Subscription Application Forms through the websites and electronic platforms of the Receiving Agents that offer any or all such services to their customers, beginning on Monday, 14 Thul-Qi'dah 1446H (corresponding to 12 May 2025G) until Tuesday, 15 Thul-Qi'dah 1446H (corresponding to 13 May 2025G). Once the Subscription Application Form is signed and submitted, the relevant Receiving Agent receiving it will stamp it and provide the Individual Subscriber with a copy of the completed Subscription Application Form (if applicable). If the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the relevant Receiving Agent, it will be considered void. Individual Subscribers do not have the right to claim any compensation for damages incurred due to such cancellation.

Each Individual Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form, and the total subscription amount will be equal to the number of Offer Shares applied for multiplied by the Offer Price of fifty Saudi Arabian Riyals (SAR 50) per Offer Share.

Subscriptions by Individual Subscribers for less than ten (10) Offer Shares or fractional Shares will not be accepted. Increments are to be made in multiples of such minimum number, while the maximum number of Offer Shares to be applied for is four hundred thousand (400,000) Offer Shares.

Subscription Application Forms for Individual Subscribers must be submitted during the Offering Period and accompanied (where applicable) by the following documents (the Receiving Agents will verify all copies against the originals and will return the originals to the relevant Individual Subscriber):

- the original and copy of the Individual Subscribers' national civil identification card (in case of individuals, including Saudi and other GCC natural persons);
- the original and copy of the family civil identification card (when subscribing on behalf of family members);
- the original and copy of a power of attorney (when subscribing on behalf of others);
- the original and copy of the certificate of guardianship (when subscribing on behalf of orphans);
- the original and copy of the divorce certificate (when subscribing on behalf of the children of a divorced Saudi woman);
- the original and copy of the death certificate (when subscribing on behalf of the children of a widowed Saudi woman); and
- the original and copy of the birth certificate (when subscribing on behalf of the children of a divorced or widowed Saudi woman).

Powers of attorney are only allowed for family members (parents and children only). In the event that an application is made on behalf of an Individual Subscriber (parents and children only), the name of the person signing on behalf of the Individual Subscriber must be stated in the Subscription Application Form, accompanied by a valid original and copy of the power of attorney. The power of attorney must be notarised by a notary public for the Individual Subscribers residing in the Kingdom and must be legalised through a Saudi embassy or consulate in the relevant country for the Individual Subscribers residing outside the Kingdom. The concerned official of the Receiving Agents shall match the copy with the original version and return the original version to the Individual Subscriber.

One Subscription Application Form should be completed for each primary Individual Subscriber applying for himself/herself and members appearing on his/her family identification card if the family members apply for the same number of Offer Shares as the primary Individual Subscriber. In this case:

- all Offer Shares allocated to the primary Individual Subscriber and dependent Individual Subscribers will be registered in the primary Individual Subscriber's name;
- the primary Individual Subscriber will receive any refund in respect of amounts not allocated and paid for by himself/herself or dependent Individual Subscribers; and

- the primary Individual Subscriber will receive all of the dividends distributed in respect of the Offer Shares allocated to himself/herself and dependent Individual Subscribers (in the event the Shares are not sold or transferred).

Separate Subscription Application Forms must be used if:

- the Offer Shares to be allocated are to be registered in a name other than the name of the primary Individual Subscriber;
- dependent Individual Subscribers intend to apply for a different number of Offer Shares than the primary Individual Subscriber; or
- the wife subscribes in her name, adding allocated Offer Shares to her account (she must complete a separate Subscription Application Form from the Subscription Application Form completed by the relevant primary Individual Subscriber). In the latter case, applications made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Receiving Agent.

A Saudi female divorcee or widow who has minor children from a marriage to a non-Saudi husband can subscribe on behalf of those children provided she submits proof of motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If the primary Individual Subscriber subscribes for himself/herself and his/her family members who are registered in the family identification card, and a family member subscribes for a separate subscription application, only the request of the family member who has submitted a separate application from the request of the primary Individual Subscriber will be cancelled.

During the Offering Period, only a valid Iqama will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents may only be included as dependents with their mother and may not subscribe as primary Individual Subscribers. The maximum age for non-Saudi dependents to be included with their mother is 18. Any documents issued by a foreign government must be legalised through a Saudi embassy or consulate in the relevant country.

Each Individual Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in his/her Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of fifty Saudi Arabian Riyals (SAR 50) per Offer Share. Each Individual Subscriber shall acquire the number of Offer Shares allocated to him/her upon:

- delivery by the Individual Subscriber of the Subscription Application Form to any of the Receiving Agents; and
- payment in full by the Individual Subscriber to the Receiving Agents of the total value of the Offer Shares subscribed for.

The total value of the Offer Shares subscribed for must be paid in full to the Receiving Agents by authorising a debit of the Individual Subscriber's investment account held with the Receiving Agents to whom the Subscription Application Form is being submitted. The Offer Shares ownership transfer will be valid only from the time such transfer is recorded in the Company's share register and the Shares have commenced trading on the Exchange.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offer, the Company shall have the right to reject it in full or in part. The Individual Subscriber shall accept any number of Offer Shares allocated to him/her unless the allocated shares exceed the number of Offer Shares he/she has applied for.

16.4 Allocation and Refunds

The Lead Manager shall open and operate an escrow account for the purpose of depositing and keeping subscription monies collected from Participating Entities and Receiving Agents (on behalf of Individual Subscribers). Each of the Receiving Agents shall deposit all amounts received from the Subscribers into escrow accounts, the details of which shall be specified in the Subscription Application Forms.

The announcement of final allocation shall be made on 20 Thul-Qi'dah 1446H (corresponding to 18 May 2025G) and the excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and deposited into the Subscribers' accounts specified in the Subscription Application Forms. The refunds shall be processed no later than 20 Thul-Qi'dah 1446H (corresponding to 18 May 2025G) (for further details, see "*Key Dates and Subscription Procedures*", page (xxi), and Section 16 (*Subscription Terms and Conditions*)).

16.4.1 Allocation of Offer Shares to Participating Entities

After completion of the allocation of the Offer Shares to Individual Subscribers, the final allocation of the Offer Shares to the Participating Entities will be made as the Financial Advisor deem appropriate, in coordination with the Company, using the discretionary allocation mechanism. Therefore, the Offer Shares may not be allocated to some of the Participating Entities. A total of twelve million (12,000,000) Offer Shares, representing one hundred per cent. (100%) of the Offer Shares shall be initially allocated to the Participating Entities. Initially, three million six hundred thousand (3,600,000) ordinary shares will be allocated to public funds, representing thirty per cent. (30%) of the total number of Offer Shares, provided there is sufficient demand from public funds. If there is sufficient demand from Individual Subscribers for the Offer Shares, the Financial Advisor has the right to reduce the number of shares allocated to public funds to a minimum of two million eight hundred eighty thousand (2,880,000) ordinary shares, representing twenty-four per cent. (%24) of the total number of Offer Shares, after completion of the individual subscription process.

16.4.2 Allocation of Offer Shares to Individual Subscribers

There will be an allocation of a maximum of two million four hundred thousand (2,400,000) Offer Shares, representing twenty per cent. (20%) of the Offer Shares, to Individual Subscribers. The minimum allocation per Individual Subscriber is ten (10) Offer Shares and the maximum allocation per Individual Subscriber is four hundred thousand (400,000) Offer Shares; the balance of the Offer Shares (if available) will be allocated on a pro-rata basis of the percentage applied for by each Individual Subscriber to the number of Offer Shares applied for by each Individual Subscriber. If there are more than two hundred forty thousand (240,000) Individual Subscribers, the Company will not guarantee the minimum allocation. The Offer Shares will be allocated at the discretion of the Financial Advisor in coordination with the Company. Excess subscription monies, if any, will be refunded to the Individual Subscribers by the Receiving Agents without any charge or withholding.

16.5 Circumstances Where Trading and Listing May be Suspended or Cancelled

16.5.1 Power to Suspend Trading or Cancel Listing

(a) The CMA may suspend trading in listed securities or cancel the listing at any time as it deems fit, in any of the following circumstances:

1. the CMA considers it necessary for the protection of investors or the maintenance of an orderly market;
2. the issuer fails, in a manner which the CMA considers material, to comply with the CML, its implementing regulations or the Listing Rules;
3. the issuer fails to pay on time any fees due to the CMA or the Exchange or any fines due to the CMA;
4. if it considers that the issuer or its business, the level of its operations or its assets are no longer suitable for the continued listing of its securities on the Exchange;
5. if a reverse takeover announcement does not contain sufficient information about the proposed transaction. If the issuer announces sufficient information regarding the target and the CMA is satisfied, following the issuer's announcement, that there will be sufficient information available for the public about the proposed transaction of the reverse takeover, the CMA may decide not to suspend trading at this stage;
6. if information about the proposed transaction of reverse takeover is leaked and the issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly;
7. if an application for the financial restructuring of the issuer in the event of its accumulated losses reaching fifty per cent. (50%) or more of its capital is registered with the court under the Bankruptcy Law;
8. if a request for liquidation procedure or the administrative liquidation of the issuer is registered with the court under the Bankruptcy Law;
9. upon the issuance of a final judgment closing the financial restructuring and initiating the liquidation procedure or the administrative liquidation procedure of the issuer in court under the Bankruptcy Law; or
10. upon issuance of a final judgment initiating the liquidation procedure or the administrative liquidation procedure of the issuer in court under the Bankruptcy Law.

(b) Lifting of the trading suspension under paragraph (a) above is subject to the following:

1. the issuer adequately addressing the conditions that led to the suspension and the lack of the need to continue the suspension for the protection of investors;
2. the lifting of the suspension is unlikely to affect the normal activity of the Exchange;

3. the issuer complies with any other conditions that the CMA may require;
4. upon the issuance of a final judgment initiating financial restructuring for the issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority, if the suspension is made in accordance with paragraph (a)7 above; and
5. upon the issuance of a final judgment rejecting the commencement of liquidation procedure or administrative liquidation of the issuer under the Bankruptcy Law, unless the issuer was suspended from its activities by the relevant competent authority, if the suspension is made in accordance with paragraph (a)8 above.

(c) The Exchange shall suspend the trading of securities of the Company in any of the following cases:

1. if the issuer does not comply with the deadlines for the disclosure of its periodic financial information within the periods specified in accordance with applicable implementing regulations;
2. if the external auditor's report on the financial statements of the issuer contains an adverse opinion or an abstention from expressing an opinion;
3. if the liquidity requirements in Part 2 of the Listing Rules are not satisfied after listing after the time limit set by the Exchange for the issuer to rectify its conditions, unless the CMA agrees otherwise; or
4. upon the issuance of a resolution by an Extraordinary General Assembly of the issuer to reduce its capital for the two trading days following the issuance of such resolution.

(d) The Exchange shall remove the suspension referred to in subparagraphs 1 and 2 of paragraph (c) above after one trading session has passed after the cause of suspension ceases to exist. In the event that over-the-counter trading of the issuer's shares is allowed, the Exchange shall lift the suspension within a period of not more than five trading sessions after the end of the suspension circumstances.

(e) The Exchange may at any time propose to the CMA the suspension of trading of any listed security or cancel its listing where, in its opinion, it is likely that any of the circumstances set out in paragraph (a) above were to occur.

(f) The issuer whose securities are subject to a trading suspension must continue to comply with the Capital Market Law, its implementing regulations and the Listing Rules.

(g) If the listing suspension continues for six (6) months with no appropriate procedure made by the issuer to correct such suspension, the CMA may cancel the listing.

(h) Upon the issuer's completion of a reverse takeover, the issuer's shares shall be de-listed. If the issuer wishes to re-list its shares, it must submit a new application for the registration and admission to listing in accordance with the requirements stipulated in the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.

(i) This paragraph shall not prejudice the suspension of trading and the cancellation of listing resulting from the losses of the issuer pursuant to the relevant implementing regulations of the CML and the Listing Rules.

16.5.2 Voluntary Cancellation of Listing

(a) After its shares have been listed on the Exchange, an issuer may not cancel the listing without the prior approval of the CMA. To obtain CMA's approval, the issuer must submit a cancellation application to the CMA along with a simultaneous notice to the Exchange. The application must include the following:

1. the specific reasons for the request for cancellation;
2. a copy of the disclosure described in paragraph (d) below;
3. a copy of the relevant documentation and a copy of all related communication to shareholders if the cancellation is to take place as a result of a takeover or another corporate action by the issuer; and
4. the names and contact information of the financial advisor and legal advisor appointed according to the Rules on the Offer of Securities and Continuing Obligations.

(b) The CMA may, at its discretion, approve or reject the cancellation request.

(c) The issuer must obtain the consent of the Extraordinary General Assembly for the cancellation of the listing after obtaining the CMA's approval.

(d) Where cancellation is made at the issuer's request, it must disclose this to the public as soon as possible. The disclosure must include the reason for the cancellation, the nature of the event resulting in the cancellation, and the extent to which it affects the issuer's activities.

16.5.3 Temporary Trading Suspension

(a) An issuer may request from the Exchange a temporary trading suspension of its securities upon the occurrence of an event during trading hours which requires immediate disclosure under the CML, its implementing regulations or the Listing Rules, and where the issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange shall suspend the trading of the securities of that issuer immediately upon receiving such request.

(b) When trading is temporarily suspended at the issuer's request, the issuer must disclose to the public as soon as possible the reason for the suspension, the nature of the event that gave rise to it, the anticipated length of the suspension and the extent to which it affects the issuer's activities.

(c) The CMA may impose a temporary trading suspension without a request from the issuer where the CMA becomes aware of information or circumstances affecting the issuer's activities which the CMA considers would be likely to interrupt the operation of the Exchange or jeopardise the protection of investors. If its securities are subject to temporary trading suspension, the issuer must continue to comply with the CML, its implementing regulations and the Listing Rules.

(d) The Exchange may propose to the CMA to exercise its powers in accordance with paragraph (c) above if it becomes aware of information or circumstances affecting the issuer's activities which would be likely to interrupt the operation of the Exchange or jeopardise the protection of investors.

(e) A temporary trading suspension will be lifted following the elapse of the period referred to in paragraph (b) above, unless the CMA or the Exchange decides otherwise.

(f) If the listing suspension continues for six (6) months or more with no appropriate procedure made by the issuer to correct such suspension, CMA may cancel the listing of issuer.

16.5.4 Re-Registering and Listing After Cancellation of Listing

After the cancellation of an issuer's securities listing, if the issuer wishes to re-list such securities, it must submit new applications in accordance with the procedures set out in the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules.

16.6 Approvals and Decisions under Which the Shares are Offered

The following are the decisions and approvals under which the Offer Shares are publicly offered:

- the Company's Board of Directors' resolution recommending the Offering dated 12 Shawwal 1445H (corresponding to 21 April 2024G);
- the Company's General Assembly resolution approving the Offering dated 19 Shawwal 1445H (corresponding to 28 April 2024G);
- the CMA's approval of the Offering dated 15 Jumada al-Akhirah 1446H (corresponding to 16 December 2024G); and
- the conditional approval of Tadawul to list the Shares dated 7 Jumada al-Akhirah 1446H (corresponding to 8 December 2024G).

16.7 Lock-up Period

The Substantial Shareholders, namely Omar Kassem Alesayi and Company, Frimex Investment LLC, Zamil Group Holding Company, Zamil Group Investment Company and Eastern Industrial Investment Company (the details of their ownership are specified in Table 2 (*Substantial Shareholders and Their Ownership in the Company Pre- and Post-Offering*)) may not dispose of any of their Shares for a period of six (6) months from the date on which trading of the Shares commences on the Exchange. After the end of this period, they may dispose of their shares without obtaining CMA's prior approval.

Acknowledgments and Declarations by Subscribers

17. Acknowledgments and Declarations by Subscribers

By completing and delivering the Subscription Application Form, each Subscriber:

(a) agrees to subscribe to the number of Offer Shares specified in the Subscription Application Form;

(b) warrants that he/she has read this Prospectus and has understood all of its content;

(c) accepts the Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes to the Offer Shares accordingly;

(d) declares that neither he/she nor any of his/her family members included in the Subscription Application Form have previously subscribed for any Shares and that the Company has the right to reject any or all duplicate applications;

(e) accepts the number of Offer Shares allocated to him/her (up to the maximum of the amount subscribed for) as per the Subscription Application Form;

(f) warrants not to cancel or amend the Subscription Application Form after submitting it to the Receiving Agents or the Bookrunner, as applicable; and

(g) retains his/her right to sue the Company for damages caused directly by incorrect or incomplete information contained in this Prospectus, or by omitting material information that should have been part of this Prospectus and could affect his/her decision to purchase the Shares.

For further details on the allocation process, see Section 16.4 (*Allocation and Refunds*).

17.1 Shares' Record and Trading Arrangements

Edaa shall keep a Shareholders' Register containing the Shareholders' names, nationalities, addresses, professions, the Shares held by them and the amounts paid for these Shares.

17.2 Saudi Exchange (Tadawul)

In 1990G, full electronic trading of shares in the Kingdom was introduced. Tadawul was founded in 2001G as a successor to the Electronic Securities Information System. Trading in shares occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process from the execution of the trade transaction through to settlement. Trading occurs on each Business Day of the week between 10:00 a.m. and 3:00 p.m. from Sunday to Thursday, during which orders are executed. However, orders can be entered, amended or cancelled from 9:30 a.m. to 10:00 a.m. at other times. Trading times change during the month of Ramadan and are announced by Tadawul's management. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at the best price) are executed first, followed by limit orders (orders placed at a price limit), provided that, if several orders are generated at the same price, they are executed according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including, in particular, the "Tadawul" website and the "Tadawul" Information Link, which supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that share ownership is transferred two working days after the trade transaction is executed.

Listed companies are required to disclose all material decisions and information that are important for the investors via Tadawul. Surveillance and monitoring are the responsibility of Tadawul, as the operator of the market, to ensure fair trading and an orderly market.

17.3 Securities Depository Center Company (Edaa)

Securities Depository Center Company (Edaa) was established in 2016G as a closed joint stock company in accordance with the Companies Law issued by Royal Decree No M/3 dated 28 Muharram 1437H (corresponding to 10 November 2015G), with a capital of SAR 400,000,000 divided into 40,000,000 shares, with a nominal value of SAR 10 per share, and is fully owned by the Exchange.

The establishment of Edaa was based on the CMA's approval of Tadawul's board of directors' request in relation to the conversion of the Securities Depository Center into a joint stock company in accordance with the Capital Market Law issued by Royal Decree No M/30 dated 2 Jumada al-Akhirah 1424H (2 July 2003G).

The activities of Edaa are to conduct businesses related to depositing, registering, transferring, settling and clearing of securities, as well as recording any ownership restrictions on the deposited securities. Further, it deposits and manages the records of the issuers of securities, and organises issuers' general assemblies, including remote voting services (e-Voting), reporting, notifications, and information, as well as providing other related services that Edaa may provide in accordance with the CML and its implementing regulations.

17.4 Trading of the Company's Shares

Trading of the Shares is expected to commence on the Exchange after finalisation of the allocation process and the announcement of the trading start date by Tadawul. Following Admission, Saudi natural persons, non-Saudi natural persons holding valid residency permits in the Kingdom, GCC natural persons, companies, banks, and investment funds will be permitted to trade in the Offer Shares once they are available for trading on the Exchange. Moreover, Qualified Foreign Investors and Strategic Foreign Investors will be permitted to trade in the Shares in accordance with the Rules for Foreign Investment in Securities. Foreign investors will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into swap agreements with Capital Market Institutions to acquire, hold and trade in the Shares on the Exchange on behalf of such foreign investor. The Capital Market Institutions shall be deemed the legal owners of the Shares under the swap agreements. Moreover, other foreign investors which are clients of a Capital Market Institution authorised by the CMA to conduct managing activities will be permitted to trade in the Shares in accordance with the Rules for Foreign Investment in Securities, provided that the Capital Market Institution has been appointed on conditions that enable it to make all investment decisions on the client behalf without obtaining prior approval from the client.

Furthermore, Shares can only be traded after the allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, the Company has been registered in the Main Market and its Shares have been listed on the Exchange. Pre-trading in Shares is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and the Shareholders shall have no legal responsibility in connection with any pre-trading activities.

17.5 Miscellaneous

The Subscription Application Form and all related terms, conditions, provisions, covenants and undertakings shall be binding upon and inure to the benefit of their parties and their respective successors, permitted assigns, executors, administrators and heirs; provided that, neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions and conditions and the receipt of any Subscription Application Forms or related contracts shall be governed, construed and enforced in accordance with the laws of the Kingdom.

This Prospectus has been released in both Arabic and English languages and the Arabic version is the only one approved by the CMA. In the event of a discrepancy between the English and the Arabic texts, the Arabic text of this Prospectus shall prevail.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than the Kingdom are expressly prohibited, except to certain GCC investors, Qualified Foreign Investors, Foreign Strategic Investors and/or certain other foreign investors through swap agreements, taking into account the relevant rules and instructions. The Offering does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. All recipients of this Prospectus must inform themselves of any regulatory restrictions relevant to the Offering and the sale of Offer Shares and to observe all such restrictions.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations and the Listing Rules, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus, and before completion of the Offering, the Company becomes aware of: (i) a significant change in any material information contained in this Prospectus or any document required under the Rules on the Offer of Securities and Continuing Obligations or the Listing Rules; or (ii) the occurrence of additional significant matters which would have been required to be included in this Prospectus. Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the expectations of future events and circumstances set forth in this Prospectus may not occur as expected by the Company or may not occur at all. Consequently, the prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on them.

Documents Available for Inspection

18. Documents Available for Inspection

The following documents will be available for inspection at the Company's head office located at Industrial Area Phase 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia, between 9:00 a.m. and 5:00 p.m. from 17 Shawwal 1446H (corresponding to 15 April 2025G) until 15 Thul-Qi'dah 1446H (corresponding to 13 May 2025G) for a period of not less than 20 days prior to the end of the Offering Period:

- the CMA announcement of the approval of the Offering;
- the Exchange's conditional approval on the listing of the Company's shares on 7 Jumada al-Akhirah 1446H (corresponding to 8 December 2024G);
- the Company's Board of Directors' resolution approving the Offering dated 12 Shawwal 1445H (corresponding to 21 April 2024G);
- the Company's General Assembly's approval of the Offering dated 19 Shawwal 1445H (corresponding to 28 April 2024G);
- the Company's Bylaws;
- the Company's articles of association and all amendments thereto;
- the Company's Commercial Registration certificate;
- the Company's audited financial statements for the financial year ended 31 December 2021G and the Group's audited consolidated financial statements for the financial years ended 31 December 2022G and 2023G and the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G included in this Prospectus;
- the Market Study Report prepared by the Market Consultant;
- all other reports, letters, documents, value and data assessments prepared by any expert, including any part thereof mentioned in this Prospectus;
- The contracts and agreements disclosed in Section 11.10 (*Related Party Contracts and Transactions*);
- letters of consent from:

  a. the Financial Advisor, Bookrunner, Underwriter and Lead Manager (Al Rajhi Capital) for the inclusion of its name, logo, and statements in this Prospectus;

  b. the Legal Advisor (STAT Law Firm), for the inclusion of its name, logo and statements, in this Prospectus;

  c. the Legal Advisor of the Financial Advisor, Bookrunner, Underwriter and Lead Manager (Gibson, Dunn and Crutcher Law Firm), for the inclusion of its name, logo and statements, in this Prospectus;

  d. the Financial Due Diligence Advisor (Ernst & Young Professional Services (Professional LLC)) for the inclusion of its name, logo and statements in this Prospectus;

  e. the Market Consultant (Frost & Sullivan) for the inclusion of its name, logo and statements, in this Prospectus;

  f. Independent Practitioner (PKF Al Bassam Public Accountants) for the inclusion of its name, logo and the unaudited pro forma consolidated financial information report for the financial year ended 31 December 2021G, in this Prospectus;

  g. the Auditors, who are:

     - Ernst & Young Professional Services (Professional LLC) for the inclusion herein of their name and logo, along with the audit report on the financial statements of the Company for the financial year ended 31 December 2021G;
     - PricewaterhouseCoopers - Public Accountants for the inclusion herein of their name and logo, along with the independent auditor reports on the consolidated financial statements of the Group for the financial years ended 31 December 2022G,2023G and 2024G and the independent auditor's report on the review of the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G and the unaudited pro forma consolidated financial information report for the financial years ended 31 December 2022G and 2023G;

  h. the Receiving Agents whose names are mentioned on page (xii) for the inclusion of their names and logos in this Prospectus; and

- the Underwriting Agreement.

Financial Statements and Independent Auditors' Reports

19. Financial Statements and Independent Auditors' Reports

This Section contains the audited financial statements of the Company for the financial year ended 31 December 2021G and Group's audited consolidated financial statements for the financial years ended 31 December 2022G, 2023G and 2024G and the accompanying notes thereto, which have been prepared in accordance with the IFRS as endorsed in the Kingdom and other standards and pronouncements issued by SOCPA. The financial statements for the Company for the financial year ended 31 December 2021G were audited by Ernst & Young Professional Services (Professional LLC) and the consolidated financial statements for the financial years ended 31 December 2022G, 2023G and 2024G were audited by PricewaterhouseCoopers - Public Accountants as set out in the auditors reports for each of them and included in this Prospectus.

This section also includes the unaudited condensed consolidated interim financial information for the three-month and six-month periods ended 30 June 2024G, along with the accompanying notes prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted in the Kingdom, and reviewed by PricewaterhouseCoopers - Public Accountants.

This section also includes the unaudited pro forma consolidated financial information of the Company for the years ended 31 December 2021G, 2022G and 2023G. The financial statements for the year ended 31 December 2021G were issued by PKF Al Bassam Chartered Accountants, while those for 2022G and 2023G were issued by PricewaterhouseCoopers – Public Accountants, and have been prepared based on the applicable standards described in Note 2 to the unaudited pro forma consolidated financial information and in accordance with the specific requirements of Annex 12, Annex 19 and Article 46 of the Rules on Offering Securities and Continuing Obligations issued by the CMA.

UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS

31 DECEMBER 2021

UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS
31 DECEMBER 2021

EY
Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 - Five million five hundred thousand Saudi Riyal)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office - Riyadh

C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 664 4408

ey.ksa@sa.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of United Carton Industries Company (A Saudi Closed Joint Stock Company) (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended 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.

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 Financial Statements'* section of our report. We are independent of the Company in accordance with professional code of conduct and ethics endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia 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 financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

for Ernst & Young

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سجل تجاري ٤٠٣٠٢٧٦٦٤٤
CR 4030276644
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Hussain Saleh Asiri
Certified Public Accountant
License No. 414

10 Jumada II 1443H
13 January 2022

Jeddah

UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Note	*2021 SR*	*2020 SR*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**318,427,733**	348,681,653
Goodwill	7	**38,228,526**	38,228,526
Intangible asset	8	**1,984,199**	4,301,816
Right-of-use assets	9	**12,474,390**	17,954,479
Advance for investment	14	**10,000,000**	-
Deferred tax assets	18.2	**4,712,690**	2,699,011
TOTAL NON-CURRENT ASSETS		**385,827,538**	411,865,485
CURRENT ASSETS			
Inventories	10	**165,425,271**	130,768,473
Accounts receivable and prepayments	11	**210,935,646**	143,792,134
Cash and cash equivalents	12	**12,801,519**	10,753,400
TOTAL CURRENT ASSETS		**389,162,436**	285,314,007
TOTAL ASSETS		**774,989,974**	697,179,492
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13(a)	**200,000,000**	200,000,000
Statutory reserve	13(b)	**60,000,000**	60,000,000
Retained earnings		**116,455,669**	131,848,289
TOTAL EQUITY		**376,455,669**	391,848,289
NON-CURRENT LIABILITIES			
Lease liabilities	9	**8,645,215**	11,659,752
Employee benefits	16	**49,924,820**	50,329,063
TOTAL NON-CURRENT LIABILITIES		**58,570,035**	61,988,815
CURRENT LIABILITIES			
Accounts payable and accruals	17	**261,336,626**	202,840,784
Short term borrowings	15	**70,000,000**	29,400,000
Current portion of lease liabilities	9	**7,164,124**	6,748,153
Zakat and tax payable	18	**1,463,520**	4,353,451
TOTAL CURRENT LIABILITIES		**339,964,270**	243,342,388
TOTAL LIABILITIES		**398,534,305**	305,331,203
TOTAL EQUITY AND LIABILITIES		**774,989,974**	697,179,492

The attached notes from 1 to 31 form an integral part of these financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Note	*2021* *SR*	*2020* *SR*
Revenue		**1,049,571,818**	933,403,125
Cost of revenue		**(941,602,973)**	(736,335,070)
GROSS PROFIT		**107,968,845**	197,068,055
EXPENSES			
Selling and distribution	19	**(43,076,600)**	(45,766,059)
General and administrative	20	**(60,302,123)**	(70,477,342)
OPERATING PROFIT		**4,590,122**	80,824,654
Finance costs	21	**(2,322,148)**	(3,500,762)
Other income	22	**4,302,388**	4,798,319
PROFIT FOR THE YEAR BEFORE ZAKAT AND TAX		**6,570,362**	82,122,211
Zakat charge	18	**(1,588,506)**	(2,280,000)
Tax credit/(charge), net	18	**2,065,848**	(2,148,473)
PROFIT FOR THE YEAR		**7,047,704**	77,693,738

The attached notes from 1 to 31 form an integral part of these financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	*2021* *SR*	*2020* *SR*
PROFIT FOR THE YEAR		**7,047,704**	77,693,738
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that will not be reclassified to statement of profit or loss in subsequent periods:			
Re-measurement gain/(losses) on defined benefit obligation	16	**2,723,060**	(393,542)
Deferred tax relating to actuarial (gain)/losses	18.2	**(163,384)**	11,570
		2,559,676	(381,972)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9,607,380**	77,311,766

The attached notes from 1 to 31 form an integral part of these financial statements.

UNITED CARTON INDUSTRIES COMPANY (A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Saudi shareholders (note 1)			Non-Saudi shareholder (note 1)			Total			
	Share capital SR	*Statutory reserve SR*	*Retained earnings SR*	*Share capital SR*	*Statutory reserve SR*	*Retained earnings SR*	*Share capital SR*	*Statutory reserve SR*	*Retained earnings SR*	***Total SR***
Balance as at 1 January 2020	170,600,000	51,180,000	130,669,434	29,400,000	8,820,000	23,867,089	200,000,000	60,000,000	154,536,523	414,536,523
Profit before zakat and tax	-	-	70,050,246	-	-	12,071,965	-	-	82,122,211	**82,122,211**
Zakat and tax (note 18)	-	-	(2,280,000)	-	-	(2,148,473)	-	-	(4,428,473)	**(4,428,473)**
Other comprehensive loss for the year, net	-	-	(335,691)	-	-	(46,281)	-	-	(381,972)	**(381,972)**
Total comprehensive income for the year	-	-	67,434,555	-	-	9,877,211	-	-	77,311,766	**77,311,766**
Dividends (note13(c))	-	-	(85,300,000)	-	-	(14,700,000)	-	-	(100,000,000)	**(100,000,000)**
Balance as at 31 December 2020	170,600,000	51,180,000	112,803,989	29,400,000	8,820,000	19,044,300	200,000,000	60,000,000	131,848,289	**391,848,289**
Transfer of non-Saudi shareholder % (note 1)	(30,600,000)	(9,180,000)	(20,233,306)	30,600,000	9,180,000	20,233,306	-	-	-	**-**
Profit before zakat and tax	-	-	5,309,825	-	-	1,260,537	-	-	6,570,362	**6,570,362**
Zakat and tax (note 18)	-	-	(1,588,506)	-	-	2,065,848	-	-	477,342	**477,342**
Other comprehensive income for the year, net	-	-	2,200,635	-	-	359,041	-	-	2,559,676	**2,559,676**
Total comprehensive income for the year	-	-	5,921,954	-	-	3,685,426	-	-	9,607,380	**9,607,380**
Dividends (note13(c))	-	-	(17,500,000)	-	-	(7,500,000)	-	-	(25,000,000)	**(25,000,000)**
Balance as at 31 December 2021	**140,000,000**	**42,000,000**	**80,992,637**	**60,000,000**	**18,000,000**	**35,463,032**	**200,000,000**	**60,000,000**	**116,455,669**	**376,455,669**

The attached notes from 1 to 31 form an integral part of these financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Note	2021 SR	2020 SR
OPERATING ACTIVITIES			
Profit for the year before zakat and tax		**6,570,362**	82,122,211
Adjustments to reconcile profit before zakat and tax to net cash flows:			
Movement in allowance for inventories	10	**(800,000)**	4,830,480
Depreciation of property, plant and equipment	6	**50,590,809**	53,486,932
Depreciation of right-of-use assets	9	**6,872,674**	7,077,586
Reversal of impairment loss of property, plant and equipment	6(a)	**(2,832,417)**	(4,209,075)
Amortisation of intangible asset	8	**2,317,617**	2,317,617
Provision for impairment of trade receivables	11	**700,000**	2,650,000
Provision for employee benefits	16	**6,423,112**	6,587,112
Loss on disposal of property, plant and equipment		**5,739**	
Finance costs on deferred purchase consideration	21	**-**	1,020,340
Finance costs on short term borrowings	21	**365,941**	186,303
Finance costs on lease liabilities	21	**898,165**	874,254
		71,112,002	156,943,760
Working capital changes:			
Increase in accounts receivable and prepayments		**(66,850,331)**	(3,974,739)
Increase in inventories		**(33,856,798)**	(6,057,630)
Increase/(decrease) in accounts payables and accruals		**58,495,842**	(16,421,909)
Cash flows from operations		**28,900,715**	130,489,482
Zakat & income tax paid	18	**(5,582,833)**	(3,168,450)
Employee benefits paid	16	**(4,104,295)**	(5,888,116)
Finance costs paid	9	**(1,264,106)**	(1,060,557)
Net cash flows from operating activities		**17,949,481**	120,372,359
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(17,510,211)**	(17,554,601)
Payment of advance for investment	14	**(10,000,000)**	-
Net cash flows used in investing activities		**(27,510,211)**	(17,554,601)
FINANCING ACTIVITIES			
Dividends paid	13(c)	**(25,000,000)**	(100,000,000)
Long term payable		**-**	(24,000,000)
Short term borrowings – net	15	**40,600,000**	29,400,000
Payment of principal portion of lease liabilities	9	**(3,991,151)**	(7,241,529)
Net cash flows from/(used in) financing activities		**11,608,849**	(101,841,529)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,048,119**	976,229
Cash and cash equivalents at the beginning of the year		**10,753,400**	9,777,171
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**12,801,519**	10,753,400
SUPPLEMENTARY NON-CASH INFORMATION			
Deferred tax assets	18.2	**2,013,679**	63,097
Actuarial (gain)/loss on defined benefit obligation	16	**(2,723,060)**	393,542
Right-of-use assets and lease liabilities	9	**1,392,585**	5,423,376
Spare parts written off	10	**-**	5,664,855
Accounts receivable written off	11	**108,085**	-
Advance tax reclassified to prepayments	11	**993,181**	-

The attached notes from 1 to 31 form an integral part of these financial statements.

1 CORPORATE INFORMATION

United Carton Industries Company (the "Company") is a Closed Joint Stock Company. The Company was initially registered as a Limited Liability Company in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 4030065231 dated 18 Ramadan 1409H (corresponding 23 April 1989). The shareholders of the Company resolved to change the legal status of the Company from "Limited Liability Company" to "Closed Joint Stock Company". The Ministry of Commerce and Investment announced the formation of Closed Joint Stock Company on 16 Jumada I 1438 H (corresponding to 13 February 2017).

During the year, on 16 September 2021, the shareholding of one of its shareholders namely Frimex Investment LLC was changed to 100% non-Saudi/GCC shareholding (2020: 51% GCC shareholding and 49% non-GCC shareholding). As a result thereof, 70% of the Company's shareholding is owned by Saudi/Gulf Cooperation Council (GCC) shareholders (2020: 85.3%) and the remaining 30% is owned by non-Saudi/GCC shareholders (2020: 14.7%). The Company is engaged in the manufacturing and sale of corrugated carton containers and plates and has eight branches as detailed in note 29.

During the year, the Company entered into a share purchase agreement to acquire 100% shares of a limited liability company, incorporated in the Kingdom of Saudi Arabia, primarily engaged in the business of duplex packaging. The transaction is subject to necessary regulatory approvals and condition precedents (note 14).

The Company's registered office is located at the following address:

P.O. Box 31503, Industrial Area – Phase No. 5
Jeddah, 21418
Saudi Arabia

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.2 Basis of measurement

The financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept, except for employees benefit liabilities where actuarial present value calculations are used. The financial statements provide comparative information in respect of the previous year.

2.3 Functional and presentation currency

The financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Company.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Company's 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. However, in view of the current uncertainties, including COVID-19 related uncertainties, any change in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is still evolving with future uncertainties, management will continue to assess the impact based on prospective developments (see also note 30).

Other disclosures relating to the Company's exposure to risks and uncertainties includes:

- Sensitivity analyses disclosures (note 16 & 25)
- Financial instruments risk management and policies (note 25)
- Capital management (note 26)

UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)
NOTES TO THE FINANCIAL STATEMENTS (continued)
At 31 December 2021

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

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

Determining the lease term of contracts with termination options – Company as lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise termination. After the commencement date, the Company 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 terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Revenue from contracts with customers
The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining method to estimate variable consideration and assessing the constraint
Certain contracts for the sale of goods include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration, the Company is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Company determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for the sale of goods with volume rebate as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlement based on volume thresholds and purchase made by them during the period. Since the Company manufacture products based on customer orders with right to return within a specific period if the goods do not meet the quality criteria, the defective products are exchanged for a functioning product and are evaluated in accordance with IAS 37 Provision, Contingent Liabilities and Contingent Assets.

Before including any amount of variable consideration in the transaction price, the Company considers whether the amount of variable consideration is constrained. The Company determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty, if any, on the variable consideration will be resolved within a short time frame.

Going concern
The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. The assessment of COVID-19 is disclosed in note 30.

Deferred tax assets
Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

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 Company based its assumptions and estimates on parameters available when the 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 Company. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives of property, plant and equipment/intangible asset

The Company's management determines the estimated useful lives of its property, plant and equipment/intangible asset for calculating depreciation/amortisation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation/amortisation charges are adjusted where the management believes the useful lives differ from previous estimates.

Allowance for inventory loss

The Company recognizes an allowance for inventory losses due to factors such as obsolescence, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new products or technology by the competitors, past trends and both existing and emerging market conditions.

Provision for expected credit losses (ECLs) of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 25.

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 Company 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 Company. The key assumptions used to determine the recoverable amount for the different CGUs, are disclosed and further explained in note 7.

Defined benefit plan

The cost of the defined benefit plan and the present value of the obligation is determined using actuarial valuation. 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 employee turnover rate. 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 market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 16.

2 BASIS OF PREPARATION (continued)

2.4 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Refund liabilities (variable consideration for volume rebates) and estimating provision for returns
The Company estimates provision for returns and variable considerations to be included in the transaction price for the sale of goods with volume rebates.

The Company manufacture the products based on orders of the customers with a right to return the goods within a specified period, if the goods do not meet the quality criteria. Contracts in which a customer may return a defective product in exchange for a functioning product are evaluated in accordance with the IAS 37.

Determining whether a customer will be likely entitled to rebate will depend on the customer's rebates entitlement and accumulated purchases. The Company applied most likely method for estimating expected volume rebates for contracts. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Company.

The Company updates its assessment of provision for expected returns and volume rebates annually and accordingly the provision and refund liabilities are adjusted respectively. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Company's past experience regarding returns and rebate entitlements and may not be representative of customers' actual returns and rebate entitlements in the future.

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. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

Provisions
Provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Leases - Estimating the incremental borrowing rate
The Company 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 Company 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 Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except as mentioned in note 4, in the preparation of these financial statements:

3.1 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company in its 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 recognised in statement of profit or loss. 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. 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. 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 Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

3.2 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

Assets
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.

Liabilities
A liability is current when it is:

- expected to be settled in the normal operating cycle;
- held primarily for the purpose of trading;
- 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.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of profit or loss.

Capital work in progress

Capital work-in-progress represents all costs relating directly and indirectly to the projects in progress and is capitalized as property, plant and equipment when the project is completed.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss as incurred.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For impairment assessment of property, plant and equipment, please refer note 3.10.

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

- Buildings 20 years
- Motor vehicles 4 years
- Machinery and equipment 4 - 10 years
- Furniture and office equipment 4 - 10 years

3.4 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 capitalised 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 finance cost and other costs that an entity incurs in connection with the borrowing of funds.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Leases

The Company 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.

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

Right-of-use assets
The Company recognises 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 over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Leasehold land 10 to 20 years;
- Warehouse and accommodation 3 to 5 years; and
- Motor vehicles 3 to 4 years.

If ownership of the leased asset transfers to the Company 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, refer note 3.10.

Lease liabilities
At the commencement date of the lease, the Company recognises 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company 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.

In calculating the present value of lease payments, the Company 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 finance cost 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. The unwinding component of finance cost is included in the statement of profit or loss.

Short-term leases and leases of low-value assets
The Company 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 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 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 amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in statement of 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 amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation 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.

Intangible assets with indefinite useful lives (goodwill) are not amortised, 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 derecognised 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.

Intangible asset represents customer relationship and is amortized over a period of 10 years. For impairment of intangible asset, please refer note 3.10.

3.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined as follows:

- Raw materials and spares - purchase cost on a weighted average basis.
- Work in progress and finished goods - cost of direct materials and labour plus attributable overheads based on normal level of activity.
- Goods in transit - comprises the invoiced value of goods shipped prior to the year end and other incidentals paid thereon.

Net realisable 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.

3.8 Cash and cash equivalents

Cash and cash equivalents 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 statement of cash flows, cash and cash equivalents consist of cash at banks and on hand.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments

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, or fair value through other comprehensive income (OCI) or fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company 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 are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers. Refer to the accounting policy in note 3.15.

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 Company'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 Company 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

Financial assets at amortised cost (debt instruments) category is relevant to the Company as mentioned below:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes cash and cash equivalents, trade and other receivables and other financial asset.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

i) Financial assets (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company 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 Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company 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 Company could be required to repay.

Impairment
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company generally considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. 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, borrowings or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade payables, lease liabilities, other liabilities, and short term borrowings.

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

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Financial instruments (continued)

ii) Financial liabilities (continued)

Financial liabilities at amortised cost category is relevant to the Company as mentioned below:

Financial liabilities at amortised cost
After initial recognition, liabilities are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of finance cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the statement of profit or loss.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition
A financial liability is derecognised 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 statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

3.10 Impairment of non-financial assets

The Company 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 Company 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.

The Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company'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.

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 Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss, except for impairment losses relating to goodwill, 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. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets, with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Employee benefits

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

Post-employment benefits
The Company's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss (refer to note 16).

3.12 Provisions

Provisions are recognised when the Company 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. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. 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.

3.13 Cash dividend and non-cash distribution to shareholders of the Company

The Company recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Company. As per the by-laws of the Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

3.14 Zakat and tax

Zakat
The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Provision for zakat for the Company is charged to the statement of profit or loss.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Zakat and tax (continued)

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the statement of profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax
The Company withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value Added Tax ("VAT")
Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

3.15 Revenue recognition

The Company is in the business of manufacture and sale of corrugated carton containers and plates. 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 Company expects to be entitled in exchange for those goods or services. The Company 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. The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 2.4.

The Company disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company sells corrugated carton containers and plates, for which revenue is recognised at the point in time when control of the goods is transferred and majority of the sale of goods is within Kingdom of Saudi Arabia.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Revenue recognition (continued)

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The normal credit term is zero to 90 days upon delivery. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

Rights of return
Certain contracts provide a customer with a right to return the goods within a specified period, if the goods do not meet the quality criteria. Contracts in which a customer may return a defective product in exchange for a functioning product are evaluated in accordance with the IAS 37.

(i) Variable consideration
If the consideration in a contract includes a variable amount, the Company 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. Some contracts for the sale of goods provide customers with volume rebates giving rise to variable consideration.

- ***Volume rebates***

The Company provides volume rebates to certain customers once their purchase during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlements based on volume thresholds and purchase made by them during the period. The Company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

- ***Refund liabilities***

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Company ultimately expects it will have to return to the customer. The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

(ii) Significant financing component
Generally, the Company receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

3.16 Expenses

Cost of revenue
Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labour and other attributable overhead costs.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses. These also include allocations of certain general overheads.

General and administrative expenses
These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Company applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1 Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

4.2 Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

5.1 IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. 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 an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the 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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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

In January 2020, 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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments did not have a material impact on the Company as at the date of these financial statements.

5.3 Reference to the Conceptual Framework – *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework.* The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Company.

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

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

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

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

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

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

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

5.8 IAS 41 ***Agriculture*** **– Taxation in fair value measurements**

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 *Agriculture.* The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

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5 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.9 Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides 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 to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

6 PROPERTY, PLANT AND EQUIPMENT

	Land *SR*	*Buildings* *SR*	*Motor vehicles* *SR*	*Machinery and equipment* *SR*	*Furniture and office equipment* *SR*	*Capital work in progress* *SR*	*Total* *SR*
Cost:							
At 1 January 2020	5,427,488	241,511,964	4,215,633	922,538,400	80,821,968	19,893,585	1,274,409,038
Additions during the year	-	2,030,595	-	4,878,066	2,974,408	7,671,532	17,554,601
Transfers	-	4,601,766	-	17,305,003	210,000	(22,116,769)	-
At 31 December 2020	5,427,488	248,144,325	4,215,633	944,721,469	84,006,376	5,448,348	**1,291,963,639**
Additions during the year	-	1,928,694	628,531	4,824,445	3,471,638	6,656,903	**17,510,211**
Disposals	-	(1,418,733)	(192,046)	(4,149,902)	(4,895,339)	-	**(10,656,020)**
Transfers	-	322,928	-	9,919,169	-	(10,242,097)	-
At 31 December 2021	**5,427,488**	**248,977,214**	**4,652,118**	**955,315,181**	**82,582,675**	**1,863,154**	**1,298,817,830**
Depreciation and impairment:							
At 1 January 2020	-	111,104,232	3,317,143	708,258,031	71,324,723	-	894,004,129
Charge for the year	-	9,719,108	418,682	36,527,543	6,821,599	-	53,486,932
Allowance for impairment	-	-	-	(4,209,075)	-	-	(4,209,075)
At 31 December 2020	-	120,823,340	3,735,825	740,576,499	78,146,322	-	**943,281,986**
Charge for the year	-	9,705,102	469,279	34,337,664	6,078,764	-	**50,590,809**
Disposals	-	(1,418,733)	(192,046)	(4,145,457)	(4,894,045)	-	**(10,650,281)**
Allowance for impairment	-	(1,027,483)	-	(1,434,736)	(370,198)	-	**(2,832,417)**
At 31 December 2021	-	**128,082,226**	**4,013,058**	**769,333,970**	**78,960,843**	-	**980,390,097**
Net book amounts:							
At 31 December 2021	**5,427,488**	**120,894,988**	**639,060**	**185,981,211**	**3,621,832**	**1,863,154**	**318,427,733**
At 31 December 2020	5,427,488	127,320,985	479,808	204,144,970	5,860,054	5,448,348	348,681,653

6 PROPERTY, PLANT AND EQUIPMENT (continued)

a) During 2012, the Company received a notification from Ministry of Rural Affairs to vacate one of its plants, located in Riyadh, as the land on which the plant was operating, is located in a zone which should not be used for industrial purposes. Initially, the Company obtained permission from Ministry of Rural Affairs to continue the operations at the same place till March 2014.

Subsequently, based on request from the Company, the government authorities initiated actions to reassess the environmental impact of the factories operating in that zone. In this regard, the Company undertook an environmental impact assessment and was issued an environmental certificate, certifying its compliance with the environmental standards, which was valid up to 2019 and is currently under renewal.

During 2021, management has reassessed the impairment allowance relating to property, plant and equipment of SR 8.75 million (2020: SR 11.58 million) and has reversed an amount of SR 2.83 million (2020: SR 4.2 million) which is included as other income in note 22 to these financial statements.

b) Capital work in progress mainly represents cost of production facility improvements and upgrades.

c) The depreciation charge for the year has been allocated as follows:

	2021 ***SR***	*2020* *SR*
Cost of revenue	**47,429,428**	48,674,373
Selling and distribution expenses (note 19)	**264,542**	439,036
General and administrative expenses (note 20)	**2,896,839**	4,373,523
	50,590,809	53,486,932

7 GOODWILL

This represents purchase consideration in excess of the fair value of the net assets of National Packing Products Company Limited ("NPPCL") acquired during 2015 based on valuation report of an independent consultant. NPPCL was merged with and into the Company effective 1 January 2019.

For impairment testing, goodwill is allocated to the NPPCL Cash Generating Unit (CGU). The Company performs its annual impairment testing as at 31 December every year. The recoverable amount of the NPPCL CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect changes in demand for products and services. The pre-tax discount rate applied to the cash flow projections is 9.65% (2020: 9.15%). The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 2% (2020: 2%). This growth rate is lower than the industry average growth rate by 1.5%. As a result of the analysis, there is headroom of SR 328.22 million (2020: SR 350.57 million) and management did not identify an impairment for this CGU.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions
The calculation of value in use is most sensitive to the following assumptions:

- Gross margin;
- Discount rate; and
- Growth rates used to extrapolate cash flows beyond the forecast period.

A reasonable possible change in the above assumptions will not cause the carrying amount of the goodwill to exceed the recoverable amount.

8 INTANGIBLE ASSET

	2021 *SR*	*2020* *SR*
Cost		
Balance at start and end of the year	**23,176,171**	23,176,171
Amortization		
Balance at start of the year	**18,874,355**	16,556,738
Charge for the year (note 20)	**2,317,617**	2,317,617
	21,191,972	18,874,355
Net book value at the end of the year	**1,984,199**	4,301,816

9 LEASES

The Company has lease contracts for various lands, warehouses, accommodations and motor vehicles used in its operations. Leases of land generally have lease terms between 10 and 20 years, warehouses and accommodations have lease terms from 3 to 5 years while motor vehicles generally have lease terms up to 4 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

The Company also has certain leases of accommodation buildings with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(a) Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Leasehold lands *SR*	*Warehouses and accommodations* *SR*	*Motor vehicles* *SR*	*Total* *SR*
As at 1 January 2020	7,175,470	9,801,100	2,632,119	19,608,689
Additions	-	4,858,983	564,393	5,423,376
Depreciation expense	(567,133)	(5,203,022)	(1,307,431)	(7,077,586)
As at 31 December 2020	**6,608,337**	**9,457,061**	**1,889,081**	**17,954,479**
Additions	**-**	**487,665**	**904,920**	**1,392,585**
Depreciation expense	**(487,671)**	**(5,228,658)**	**(1,156,345)**	**(6,872,674)**
As at 31 December 2021	**6,120,666**	**4,716,068**	**1,637,656**	**12,474,390**

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9 LEASES (continued)

The depreciation charge for the year has been allocated as follows:

	2021 *SR*	*2020* *SR*
Cost of revenue	**5,914,468**	6,052,327
Selling and distribution expenses (note 19)	**58,794**	129,415
General and administrative expenses (note 20)	**899,412**	895,844
	6,872,674	7,077,586

(b) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2021 *SR*	*2020* *SR*
As at 1 January	**18,407,905**	20,226,058
Additions	**1,392,585**	5,423,376
Accretion of finance cost (note 21)	**898,165**	874,254
Payments	**(4,889,316)**	(8,115,783)
As at 31 December	**15,809,339**	18,407,905
Current	**7,164,124**	6,748,153
Non-current	**8,645,215**	11,659,752

The maturity analysis of lease liabilities is disclosed in note 25.

(c) The following are the amounts recognised in the statement of profit or loss:

	2021 *SR*	*2020* *SR*
Depreciation expense of right-of-use assets	**6,872,674**	7,077,586
Finance cost on lease liabilities	**898,165**	874,254
Expense relating to short-term leases (included in cost of revenue)	**181,942**	844,767
Expense relating to short-term leases (included in general and administrative expenses)	**181,475**	391,393
Total amount recognised in statement of profit or loss	**8,134,256**	9,188,000

The Company had total cash outflows for leases of SR 4.9 million (2020: SR 8.12 million). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR 1.39 million (2020: SR 5.42 million).

The Company has several lease contracts that include termination option. The option is negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether this termination option is reasonably certain to be exercised.

10 INVENTORIES

	2021 SR	2020 SR
Raw materials	**139,749,375**	104,476,484
Work in progress	**1,000,139**	607,988
Finished goods	**1,764,699**	2,671,581
Spares	**48,941,251**	54,049,666
	191,455,464	161,805,719
Less: Allowance for slow moving inventories (refer below)	**(43,791,064)**	(44,591,064)
Goods in transit	**17,760,871**	13,553,818
Inventories, net	**165,425,271**	130,768,473

a) Movement in the allowance for slow moving inventories is as follows:

	2021 SR	2020 SR
At the beginning of the year	**44,591,064**	45,425,439
Charge for the year for spares inventories	-	4,830,480
Reversed during the year for raw materials inventories	**(800,000)**	-
Spares written off during the year	-	(5,664,855)
At the end of the year	**43,791,064**	44,591,064

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2021 SR	2020 SR
Trade accounts receivable	**194,885,236**	132,446,690
Less: Allowance for expected credit losses (see note (a) below)	**(8,000,889)**	(7,408,974)
Net trade accounts receivable	**186,884,347**	125,037,716
Amounts due from related parties (note 23)	**7,902,427**	6,299,658
Advances to suppliers	**7,977,842**	5,284,421
Prepayments	**3,790,921**	3,737,172
Employee loans	**3,103,272**	3,077,720
Margin on letters of guarantee	**187,625**	187,625
Refund of tax receivable from tax authorities (note 18.2 & note (b))	**993,181**	-
Other	**96,031**	167,822
	210,935,646	143,792,134

a) Movement in the allowance for expected credit losses of receivables is as follows:

	2021 SR	2020 SR
At the beginning of the year	**7,408,974**	4,758,974
Provision during the year (note 20)	**700,000**	2,650,000
Written off during the year	**(108,085)**	-
At the end of the year (note 25)	**8,000,889**	7,408,974

The information about the credit exposures is disclosed in note 25.

b) This represents excess amount paid during the year which will be adjusted against future tax liability or refunded by ZATCA.

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12 CASH AND CASH EQUIVALENTS

	2021 *SR*	*2020* *SR*
Cash in hand	**84,735**	180,487
Bank balances	**12,716,784**	10,572,913
	12,801,519	10,753,400

13 EQUITY

(a) Share capital
Share capital of the Company is divided into 20 million (2020: 20 million) shares of SR 10 each and held by the following shareholders:

Name of the shareholders	***Country of incorporation***	*2021* *SR*	*2020* *SR*
Zamil Group Holding Company	Kingdom of Saudi Arabia	**60,000,000**	60,000,000
Omar K. Alesayi & Company	Kingdom of Saudi Arabia	**60,000,000**	60,000,000
Frimex Investment (L.L.C)	United Arab Emirates (note 1)	**60,000,000**	60,000,000
Zamil Group Investment Company	Kingdom of Saudi Arabia	**10,000,000**	10,000,000
Eastern Industrial Investment Company	Kingdom of Saudi Arabia	**10,000,000**	10,000,000
Total		**200,000,000**	200,000,000

(b) Statutory reserve
In accordance with the by-laws of the Company, the Company must transfer 10% of its net income for the year to the statutory reserve until it equals to 30% of the share capital. This having been achieved, the Company has resolved to discontinue further transfers. The reserve is not available for distribution.

(c) Dividends
The shareholders of the Company have approved dividend of SR 25 million (2020: SR 100 million), which has been paid in cash during the year.

14 ADVANCE FOR INVESTMENT

This represents the initial payment in respect of the share purchase agreement (refer note 1) signed by the Company and is secured by a standby letter of credit provided by the seller.

15 SHORT TERM BORROWINGS

Short term borrowings are obtained from local banks to finance the working capital of the Company. These are secured against promissory notes and carry commission at commercial rates.

16 EMPLOYEE BENEFITS

General description of the plan

The Company operates an unfunded employees' End of Service Benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labour Law. The movement in EOSB is as follows:

	2021 ***SR***	*2020* *SR*
Balance at the beginning of the year	**50,329,063**	49,236,525
Included in statement of profit or loss		
Current service cost	**5,363,742**	5,114,555
Interest cost	**1,059,370**	1,472,557
	6,423,112	6,587,112
Included in statement of other comprehensive income		
Actuarial (gain)/loss	**(2,723,060)**	393,542
Benefits paid	**(4,104,295)**	(5,888,116)
Balance at the end of the year	**49,924,820**	50,329,063

Allocation of EOSB charge between cost of revenue, selling and distribution expenses and general and administrative expenses is as follows:

	2021 ***SR***	*2020* *SR*
Cost of revenue	**3,753,758**	3,849,602
Selling and distribution expenses	**867,218**	889,360
General and administrative expenses	**1,802,136**	1,848,150
	6,423,112	6,587,112

Actuarial assumptions

The following were the principal actuarial assumptions applied at the reporting date:

	2021	*2020*
Discount rate	**2.55%**	2.00%
Future salary growth / Expected rate of salary increase		
- First year	**3.50%**	3.00%
- Second year	**4.00%**	3.50%
- Thereafter	**4.00%**	4.00%
Mortality rate	**1.28 – 10.55 per thousand**	0.75 – 5.25 per thousand
Employee turnover / withdrawal rates	**Moderate**	Moderate
Retirement age	**60 years**	60 years

16 EMPLOYEE BENEFITS (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

	Impact on defined benefit obligation	
	2021	*2020*
	SR	*SR*
Discount rate:		
+0.50% increase	**(1,961,143)**	(2,116,114)
-0.50% decrease	**2,114,812**	2,286,482
Salary increase rate:		
+0.50% increase	**1,948,276**	1,855,943
-0.50% decrease	**(1,827,008)**	(1,739,635)
Employee turnover rate:		
+10% increase	**(483,589)**	(616,314)
-10% decrease	**515,913**	657,359
Mortality rate:		
+10% increase	**(28,650)**	(20,979)
-10% decrease	**23,664**	9,722

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit obligation is 8.08 years (2020: 8.49 years).

The following is the breakup of the actuarial (gain)/loss:

	2021	*2020*
	SR	*SR*
Financial assumptions	**(2,335,347)**	1,386,705
Experience adjustments	**(225,684)**	(993,163)
Demographic assumption	**(162,029)**	-
	(2,723,060)	393,542

The following payments are expected for the defined benefit plan in future years:

	2021	*2020*
	SR	*SR*
Within the next 12 months (next annual reporting period)	**3,274,535**	2,936,818
Between 1 and 5 years	**22,458,428**	22,848,620
Between 5 and 10 years	**26,766917**	25,743,044
Total expected payments	**52,499,880**	51,528,482

17 ACCOUNTS PAYABLE AND ACCRUALS

	2021 SR	*2020 SR*
Trade accounts payable	**211,779,022**	142,754,269
Amount due to related parties (note 23)	-	18,910
Advances from customers	**7,606,394**	8,515,506
Accrued expenses	**35,539,683**	46,432,220
Refund liabilities	**1,901,130**	1,525,672
Other payables	**4,510,397**	3,594,207
	261,336,626	202,840,784

For explanations on the Company's liquidity risk management processes, refer to note 25.

18 ZAKAT AND INCOME TAX

18.1 ZAKAT

Charge for the year

The zakat charge is calculated on zakat base relating to Saudi/GCC shareholding which was 85.3% up to 15 September 2021 and 70% thereafter.

	2021 SR	*2020 SR*
Zakat relating to current year (see note below)	**1,398,442**	2,136,007
Zakat relating to prior year	**190,064**	143,993
	1,588,506	2,280,000

The zakat charge is based on the following:

	2021 SR	*2020 SR*
Equity	**385,434,270**	268,299,654
Opening provisions and other adjustments	**57,311,783**	90,653,322
Book value of long-term assets (net of related financing)	**(376,591,969)**	(395,123,364)
	66,154,084	(36,170,388)
Zakatable income for the year	**11,553,991**	82,837,189
Zakat base	**54,600,093**	46,666,801

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18 ZAKAT AND INCOME TAX (continued)

18.1 ZAKAT (continued)

Movement in provision during the year

The movement in the zakat provision for the year is as follows:

	2021 *SR*	*2020* *SR*
Balance at the beginning of the year	**2,136,007**	1,368,901
Net charge for the year	**1,588,506**	2,280,000
Payments during the year	**(2,260,993)**	(1,512,894)
Balance at the end of the year	**1,463,520**	2,136,007

18.2 INCOME TAX

The major components of income tax in the statement of profit or loss can be broken down as follows for the year ended 31 December:

	2021 *SR*	*2020* *SR*
Current income tax		
Current year	**111,215**	2,200,000
Deferred income tax		
Current year credit	**(2,177,063)**	(51,527)
Total income tax (credit)/charge reported in the statement of profit or loss	**(2,065,848)**	2,148,473
Deferred tax charged/(credited) to OCI - remeasurement gain/(loss) on defined benefit obligations	**163,384**	(11,570)

Reconciliation of tax expense and the accounting profit for the year ended:

	2021 *SR*	*2020* *SR*
Profit before zakat and income tax	**6,570,362**	82,122,211
Saudi/GCC shareholding not subject to tax	**(5,309,825)**	(70,050,246)
Profit subject to income tax	**1,260,537**	12,071,965
Income tax expense as per tax rate of 20% applicable in KSA	**252,107**	2,414,393
Adjustments for amounts which are not deductible in calculating taxable income	**(2,317,955)**	(265,920)
At the effective income tax rate of 163.89% credit (2020: 17.80% charge)	**(2,065,848)**	2,148,473
Tax rate	**20.00%**	20.00%
Share of non-Saudi shareholder	**30.00%**	14.70%

18 ZAKAT AND INCOME TAX (continued)

18.2 INCOME TAX (continued)

The movement in the income tax provision during the year is as follows:

	2021 *SR*	*2020* *SR*
At the beginning of the year	**2,217,444**	1,673,000
Provided during the year	**111,215**	2,200,000
Paid during the year	**(2,214,560)**	(1,655,556)
Paid in advance	**(1,107,280)**	-
At the end of the year	**(993,181)**	2,217,444
Reclassified to prepayments and other receivables (refer note 11)	**993,181**	-
	-	2,217,444

Components of deferred tax are as follows:

	2021 *SR*	*2020* *SR*
Difference in accounting and tax base of property, plant and equipment	**(1,040,575)**	(252,802)
Goodwill	**(621,596)**	(101,153)
Intangible asset	**271,855**	44,491
Inventories provisions	**2,627,464**	1,310,977
Receivables provisions	**480,053**	217,824
Employee benefits	**2,995,489**	1,479,674
Net deferred tax assets	**4,712,690**	2,699,011

The movement of the deferred tax asset for the year 31 December is as follows:

	2021 *SR*	*2020* *SR*
As at 1 January	**2,699,011**	2,635,914
Deferred tax credit during the year recognised in statement of profit or loss	**2,177,063**	51,527
Deferred tax (charged)/credited to other comprehensive income	**(163,384)**	11,570
As at 31 December	**4,712,690**	2,699,011

Status of assessments

Zakat assessments have been agreed with the Zakat, Tax and Customs Authority (ZATCA) up to 2012 and for the year 2015.

During 2019, the Company received assessment for the years 2013 and 2014 claiming additional zakat aggregating to SR 3.5 million due to certain additions to zakat base made by ZATCA. The Company submitted an objection to ZATCA against the total amount of assessment for these years.

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18 ZAKAT AND INCOME TAX (continued)

Status of assessments (continued)

Following the Company's objection, a revised assessment, reducing the additional zakat claim to SR 2.6 million was issued by ZATCA after accepting the Company's contention on depreciation. The Company escalated the objection against the revised assessment issued by ZATCA through the General Secretariat of Tax Committees (GSTC) to Tax Violations and Disputes Resolution Committee ("TVDRC"). During the year, GSTC scheduled a hearing on Company's objections where TVDRC ruled partially in favour of the Company thereby reducing the assessment to SR 2 million. The Company subsequently escalated its objection through GSTC which is awaited hearing by the Tax Violations and Disputes Appeal Committee.

Further, during the year, the zakat assessment for the year 2015 was finalized resulting in an additional zakat liability amounting to SR 0.19 million which was paid by the Company.

The assessments for the years 2016 to 2020 have not yet been raised by ZATCA.

19 SELLING AND DISTRIBUTION EXPENSES

	2021 *SR*	*2020* *SR*
Delivery costs	**28,236,702**	30,355,427
Employee costs	**13,924,964**	14,260,458
Depreciation on property, plant and equipment (note 6(c))	**264,542**	439,036
Depreciation on right-of-use assets (note 9(a))	**58,794**	129,415
Insurance	**173,987**	191,685
Others	**417,611**	390,038
	43,076,600	45,766,059

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 *SR*	*2020* *SR*
Employee costs	**31,034,486**	34,147,692
Board of Directors' remuneration (note 23)	**1,200,000**	1,200,000
Staff relations	**6,429,959**	7,399,372
License and software maintenance	**4,014,662**	4,612,005
Depreciation on property, plant and equipment (note 6(c))	**2,896,839**	4,373,523
Depreciation on right-of-use assets (note 9(a))	**899,412**	895,844
Amortization of intangible asset (note 8)	**2,317,617**	2,317,617
Provision for impairment of trade receivables (note 11)	**700,000**	2,650,000
Expenses related to COVID-19	**23,595**	2,403,074
Repairs and maintenance	**1,366,099**	2,084,755
Professional fees	**2,722,766**	1,950,319
Utilities	**1,311,457**	1,207,961
Insurance	**347,974**	383,370
Others	**5,037,257**	4,851,810
	60,302,123	70,477,342

21 FINANCE COSTS

	2021 SR	2020 SR
Finance cost on deferred purchase consideration	-	1,020,340
Loss on de-recognition of financial instrument	**674,737**	753,066
Finance cost on lease liabilities (note 9)	**898,165**	874,254
Finance cost on short term borrowings	**365,941**	186,303
Others	**383,305**	666,799
	2,322,148	3,500,762

22 OTHER INCOME

	2021 SR	2020 SR
Reversal of impairment on property, plant and equipment (note 6(a))	**2,832,417**	4,209,075
Reversal of impairment loss of inventories	**800,000**	-
Miscellaneous	**669,971**	589,244
	4,302,388	4,798,319

23 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company and entities significantly influenced by such parties. The following are the details of major related party transactions during the year:

Related party	*Nature of transaction*	*Transactions* 2021 SR	2020 SR
Sister concerns	Sales made	**44,602,906**	27,255,138

	Balance as at 2021 SR	2020 SR
Amount due from related parties (note 11)	**7,902,427**	6,299,658
Amount due to the related parties (note 17)	**-**	(18,910)
	7,902,427	6,280,748

Terms and conditions of transactions with related parties

Pricing policies and terms of these transactions are approved by the Company's management. Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2020: SR Nil). This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related party operates.

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23 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management compensation
Compensation for key management is as follows:

	2021 ***SR***	*2020* *SR*
Salaries and other benefits	**6,566,033**	7,461,614
End of service benefits	**617,866**	413,399
	7,183,899	7,875,013
Board of Directors' remuneration (note 20)	**1,200,000**	1,200,000

The amounts disclosed in the above table are the amounts recognised as an expense during the year related to key management personnel. As at 31 December 2021, the outstanding amount due from key management personnel was SR 385,629 (2020: SR 116,065) pertaining to interest free house-rent advance repayable in a period of up to six months from disbursement.

24 CONTINGENCIES AND COMMITMENTS

Contingencies
At 31 December 2021, the Company has outstanding letters of credit and bank guarantees amounting to SR 0.69 million (2020: SR 0.69 million) issued in the normal course of business.

Commitments
At 31 December 2021, the Company has future capital commitments amounting to SR 10 million (2020: SR 9.1 million).

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company's principal financial liabilities comprise short term borrowings, lease liabilities, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables and cash and cash equivalents.

The Company's activities expose it to a variety of financial risks: market risk (including commission rate risks, currency risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company's financial performance.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commission rate risk, currency risk and other price risk, such as equity price risk and commodity price risk.

Commission rate risk
Commission rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing commission rates on the Company's financial position and cash flows. The Company manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments. As at 31 December 2021 and based on the currently observable market environment, the Company is not significantly exposed to commission rate risk.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). Since the Company did not undertake significant transactions in currencies other than Saudi Riyal and US Dollar and as the Saudi Riyal is pegged to the US Dollar, therefore, transactions in foreign currencies are not considered to represent significant foreign currency risk.

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Commodity price risk
The Company is affected by the price volatility of certain commodities. Its operating activities require the ongoing purchase and manufacture of corrugated carton containers and plates and therefore require a continuous supply of paper. The Company is exposed to changes in the price of paper on its forecast paper purchases. The Company's management has developed and enacted a risk management strategy for commodity price risk and its mitigation.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables), including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables
Customer credit risk is managed as per the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and letters of credit or other forms of security are obtained from reputable banks and other financial institutions where possible. The 5 largest customers account for 20% of outstanding accounts receivable at 31 December 2021 (31 December 2020: 22%).

An impairment analysis is performed at reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity if the cost of such activity is expected to be higher than the benefit of doing so. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The letters of credit and other forms of security, if any, are considered integral part of trade receivables and considered in the calculation of impairment.

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

31 December 2021		*Days past due*					
	Current	***<90 days***	***90–180 days***	***181-270 days***	***271–365 days***	***>1 year***	***Total***
Expected credit loss rate	**0.64%**	**1.60%**	**20.91%**	**49.05%**	**100.00%**	**100.00%**	
	SR	***SR***	***SR***	***SR***	***SR***	***SR***	***SR***
Estimated total gross carrying amount at default	**135,038,124**	**49,795,022**	**3,450,729**	**1,680,615**	**766,842**	**4,153,904**	**194,885,236**
Expected credit loss (note 11)	**739,321**	**794,800**	**721,632**	**824,390**	**766,842**	**4,153,904**	**8,000,889**

31 December 2020		*Days past due*					
	Current	*<90 days*	*90–180 days*	*181-270 days*	*271–365 days*	*>1 year*	*Total*
Expected credit loss rate	0.61%	1.37%	18.74%	51.38%	100.00%	100.00%	
	SR	*SR*	*SR*	*SR*	*SR*	*SR*	*SR*
Estimated total gross carrying amount at default	80,611,292	42,360,188	3,318,319	910,306	429,882	4,816,703	132,446,690
Expected credit loss (note 11)	490,479	582,223	621,951	467,736	429,882	4,816,703	7,408,974

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25 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

Financial instruments and cash deposits
Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Board of Directors. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2021 and 31 December 2020 is equal to the respective carrying amounts.

Liquidity risk
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets.

The Company has managed, and continues to actively manage, the risks arising from COVID-19. This includes a financial response plan that incorporates scenario and contingency planning, stress testing of cash flow forecasts and sensitivity analysis.

The following is the contractual undiscounted maturity analysis of the financial liabilities of the Company. The Company does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

31 December 2021	***Within 1 year SR***	***1 to 5 years SR***	***More than 5 years SR***	***Total SR***
Short term borrowings	70,000,000	-	-	**70,000,000**
Lease liabilities	6,511,865	5,983,263	5,091,660	**17,586,788**
Accounts payable	211,779,022	-	-	**211,779,022**
	288,290,887	**5,983,263**	**5,091,660**	**299,365,810**

31 December 2020	*Within 1 year SR*	*1 to 5 years SR*	*More than 5 years SR*	*Total SR*
Short term borrowings	29,400,000	-	-	29,400,000
Lease liabilities	6,924,212	8,771,175	5,678,321	21,373,708
Accounts payable	142,773,179	-	-	142,773,179
	179,097,391	8,771,175	5,678,321	193,546,887

26 CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes share capital, statutory reserve and retained earnings attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximize the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus debt. The Company includes within debt, current and non-current portion of lease liabilities and short term borrowings.

	2021 ***SR***	*2020* *SR*
Debt – lease liabilities and short term borrowings (including current portion)	**85,809,339**	47,807,905
Equity	**376,455,669**	391,848,289
Capital and debt	**462,265,008**	439,656,194
Gearing ratio	**18.56%**	10.87%

27 FAIR VALUE OF ASSETS AND LIABILITIES

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 Company.

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 Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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

27 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

If the inputs used to measure the fair value of an asset or liability falls into 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 input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. As at 31 December 2021 and 31 December 2020, the fair values of the Company's financial instruments are estimated to approximate their carrying values. No significant inputs were applied in the valuation of trade receivables as at 31 December 2021 and 31 December 2020.

During the year ended 2021 and 2020, there were no movements between the levels.

28 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities:

	1 January 2021 SR	***Cash flows SR***	***New leases SR***	***Other SR***	***31 December 2021 SR***
Short term borrowings	29,400,000	40,600,000	-	-	**70,000,000**
Lease liabilities	18,407,905	(4,889,316)	1,392,585	898,165	**15,809,339**
Total liabilities from financing activities	**47,807,905**	**(34,289,316)**	**71,392,585**	**898,165**	**85,809,339**

	1 January 2020 SR	*Cash flows SR*	*New leases SR*	*Other SR*	*31 December 2020 SR*
Short term borrowings	-	29,400,000	-	-	29,400,000
Current portion of long term payables	22,979,660	(24,000,000)	-	1,020,340	-
Lease liabilities	20,226,058	(8,115,783)	5,423,376	874,254	18,407,905
Total liabilities from financing activities	43,205,718	(2,715,783)	5,423,376	1,894,594	47,807,905

The 'Other' column represents the effect of unwinding of finance cost on long term payable, lease liabilities and transfer of current portion.

29 BRANCHES

The Company has the following branches:

Sr. No.	Location of Branch	Commercial Registration Number
1	Jeddah	4030-198716
2	Jeddah	4030-201068
3	Jeddah	4030-125875
4	Riyadh	1010-268185
5	Dammam	2050-075036
6	Al Kharj	1011-023950
7	Riyadh	1010-053015
8	Riyadh	1010-585737

30 IMPACT OF COVID-19

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its global spread caused disruptions to businesses and economic activities including the Kingdom of Saudi Arabia (KSA). The World Health Organization qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation previously applied to the financial statements.

During the year ended 31 December 2021, the management has assessed the overall impact on the Company's operations and business aspects including factors like dealing with customers, seamless products delivery processes, collections protocols, uninterrupted material supply, working capital projections, etc. Based on this assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2021.

The situation surrounding COVID-19 is evolving including new variants and its impact on global economic conditions may continue to impact the Company's business, results of operations and financial condition in the year 2022. The situation remains uncertain and therefore it is difficult to predict with certainty the length of time it will impact Company's business and its overall potential impact on business, operations and financial condition.

Any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

31 APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved by the Board of Directors on 13 January 2022, corresponding to 10 Jumada II 1443H.

UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
AND INDEPENDENT AUDITOR'S REPORT

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated financial statements
For the year ended December 31, 2022

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Independent auditor's report to the shareholders of United Carton Industries Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of United Carton Industries Company (the "Company") and its subsidiary (together the "Group") as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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 issued by SOCPA, and the applicable requirements of the Regulations for Companies 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, 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 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.

PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

Independent auditor's report to the shareholders of United Carton Industries Company (continued)

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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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.
- Conclude on the appropriateness of management's 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.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

February 10, 2023

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2022	As at December 31, 2021
Assets			
Non-current assets			
Property, plant and equipment	4	**337,381,414**	318,427,733
Goodwill	5	**38,228,526**	38,228,526
Intangible asset		**345,387**	1,984,199
Right-of-use assets	6	**11,486,336**	12,474,390
Advance for acquisition of a subsidiary	1	**-**	10,000,000
Deferred tax assets	16	**5,966,419**	4,712,690
Total non-current assets		**393,408,082**	385,827,538
Current assets			
Inventories	7	**240,552,420**	165,425,271
Trade receivables	8	**210,705,865**	194,786,774
Advances, prepayments and other receivables	9	**26,733,739**	16,148,872
Cash and cash equivalents	10	**10,075,518**	12,801,519
Total current assets		**488,067,542**	389,162,436
Total assets		**881,475,624**	774,989,974
Equity and liabilities			
Equity			
Share capital	11	**200,000,000**	200,000,000
Statutory reserve	12	**60,000,000**	60,000,000
Retained earnings		**158,170,597**	116,455,669
Total equity		**418,170,597**	376,455,669
Liabilities			
Non-current liabilities			
Lease liabilities	6	**8,103,630**	8,645,215
Employee benefit obligations	14	**54,225,449**	49,924,820
Total non-current liabilities		**62,329,079**	58,570,035
Current liabilities			
Trade payables		**176,080,041**	211,779,022
Accrued and other liabilities	15	**72,035,631**	49,557,604
Short term borrowings	13	**139,718,094**	70,000,000
Current portion of lease liabilities	6	**6,653,398**	7,164,124
Zakat and tax payable	16	**6,488,784**	1,463,520
Total current liabilities		**400,975,948**	339,964,270
Total liabilities		**463,305,027**	398,534,305
Total equity and liabilities		**881,475,624**	774,989,974

The accompanying notes form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2022	December 31, 2021
Revenue		**1,414,673,208**	1,049,571,818
Cost of sales	17	**(1,227,283,899)**	(941,602,973)
Gross profit		**187,389,309**	107,968,845
Selling and distribution expenses	18	**(50,539,920)**	(43,076,600)
General and administrative expenses	19	**(68,655,800)**	(59,602,123)
Allowance for impairment of trade receivables	8	**(1,450,000)**	(700,000)
Operating profit		**66,743,589**	4,590,122
Finance costs	20	**(5,015,485)**	(2,322,148)
Other income	21	**3,506,130**	4,302,388
Profit before zakat and income tax		**65,234,234**	6,570,362
Zakat expense	16	**(2,259,111)**	(1,588,506)
Income tax	16	**(2,637,781)**	2,065,848
Net profit for the year		**60,337,342**	7,047,704
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurements gain on employee benefit obligations	14	**6,784,666**	2,723,060
Deferred tax relating to re-measurement gain	16	**(407,080)**	(163,384)
		6,377,586	2,559,676
Total comprehensive income for the year		**66,714,928**	9,607,380

The accompanying notes form an integral part of these consolidated financial statements

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UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Saudi Shareholders			Non-Saudi Shareholders			Total		
	Share capital	Statutory Reserve	Retained earnings	Share capital	Statutory reserve	Retained earnings	Share capital	Statutory reserve	Retained earnings
At January 1, 2021	170,600,000	51,180,000	112,803,989	29,400,000	8,820,000	19,044,300	200,000,000	60,000,000	**131,848,289**
Profit before zakat and tax	-	-	5,309,825	-	-	1,260,537	-	-	**6,570,362**
Zakat and income tax	-	-	(1,588,506)	-	-	2,065,848	-	-	**477,342**
Other comprehensive income for the year	-	-	2,200,635	-	-	359,041	-	-	**2,559,676**
Total comprehensive income for the year	-	-	5,921,954	-	-	3,685,426	-	-	**9,607,380**
Transfer of non-Saudi shareholder % (Note 1)	**(30,600,000)**	**(9,180,000)**	**(20,233,306)**	**30,600,000**	**9,180,000**	**20,233,306**	**-**	**-**	**-**
Dividend (Note 25)	-	-	(17,500,000)	-	-	(7,500,000)	-	-	**(25,000,000)**
At December 31, 2021	140,000,000	42,000,000	80,992,637	60,000,000	18,000,000	35,463,032	200,000,000	60,000,000	**116,455,669**
Adjustment	-	-	(610,229)	-	-	610,229	-	-	**-**
Profit before zakat and tax	-	-	45,663,964	-	-	19,570,270	-	-	**65,234,234**
Zakat and income tax	-	-	(2,259,111)	-	-	(2,637,781)	-	-	**(4,896,892)**
Other comprehensive income for the year	-	-	4,749,266	-	-	1,628,320	-	-	**6,377,586**
Total comprehensive income for the year	-	-	48,154,119	-	-	18,560,808	-	-	**66,714,928**
Dividend (Note 25)	-	-	(17,500,000)	-	-	(7,500,000)	-	-	**(25,000,000)**
At December 31, 2022	**140,000,000**	**42,000,000**	**111,036,527**	**60,000,000**	**18,000,000**	**47,134,070**	**200,000,000**	**60,000,000**	**158,170,597**

The accompanying notes form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2022	2021
Cash flows from operating activities			
Profit before zakat and income tax		**65,234,234**	6,570,362
Adjustments for:			
Depreciation on property, plant and equipment	4	**52,137,039**	50,590,809
Depreciation on right-of-use assets	6	**6,753,214**	6,872,674
Amortisation of intangible assets		**2,030,501**	2,317,617
Reversal of impairment loss of property, plant and equipment	4	**(1,323,637)**	(2,832,417)
Employee benefit obligations incurred	14	**7,126,810**	6,423,112
Loss on disposal of property, plant and equipment	4	**11,007**	5,739
Finance costs on short term borrowings		**1,809,806**	365,941
Gain on bargain purchase of a subsidiary		**(2,400,179)**	-
Finance costs on lease liabilities		**880,526**	898,165
Movement in allowance for inventories	7	**-**	(800,000)
Impairment of trade receivables	8	**1,450,000**	700,000
Changes in working capital:			
Trade receivables		**384,857**	(64,149,400)
Advances, prepayments and other receivables		**(2,483,487)**	(2,700,931)
Inventories		**(59,289,299)**	(33,856,798)
Trade payables		**(52,136,673)**	69,024,753
Accrued and other liabilities		**638,099**	(10,528,911)
Cash generated from operations		**20,822,818**	28,900,715
Zakat and income tax paid	16	**(371,279)**	(5,582,833)
Employee benefit obligations paid	14	**(4,252,813)**	(4,104,295)
Finance costs paid		**(2,690,332)**	(1,264,106)
Net cash inflow from operating activities		**13,508,394**	17,949,481
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(15,563,678)**	(17,510,211)
Proceeds from disposal of property, plant and equipment		**242,830**	-
Purchase of intangible assets		**(391,689)**	-
Acquisition of a subsidiary		**(39,061,567)**	(10,000,000)
Net cash outflow from investing activities		**(54,774,104)**	(27,510,211)
Cash flows from financing activities			
Dividends paid	25	**(25,000,000)**	(25,000,000)
Short-term borrowings - net	13	**69,718,094**	40,600,000
Repayment of principal portion of lease liabilities		**(6,817,471)**	(3,991,151)
Net cash inflow from financing activities		**37,900,623**	11,608,849
Net increase in cash and cash equivalents		**(3,365,087)**	2,048,119
Cash and cash equivalents at the beginning of the year		**12,801,519**	10,753,400
Cash and cash equivalents of an acquired subsidiary		**639,089**	-
Cash and cash equivalents at the end of the year		**10,075,518**	12,801,519
Supplemental information for non-cash information:			
Deferred tax assets		**1,253,730**	2,013,679
Re-measurements of employee benefit obligations		**(6,784,666)**	(2,723,060)
Right-of-use assets and lease liabilities		**5,765,160**	1,392,585
Trade receivable written off		**-**	108,085
Advance tax reclassified to prepayments		**-**	993,181
Zakat and tax adjusted from prepayments		**1,268,776**	-
Transfer of employee benefit obligations to other receivables		**9,028**	-

The accompanying notes form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

United Carton Industries Company (the "Parent Company") is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 4030065231 dated 18 Ramadan 1409H (corresponding 23 April 1989). The Company's registered office is located at Industrial Area- Phase No. 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia.

On 16 September 2021, the shareholding of one of the Parent Company's shareholders namely Frimex Investment LLC was changed to 100% non-Saudi/GCC shareholding (2020: 51% GCC shareholding and 49% non-Saudi/GCC shareholding). As a result, 70% of the company's shareholding is owned by Saudi/GCC shareholders (2020: 85.3%) and the remaining 30% shareholding is owned by non-Saudi/GCC shareholders (2020: 14.7%).

The Parent Company is engaged in the manufacturing and sale of corrugated carton containers and plates.

These consolidated financial statements include the accounts of the following branches of the Parent Company, which are registered under the aforementioned registration number and engaged in similar activities as the Parent Company.

The comparative figures in the financial statements represent the stand alone financial statements of the Parent Company for the year ended December 31, 2021.

Sr. No.	Location of Branch	Commercial Registration Number
1	Jeddah	4030-198716
2	Jeddah	4030-201068
3	Jeddah	4030-125875
4	Riyadh	1010-268185
5	Dammam	2050-075036
6	Al-Kharj	1011-023950
7	Riyadh	1010-053015
8	Riyadh	1010-585737

Theses consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on February 5, 2023.

1.1 Basis of consolidation

These consolidated financial statements include the financial statements of the Parent Company and the following subsidiary in which the Company exercises control (collectively referred to as "the Group")

The detail of the Parent Company's subsidiary is as follows:

			Ownership interest percentage	
Subsidiary name	**Country of incorporation**	**Principle business activity**	**2022**	**2021**
Integrated Packaging Industries Company (Previously known as "Al Kifah Paper Products Company	Saudi Arabia	Manufacturing of duplex (folding) cartons, paper pulp from fibre, paper product for household purposes including plates, cups and allied products	**100%**	-

(All amounts in Saudi Riyals unless otherwise stated)

1 General information (continued)

1.1 Basis of consolidation (continued)

During the year ended December 31, 2021 the Parent Company entered into a share purchase agreement (SPA) to acquire 100% shares of Al-Kifah Paper Products Company which is incorporated in the Kingdom of Saudi Arabia for a total consideration of Saudi Riyals 49.1 million of which an advance payment amounting to Saudi Riyals 10 million as was paid during 2021. Accordingly, effective March 30, 2022, the Group acquired the entire ownership interest in Al-Kifah Paper Products Company and renamed it as Integrated Packaging Industries Company. The purchase price allocation pertaining to the transaction is still in progress.

The following assets and liabilities were acquired by the Group on the date of the acquisition.

	As at March 29, 2022
Property, plant and equipment	54,457,242
Inventories	15,837,850
Trade receivables	17,753,948
Prepayments and other receivables	9,379,184
Cash and cash equivalents	639,086
Employee benefit obligations	(8,220,326)
Trade payables	(16,437,692)
Accruals and other payables	(21,839,928)
Provision for zakat	(107,618)
Book value of net assets acquired	**51,461,746**

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; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result 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 with the other shareholders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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 other comprehensive income (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.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

1 General information (continued)

1.1 Basis of consolidation (continued)

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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or statement of comprehensive income; and
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(a) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in consolidated statement of profit or loss and other comprehensive income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed-off the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 Summary of significant accounting policies

2.1 Basis of preparation

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below:

(a) Statement of compliance

These financial statements for the year ended December 31, 2022 are the first set of statutory consolidated financial statements prepared and presented by the Group since its acquisition of its subsidiary. These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The Group has elected to presents its expenses by function. The Group reports cash flows from operating activities using the indirect method.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Historical cost convention

These consolidated financial statements have been prepared on a historical cost basis.

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

2.2 Application of new and amended standards and interpretations

(a) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16.
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37.
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The Group also elected to early adopt the following amendments:
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12 13, and
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and interpretations not yet effective

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not effective for December 31, 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The significant accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

2.3 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entity operates (the “functional currency”). The consolidated financial statements are presented in Saudi Riyals, which is also the Group’s functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group 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.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognised in the Group's consolidated statement of profit or loss and other comprehensive income.

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 that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 Current vs non-current classification

The Group presents assets and liabilities in the consolidated 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 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.

The Group classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in 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 Group classifies all other liabilities as non-current.

2.5 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the consolidated statement of profit and loss.

Subsequent measurement

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated statement of profit or loss and other comprehensive income:

Category	Useful life - years
• Buildings	20 years
• Motor vehicles	4 years
• Machinery and equipment	4 – 10 years
• Furniture and office equipment	4 – 10 years

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of CWIP comprises its purchase price, construction / development cost and any other costs directly attributable to the construction or acquisition of an item intended by management. CWIP is measured at cost less any recognised impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

2.6 Intangible assets

(i) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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2 Summary of significant accounting policies (continued)

2.6 Intangible assets (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Software and Customer relationships

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired in a business combination are recognized at their fair value, unless the fair value cannot be measured reliably without undue cost or effort. Following initial recognition, intangible assets having a finite useful life are carried at cost less any accumulated amortization and any accumulated impairment losses, if any.

Intangible assets are amortized using straight-line method over their estimated useful lives as follows:

Category	Useful life - years
• Customer relationship	10 years
• Computer software	4-10 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

2.7 Leases

The Group leases various lands, warehouses and vehicles. Rental contracts are typically made for fixed periods but may have extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Group, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group uses that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 Summary of significant accounting policies (continued)

2.7 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

2.8 Impairment of non-financial assets other than inventories

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets. Where 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded entities or other available fair value indicators, as applicable.

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Inventories

Finished goods
Inventories are carried at the lower of cost or net realizable value. Cost is determined on the weighted average method. The cost of finished products includes the cost of raw materials, direct labor and manufacturing overheads and all other costs necessary to bring the goods to their existing condition and location.

Raw materials and spares
Raw materials and spares are valued at the lower of cost or net realizable value. Cost is determined on the weighted average cost basis.

Work in progress
Work in progress is measured using estimated manufacturing cost including appropriate overheads based on normal level of activity.

Goods-in-transit
Goods-in-transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

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2 Significant accounting policies (continued)

2.10 Trade and other receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognized at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. The carrying amount of trade receivable is tested for impairment in accordance with the policy described in note 2.13.1.

2.11 Prepayments and other receivables

Prepayments and other receivables are initially recognized at the transaction price and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. These are generally short term in nature and their fair value approximates their carrying value.

2.12 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three-months or less, if any.

2.13 Financial instruments

2.13.1 Financial assets

Classification of financial assets
The Group classifies its financial assets under the following categories:
- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or other comprehensive income.

(i) Recognition and derecognition

The Group initially recognizes financial assets on the date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

(ii) Measurement
At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss and other comprehensive income.

2 Significant accounting policies (continued)

2.13 Financial instruments (continued)

2.13.1 Financial assets (continued)

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the assets and the cash flow characteristics of the assets.

- Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income, if any, from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the Statement of profit or loss and other comprehensive income and presented in "other income" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income.
- Financial assets at fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to Statement of profit or loss and other comprehensive income and recognized in "other income". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as a separate line item in the statement of profit or loss and other comprehensive income.
- Financial assets at fair value through profit or loss: Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognized in statement of profit or loss and other comprehensive income and presented net within other "other income" in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the statement of profit or loss and other comprehensive income following the de-recognition of the investment. Dividends from such investments continue to be recognized in the statement of profit or loss and other comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other income in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment of financial assets
The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instrument and are measured at amortized cost.
The Group follows the 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component. The application of the simplified approach does not require the Group to track changes in credit risk. Rather, it recognizes impairment loss allowance based on the lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

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2 Significant accounting policies (continued)

2.13 Financial instruments (continued)

2.13.1 Financial assets (continued)

The Group uses a provision matrix in the calculation of the ECL on financial assets to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering the probability of default and loss given default, which are derived from historical data of the Group and are adjusted to reflect the expected future outcome. ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/expense in the statement of profit or loss and other comprehensive income.

2.13.2 Financial liabilities

All financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognized initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortized cost using the effective interest method.
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit or loss and other comprehensive income.

2.13.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.13.4 Fair valuation of financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

Level 1: The fair value of the financial instruments in active market is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:
- Use of quoted market prices or dealer quotes for similar instruments
- Fair value of the remaining financial instruments is determined using discounted cash flow analysis.

2 Significant accounting policies (continued)

2.13 Financial instruments (continued)

2.13.5 Transfers of financial instruments

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Employee benefit obligations

Short-term employee benefits
Short-term employee benefits are expensed as the related services are 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 service provided by the employee and the obligation can be estimated reliably.

Post-employment obligation

The Group operates a single post-employment benefit scheme of defined benefit plan driven by the Labor and Workman Laws of the Kingdom of Saudi Arabia which is based on most recent salary and number of service years.

The post-employment benefits plan is not funded. Accordingly, valuations of the obligations under the plan are carried out by qualified actuary engaged by the management and are based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognized immediately in profit or loss while unwinding of the liability at discount rates used are recorded in profit or loss. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income and transferred to retained earnings in the statement of changes in equity in the period in which they occur.

Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the labor law of Saudi Arabia.

2.16 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2 Significant accounting policies (continued)

2.17 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. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income, net of reimbursements.

2.18 Zakat and income tax

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA). Provision for zakat is accrued and charged to the consolidated statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalisation of final assessments are accounted for when such amounts are determined.

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

Deferred income tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the statement of profit or loss.

2 Significant accounting policies (continued)

2.18 Zakat and income tax (continued)

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax
The Group withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value Added Tax ("VAT")
Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

2.19 Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All borrowing costs are recognised in the statement of profit or loss in the period in which they are incurred

2.20 Revenue recognition

The Group is in the business of manufacturing and sale of corrugated carton and plates, duplex (folding) cartons as well as pulp products. Revenue comprises of sales to customers and is measured based on the considerations specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Certain customers are eligible for volume rebates once their purchases during the period exceeds a threshold specified in the respective contracts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates and discounts.

Sale of goods
Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. Revenue from sale of goods that do not have an alternate use to the Group and the Group has a legally enforceable right to payment for such goods, their revenue is recognized over a period of time. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effect of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer, if any. The Group disaggregates revenue from contracts with customers into categories that depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Majority of the sale of goods is within Kingdom of Saudi Arabia.

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2 Significant accounting policies (continued)

2.20 Revenue recognition (continued)

Right of return
For contracts that permit the customer to return an item, under IFRS 15, revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on the historical data.

Variable consideration
If 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with volume rebates giving rise to variable consideration.

Volume rebates
The Group provides volume rebates to certain customers once their purchase during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method as the selected method better predicts the amount of variable consideration driven by customers' rebate entitlement based on volume thresholds and purchase made by them during the period. The Group then applies the requirements on constraining estimates of variable considerations and recognizes a refund liability for the expected rebates.

Refund liabilities
A refund liability is the obligation to refund some or all of the consideration received (or receivable) form the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

2.21 Cost of sales

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor and other attributable overhead costs.

2.22 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

2.23 Selling and distribution expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group's products and services. All other expenses are classified as general and administrative expenses.

2.24 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by shareholders of the Group.

3 Key sources of estimation uncertainty and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of revenue, costs, assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amount of revenue and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

(a) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, profit for the year would have been higher or lower by Saudi Riyals 5.3 million.

(b) Allowance for impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. At year-end, if the loss rates increased / decreased by 10% with all other variables held constant, the profit for the year would have been lower or higher by Saudi Riyals 0.9 million.

(c) Allowance for inventory obsolescence

The Group determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to sales or use. The Group provides an amount as an allowance for obsolete, damage and slow-moving inventories on a regular basis and reassesses the closing balance at each reporting date. The estimate of the Group's allowance for inventory obsolescence could change from period to period, which could be due to differing remaining useful life, change in technology, possible change in usage, sales expectation and other qualitative factors of the portfolio of inventory from year to year.

(d) Employee benefit obligations

Employee benefits represent the employee termination benefits. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The cost of post-employment defined benefits is the present value of the related obligation, as determined using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates or high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have a term approximating the terms of the related obligation. Where there is no deep market in such bonds, then market rates on government bonds are used or the rates from international bond markets are used which are adjusted for the country risk premium. Since there is no deep corporate bonds or government bonds in Saudi Arabia, the discount rate was selected using the yield available on dollar denominated KSA Sovereign Bonds, traded in international market of the duration equal to the duration of the liability and adjusted for the country risk premium. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is sensitive to changes in these assumptions.

3 Key sources of estimation uncertainty and judgements (continued)

(d) Employee benefit obligations (continued)

All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high-quality bonds obligation, as designated 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. Please see Note 14 for assumptions used.

(e) Goodwill - Annual impairment testing of goodwill

The Group's management tests whether goodwill has suffered any impairment at least on an annual basis. This requires an estimation of recoverable amounts of the cash-generating units to which the goodwill is allocated. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, gross margin and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value-in-use are disclosed and further explained in Note 5 to the consolidated financial statements.

(f) Right-of-use assets and lease liabilities

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewable options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For lease of land and building, the following factors are normally most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not to terminate)
- If any lands are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- The Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension and termination options are included in a number of leases of the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

3 Key sources of estimation uncertainty and judgements (continued)

(g) Estimation expected for returns and variable consideration for volume rebates

The Group estimates expected returns and variable considerations to be included in the transaction price for the sale of goods with volume rebates.

For contracts that permit the customer to return an item, under IFRS 15 revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data.

Determining whether a customer will be likely entitled to rebate will depend on the customer's rebates entitlement and accumulated purchases. The Group applied most likely amount method for estimating expected volume rebates for contracts. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate estimated by the Group.

The Group updates its assessment of expected returns and volume rebates annually and accordingly the refund liabilities and accrued rebates are adjusted. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements and may not be representative of customers' actual returns and rebate entitlements in the future.

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4 Property, plant and equipment

	Land	Buildings	Motor vehicles	Machinery and equipment	Furniture and fixtures	Capital work-in-progress	Total
At January 1, 2021							
Cost	5,427,488	248,144,325	4,215,633	944,721,469	84,006,376	5,448,348	**1,291,963,639**
Accumulated depreciation	-	(120,823,340)	(3,735,825)	(740,576,499)	(78,146,322)	-	**(943,281,986)**
Net book amount	5,427,488	127,320,985	479,808	204,144,970	5,860,054	5,448,348	**348,681,653**
Year ended December 31, 2021							
Opening net book amount	5,427,488	127,320,985	479,808	204,144,970	5,860,054	5,448,348	**348,681,653**
Additions	-	1,928,694	628,531	4,824,445	3,471,638	6,656,903	**17,510,211**
Transfers to/(from) capital work-in-progress	-	322,928	-	9,919,169	-	(10,242,097)	**-**
Disposals:							
- Cost	-	(1,418,733)	(192,046)	(4,149,902)	(4,895,339)	-	**(10,656,020)**
- Accumulated depreciation	-	1,418,733	192,046	4,145,457	4,894,045	-	**10,650,281**
	-	-	-	(4,445)	(1,294)	-	**(5,739)**
Depreciation charge	-	(9,705,102)	(469,279)	(34,337,664)	(6,078,764)	-	**(50,590,809)**
Reversal of impairment	-	1,027,483	-	1,434,736	370,198	-	**2,832,417**
Closing net book amount	**5,427,488**	**120,894,988**	**639,060**	**185,981,211**	**3,621,832**	**1,863,154**	**318,427,733**
At December 31, 2021							
Cost	5,427,488	248,977,214	4,652,118	955,315,181	82,582,675	1,863,154	**1,298,817,830**
Accumulated depreciation and impairment	-	(128,082,226)	(4,013,058)	(769,333,970)	(78,960,843)	-	**(980,390,097)**
	5,427,488	**120,894,988**	**639,060**	**185,981,211**	**3,621,832**	**1,863,154**	**318,427,733**

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4 Property, plant and equipment (continued)

	Land	Buildings	Motor vehicles	Machinery and equipment	Furniture and fixtures	Capital work-in-progress	Total
Year ended December 31, 2022							
Opening net book amount	5,427,488	120,894,988	639,060	185,981,211	3,621,832	1,863,154	318,427,733
Addition relating to acquisition of a subsidiary	-	21,780,137	21,249	31,212,519	1,443,337	-	54,457,242
Additions	-	786,727	453,700	4,099,772	1,559,187	8,664,292	15,563,678
Transfers to/(from) capital work-in-progress	-	1,314,140	437,773	3,957,242	4,128,338	(9,837,493)	-
Disposals:							
- Cost	-	-	(403,420)	(6,302,860)	(572,570)	-	(7,278,850)
- Accumulated depreciation	-	-	403,420	6,106,812	514,781	-	7,025,013
	-	-	-	(196,048)	(57,789)	-	(253,837)
Depreciation charge	-	(10,209,643)	(273,279)	(34,466,890)	(7,187,227)		(52,137,039)
Reversal of impairment	-	510,130	-	732,766	80,741	-	1,323,637
Closing net book amount	5,427,488	135,076,479	1,278,503	191,320,572	3,588,419	689,953	337,381,414
At December 31, 2022							
Cost	5,427,488	282,867,672	8,816,636	1,073,964,731	98,446,152	689,953	1,470,212,632
Accumulated depreciation and impairment	-	(147,791,193)	(7,538,133)	(882,644,159)	(94,857,733)	-	(1,132,831,218)
	5,427,488	135,076,479	1,278,503	191,320,572	3,588,419	689,953	337,381,414

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4 Property, plant and equipment (continued)

During 2012, the Group received a notification from Ministry of Rural Affairs to vacate one of-its plants, located in Riyadh, as the land on which the plant was operating, is located in a zone which should not be used for industrial purposes. Initially, the Group obtained permission from Ministry of Rural Affairs to continue the operations at the same place till March 2014.

Subsequently, based on request from the Group, the government authorities initiated actions to reassess the environmental impact of the factories operating in that zone. In this regard, the Group undertook an environmental impact assessment and was issued an environmental certificate, certifying its compliance with the environmental standards. Following environmental certificate, the industrial license was issued to the Group, based on which, the Group is in process of seeking Municipality license which is currently under process.

During 2022, management has reassessed the impairment allowance relating to property, plant and equipment of Saudi Riyals 7.43 million (2021: Saudi Riyals 8.75 million) and has reversed an amount of Saudi Riyals 1.32 million (2021: Saudi Riyals 2.83 million) which is included as other income in note 21 to these consolidated financial statements.

Capital work in progress mainly represents cost of production facility improvements and upgrades.

Depreciation charge for the year has been allocated as follows:

	Note	2022	2021
Cost of sales	17	**48,835,036**	47,429,428
Selling and distribution expenses	18	**285,992**	264,542
General and administrative expenses	19	**3,016,011**	2,896,839
		52,137,039	50,590,809

5 Goodwill

This represents purchase consideration in excess of the fair value of the net assets of National Packing Products Company Limited ("NPPCL") which was acquired during 2015. NPPCL was merged as a branch into the Parent Company effective January 1, 2019.

For impairment testing, goodwill is allocated to the NPPCL Cash Generating Unit (CGU). The Group performs its annual impairment testing as at December 31 every year. The recoverable amount of the NPPCL CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect changes in demand for products and services. The pre-tax discount rate applied to the cash flow projections is 12.65% (2021: 9.65%). The growth rate used to extrapolate the cash flows of the unit beyond the five-year period is 2% (2021: 2%). This growth rate is lower than the industry average growth rate by 1.5%.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions
The calculation of value in use is most sensitive to the following assumptions:

- Gross margin;
- Discount rate; and
- Growth rates used to extrapolate cash flows beyond the forecast period.

A reasonable possible change in the above assumptions will not cause the carrying amount of the goodwill to exceed the recoverable amount.

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6 Leases

The Group has lease contracts for various lands, warehouses, staff accommodations and motor vehicles used in its operations. Leases of land generally have lease terms between 10 and 20 years, warehouses and staff accommodations have lease terms from 3 to 5 years while motor vehicles generally have lease terms of up to 4 years.

The Group also has certain leases of accommodation buildings with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

	Leasehold lands	Warehouses and accommodations	Motor vehicles	Total
At January 1	6,608,337	9,457,061	1,889,081	17,954,479
Additions	-	487,665	904,920	1,392,585
Depreciation	(487,671)	(5,228,658)	(1,156,345)	(6,872,674)
As at December 31, 2021	**6,120,666**	**4,716,068**	**1,637,656**	**12,474,390**
Additions	**-**	**1,233,311**	**4,531,849**	**5,765,160**
Depreciation expense	**(505,055)**	**(4,062,330)**	**(2,185,829)**	**(6,753,214)**
As at December 31, 2022	**5,615,611**	**1,887,049**	**3,983,676**	**11,486,336**

Depreciation charge related to right-of-use assets for the year is as follows:

	Note	2022	2021
Cost of sales	17	**5,735,280**	5,914,468
Selling and distribution expenses	18	**64,882**	58,794
General and administrative expenses	19	**953,052**	899,412
		6,753,214	6,872,674

Lease liabilities:

The related lease liabilities included in the statement of financial position of nets assets are as follows:

	December 31, 2022	December 31, 2021
Current	**6,653,398**	7,164,124
Non-current	**8,103,630**	8,645,215
	14,757,028	15,809,339

	2022	2021
At January 1	**15,809,339**	18,407,905
Additions	**5,765,160**	1,392,585
Accretion of finance cost	**880,526**	898,165
Lease payments	**(7,697,997)**	(4,889,316)
At December 31	**14,757,028**	15,809,339

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6 Leases (continued)

The following are the amounts recognised in the statement of profit or loss:

	2022	2021
Depreciation expense of right-of-use assets	**6,753,214**	6,872,674
Finance cost on lease liabilities	**880,526**	898,165
Expense relating to short-term leases (included in cost of sales)	**69,758**	181,942
Expense relating to short-term leases (included in general and administrative expenses)	**230,271**	181,475
Total amount recognised in statement of profit or loss and other comprehensive income	**7,933,769**	8,134,256

The Group had total cash outflows for leases of Saudi Riyals 7.7 million (2021: Saudi Riyals 4.9 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of Saudi Riyals 5.8 million (2021: Saudi Riyals 1.39 million).

7 Inventories

	December 31, 2022	December 31, 2021
Raw materials	**193,063,447**	139,749,375
Spare parts	**52,175,795**	48,941,251
Work in progress	**3,056,175**	1,000,139
Finished goods	**4,373,787**	1,764,699
Goods in transit	**31,674,280**	17,760,871
	284,343,484	209,216,335
Less: allowance for slow-moving inventories	**(43,791,064)**	(43,791,064)
	240,552,420	165,425,271

Movement in the allowance for slow-moving inventories is as follows:

	2022	2021
Opening balance	**43,791,064**	44,591,064
Reversal	-	(800,000)
Closing balance	**43,791,064**	43,791,064

8 Trade receivables

	Note	December 31, 2022	December 31, 2021
Trade receivable – third parties		**209,903,112**	194,885,236
Less: allowance for impairment of trade receivables		**(9,450,889)**	(8,000,889)
		200,452,223	186,884,347
Due from related parties	22	**10,253,642**	7,902,427
		210,705,865	194,786,774

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8 Trade receivables (continued)

Movement in allowance for impairment of trade receivables is as follows:

	2022	2021
Opening balance	**8,000,889**	7,408,974
Provision	**1,450,000**	700,000
Write-offs	**-**	(108,085)
Closing balance	**9,450,889**	8,000,889

The Group had 5 customers that accounted for approximately 21% (2021: 20%) of total outstanding trade receivable. Information about credit risk is disclosed in note 24.

9 Advances, prepayments and other receivables

	Note	December 31, 2022	December 31, 2021
Advances to suppliers		**11,385,608**	7,977,842
Prepayments		**5,126,537**	3,790,921
Employee loans		**4,462,570**	3,103,272
Margin on letters of guarantee		**187,625**	187,625
Other receivables		**5,571,399**	1,089,212
		26,733,739	16,148,872

10 Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash at banks	**9,721,393**	12,716,784
Cash in hand	**354,125**	84,735
	10,075,518	12,801,519

The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The carrying value at each reporting date is estimated to be the same as their fair value.

11 Share capital

At December 31, 2022 and December 31, 2021, the Parent Company share capital is divided into 20 million shares of Saudi Riyals 10 each and held by the following shareholders:

Name of the shareholders	Country of incorporation	December 31, 2022	December 31, 2021
Zamil Group Holding Company	Kingdom of Saudi Arabia	**60,000,000**	60,000,000
Omar K. Alesayi & Company	Kingdom of Saudi Arabia	**60,000,000**	60,000,000
Frimex Investment (L.L.C)	United Arab Emirates (note 1)	**60,000,000**	60,000,000
Zamil Group Investment Company	Kingdom of Saudi Arabia	**10,000,000**	10,000,000
Eastern Industrial Investment Company	Kingdom of Saudi Arabia	**10,000,000**	10,000,000
Total		**200,000,000**	200,000,000

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12 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Parent Company is required to transfer 10% of the profit for the year to a statutory reserve until it equals to 30% of its share capital. This limit was attained in prior years and no additional transfer is required. The reserve is not available for distribution to the shareholders of the Group.

13 Short term borrowings

Short term borrowings are obtained from local banks to finance the working capital of the Group. These are secured against promissory notes and carry commission at commercial rates.

14 Employee benefit obligations

The Group operates a defined benefit plan in line with the labour law requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plan is an unfunded plan, and the benefit payment obligations are met by the Group when they fall due upon termination of employment.

14.1 Movement in present value of employee benefit obligations

	2022	2021
Opening balance	**49,924,820**	50,329,063
Addition relating to acquisition of a subsidiary	**8,220,326**	-
Transfer	**(9,028)**	-
Current service cost	**5,581,101**	5,363,742
Interest cost	**1,545,709**	1,059,370
Benefits paid	**(4,252,813)**	(4,104,295)
Re-measurement gain	**(6,784,666)**	(2,723,060)
Closing balance	**54,225,449**	49,924,820

14.2 Amount recognized in the statement of profit or loss and other comprehensive income

	2022	2021
Current service cost	**5,581,101**	5,363,742
Interest cost	**1,545,709**	1,059,370
Re-measurement gain	**(6,784,666)**	(2,723,060)
	342,144	3,700,052

14.2 Key actuarial assumptions

	2022	2021
Discount rate	**4.75%**	2.55%
Future salary growth		
First year	**4.00%**	3.50%
Second year	**4.00%**	4.00%
Thereafter	**4.50%**	4.00%
Mortality rate	**1.37-11.84 per thousand**	1.28-10.55 per thousand
Employee turnover/ withdrawal rates	**Moderate**	Moderate
Retirement age	**60 years**	60 years

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14 Employee benefit obligations (continued)

14.2 Key actuarial assumptions (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

	Change in assumption		Impact on employee benefit obligations: Increase in assumption		Impact on employee benefit obligations: Decrease in assumption	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Discount rate	**0.5%**	0.5%	**(34,663)**	(1,961,143)	**4,069,140**	2,114,812
Salary growth rate	**0.5%**	0.5%	**3,681,012**	1,948,276	**(379,574)**	(1,827,008)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit obligation is 7.0 years (2021: 8.08 years).

The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	December 31, 2022	**December 31, 2021**
Up to 1 year	**7,303,137**	3,274,535
2 - 5 years	**27,051,222**	22,458,428
Over 5 years	**32,002,717**	26,766,917

15 Accrued and other liabilities

	December 31, 2022	**December 31, 2021**
Accrued expenses	**30,843,552**	35,539,683
Advances from customers	**9,333,511**	7,606,394
Refund liabilities	**4,850,888**	1,901,130
Other	**27,007,680**	4,510,397
	72,035,631	49,557,604

16 Zakat and income tax matters

16.1 Components of zakat base

The Parent Company and the Subsidiary Company files separate zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under the zakat and income tax regulations are principally comprised of shareholder's equity adjusted by dividends, provisions at the beginning of the year net of adjustments and adjusted net income, less deductions for the book value of deductible assets.

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16 Zakat and income tax matters (continued)

16.2 Provision for zakat and income tax

	Zakat	Income tax	Total
January 1, 2021	2,136,007	2,217,444	4,353,451
Provisions for the year	1,398,442	111,215	1,509,657
Adjustment related to prior year	190,064	-	190,064
Payments	(2,260,993)	(3,321,840)	(5,582,833)
Reclassified to prepayment and other receivables (Note 9)	-	993,181	993,181
December 31, 2021	**1,463,520**	**-**	**1,463,520**
Addition relating to acquisition of a subsidiary	**107,618**	**-**	**107,618**
Provisions for the year	**2,259,111**	**4,298,590**	**6,557,701**
Payments	**(371,279)**	**-**	**(371,279)**
Adjustment from prepayment	**(1,182,719)**	**(86,057)**	**(1,268,776)**
December 31, 2022	**2,276,251**	**4,212,533**	**6,488,784**

16.3 Deferred tax assets

The balance comprises temporary differences attributable to:

	2022	**2021**
Difference in accounting and tax base of property, plant and equipment	**307,184**	(1,040,575)
Goodwill	**(788,807)**	(621,596)
Intangible asset	**-**	271,855
Inventories allowance	**2,627,464**	2,627,464
Receivables allowance	**567,053**	480,053
Employee benefit obligations	**3,253,525**	2,995,489
Net deferred tax assets	**5,966,419**	4,712,690

	2022	**2021**
As at January 1,	**4,712,690**	2,699,011
Deferred tax credit during the year recognised in profit or loss	**1,660,809**	2,177,063
Deferred tax credited/(charged) to other comprehensive income	**(407,080)**	(163,384)
As at December 31,	**5,966,419**	4,712,690

16.4 Status of final assessments

Zakat assessments of the Parent Company have been agreed with the Zakat, Tax and Customs Authority (ZATCA) up to 2012 and for the years 2015 to 2017.

During 2019, the Parent Company received assessment for the years 2013 and 2014 claiming additional zakat aggregating to Saudi Riyals 3.5 million due to certain additions to zakat base made by ZATCA. The Parent Company submitted an objection to ZATCA against the total amount of assessment for these years. Following the Parent Company's objection, a revised assessment, reducing the additional zakat claim to Saudi Riyals 2.6 million was issued by ZATCA after accepting the Parent Company's contention on depreciation.

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16 Zakat and income tax matters (continued)

16.4 Status of final assessments (continued)

The Parent Company escalated the objection against the revised assessment issued by ZATCA through the General Secretariat of Tax Committees (GSTC) to Tax Violations and Disputes Resolution Committee ("TVDRC"). During 2021, GSTC scheduled a hearing on Parent Company's objections where TVDRC ruled partially in favor of the Parent Company thereby reducing the assessment to Saudi Riyals 2 million. The Parent Company subsequently escalated its objection through GSTC which is awaited hearing by the Tax Violations and Disputes Appeal Committee.

Further, during the year, the zakat assessment for the years 2016 and 2017 were finalized resulting in an additional zakat liability amounting to Saudi Riyals 0.37 million which was paid by the Parent Company.

The assessment for the year 2018 to 2021 have not yet been raised by ZATCA.

Prior to acquisition, the zakat assessments of the subsidiary have been finalised up to the period ended 30 September 2013. Zakat returns for the subsidiary company has been filed up to the year ended 31 December 2021 with the ZATCA as part of consolidated returns by the previous shareholders.

The assessments for the years 2014 to 2021 have not yet been raised by ZATCA. Any liability arising in respect of prior years up to the date of the control transfer shall be borne by the previous shareholders as per the terms agreed with them.

16.5 Income tax

The major components of income tax in the statement of profit or loss can be broken down as follows for the year ended December 31:

	2022	2021
Current income tax	**4,298,590**	111,215
Deferred income tax	**(1,660,809)**	(2,177,063)
Total income tax (credit)/charge reported in the statement of profit or loss	**2,637,781**	(2,065,848)
Deferred tax charged/(credited) to OCl - remeasurement gain/(loss) on defined benefit obligations	**407,080**	163,384

17 Cost of sales

	Note	2022	2021
Material cost		**1,017,850,127**	755,164,352
Employee cost		**91,333,165**	78,331,807
Depreciation on property, plant and equipment	4	**48,835,036**	47,429,428
Depreciation on right-of-use assets	6	**5,735,280**	5,914,468
Utilities		**22,515,129**	19,059,117
Others		**41,015,162**	35,703,801
		1,227,283,899	941,602,973

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18 Selling and distribution expenses

	Note	2022	2021
Delivery cost		**31,549,199**	28,236,702
Employee cost		**16,695,884**	13,924,964
Depreciation on property, plant and equipment	4	**285,992**	264,542
Depreciation on right-of-use assets	6	**64,882**	58,794
Insurance		**204,839**	173,987
Others		**1,739,124**	417,611
		50,539,920	43,076,600

19 General and administrative expenses

	Note	2022	2021
Employee cost		**36,153,695**	31,034,486
Board of Directors' remuneration	22	**1,200,000**	1,200,000
Staff relations		**6,763,521**	6,429,959
License and software maintenance		**4,550,779**	4,014,662
Depreciation on property, plant and equipment	4	**3,016,011**	2,896,839
Depreciation on right-of-use assets	6	**953,052**	899,412
Amortization of intangible asset		**2,030,501**	2,317,617
Expenses related to COVID-19		**-**	23,595
Repairs and maintenance		**2,585,814**	1,366,099
Professional fees		**4,596,314**	2,722,766
Utilities		**1,308,755**	1,311,457
Insurance		**409,378**	347,974
Others		**5,087,980**	5,037,257
		68,655,800	59,602,123

20 Finance costs

	Note	2022	2021
Loss on de-recognition of financial instrument		**1,523,417**	674,737
Finance cost on lease liabilities	6	**880,526**	898,165
Finance cost on short term borrowings		**1,809,806**	365,941
Others		**801,736**	383,305
		5,015,485	2,322,148

21 Other income

	Note	2022	2021
Reversal of impairment on property, plant and equipment	4	**1,323,637**	2,832,417
Reversal of impairment loss of inventories	7	**-**	800,000
Miscellaneous		**2,182,493**	669,971
		3,506,130	4,302,388

(All amounts in Saudi Riyals unless otherwise stated)

22 Related party transactions and balances

Related parties comprise the shareholders, directors and key management personnel of the Group and entities significantly influenced by such parties. The following are the details of major related party transactions during the year:

22.1 Related party transactions

Transaction with	Nature of transaction	2022	2021
Sister concerns	Sales during the year	**52,692,883**	44,602,906
Sister concerns	Services received	**2,365,459**	-

22.2 Related party balances

	December 31, 2022	December 31, 2021
Due from related parties classified under trade receivables	**10,253,642**	7,902,427
Due to related parties classified under trade payables	**816,743**	-

Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2021: Saudi Riyals Nil). This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related party operates.

22.3 Key management personnel compensation

Key management personnel are those who have the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to employee benefit obligations.

	2022	2021
Salaries and other benefits	**6,366,404**	6,566,033
Employee benefit obligations	**516,354**	617,866
Board of Directors' remuneration	**1,200,000**	1,200,000

23 Commitments and contingencies

Contingencies

At December 31, 2022, the Group has outstanding letters of credit and bank guarantees amounting to Saudi Riyals 0.86 million (2021: Saudi Riyals 0.69 million) issued in the normal course of business.

Commitments

At December 31, 2022, the Group bas future capital commitments amounting to Saudi Riyals 12.8 million (2021: Saudi Riyals 10 million).

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

24 Financial instruments

24.1 Financial assets

	Note	December 31, 2022	December 31, 2021
Financial assets at amortised cost			
Trade receivables	8	**200,452,223**	186,884,347
Due from related parties	8	**10,253,642**	7,902,427
Employee loans	9	**4,462,570**	3,103,272
Margin on letters of guarantee	9	**187,625**	187,625
Other receivables	9	**5,293,355**	96,031
Cash and cash equivalents	10	**10,075,518**	12,801,519
Total financial assets		**230,724,933**	210,975,221

Trade and other receivables

Trade and other receivables are non-derivative financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

24.2 Financial liabilities

	Note	December 31, 2022	December 31, 2021
Financial liabilities at amortized cost			
Trade payables		**176,080,041**	211,779,022
Accrued and other liabilities	15	**41,192,079**	14,017,921
Lease liabilities	6	**14,757,028**	15,809,339
Short term borrowings		**139,718,094**	70,000,000
Total financial liabilities		**371,747,242**	311,606,282

The carrying amount of financial assets and liabilities approximates their fair value. Financial assets are not considered to pose a significant credit risk.

24.3 Financial risk management

The Group's top management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow commission rate risk and price risk)

(All amounts in Saudi Riyals unless otherwise stated)

24 Financial instruments (continued)

24.3 Financial risk management (continued)

a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to customers outstanding receivables from other parties.

For banks, only independently rated parties having sound credit ratings are accepted. For trade receivables, the Group assesses the credit quality of the customers, taking into account various factors such as their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management. Refer to Note 8 for concentration of credit risk on trade receivables.

A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorizes a receivable for write-off when a debtor fails to make contractual payments greater than 365 days past due. Where receivables have been categories as for written-off, the Group continues to engage in enforcement activity to attempt to recover the receivable due unless the cost of such activity is expected to be higher than the benefit of doing so. Where recoveries are made, these are directly recognised in the consolidated statement of profit and loss.

- Impairment of financial assets

The Group's gross exposure to credit risk at the reporting date is as follows:

	December 31, 2022	December 31, 2021
Trade receivables	**209,903,112**	194,885,236
Due from related parties	**10,253,642**	7,902,427
Employee loans	**4,462,570**	3,103,272
Margin on letters of guarantee	**187,625**	187,625
Other receivables	**5,293,355**	96,031
Cash at bank	**9,721,393**	12,716,784
	239,821,697	218,891,375

The Group uses the forward-looking 'expected credit loss' (ECL) model to measure the impairment loss on financial assets. Cash at banks are placed with banks with sound credit ratings. Employee and other receivables are considered to have low credit risk therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group considers the most relevant macro-economic factors of forward looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

24 Financial instruments (continued)

24.3 Financial risk management (continued)

a) Credit risk (continued)

The trade receivables balance from the related parties are from the affiliates of the Group having the shareholders in common. Based on management's impairment assessment, there is no provision required in respect of these balances for all the periods presented as they are considered to have low credit risk.

Impairment losses on financial assets recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	December 31, 2022	**December 31, 2021**
Impairment of trade receivables	**1,450,000**	700,000

The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

	December 31, 2022						
	Current	**<90 days**	**90-180 days**	**181-270 days**	**271-365 days**	**>year**	**Total**
Expected credit loss rate	0.67%	1.84%	22.35%	57.86%	98.76%	100%	
Estimated total gross carrying amount at default	**161,611,324**	**38,084,187**	**1,692,063**	**2,828,078**	**2,205,816**	**3,481,644**	**209,903,112**
Expected credit loss	1,076,959	699,392	378,195	1,636,197	2,178,502	3,481,644	9,450,889

	December 31, 2021						
	Current	**<90 days**	**90-180 days**	**181-270 days**	**271-365 days**	**>year**	**Total**
Expected credit loss rate	0.64%	1.60%	20.91%	49.05%	100%	100%	
Estimated total gross carrying amount at default	135,038,124	49,795,022	3,450,729	1,680,615	766,842	4,153,904	194,885,236
Expected credit loss	739,321	794,800	721,632	824,390	766,842	4,153,904	8,000,889

b) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cashflows as of December 31, 2022 and 2021 are:

24 Financial instruments (continued)

24.3 Financial risk management (continued)

	Within 12 months	More than 12 months	Total	Carrying amount
December 31, 2022				
Short term borrowings	**139,718,094**	**-**	**139,718,094**	**139,718,094**
Lease liabilities	**7,892,381**	**8,242,953**	**16,135,334**	**14,757,028**
Trade payables	**176,080,041**	**-**	**176,080,041**	**176,080,041**
Accrued and other liabilities	**47,204,621**	**-**	**47,204,621**	**47,204,621**
	370,895,137	**8,242,953**	**379,138,090**	**377,759,784**

	Within 12 months	More than 12 months	Total	Carrying amount
December 31, 2021				
Short term borrowings	70,000,000	-	70,000,000	70,000,000
Lease liabilities	6,511,865	11,074,923	17,586,788	15,809,339
Trade payables	211,779,022	-	211,779,022	211,779,022
Accrued and other liabilities	41,951,210	-	41,951,210	41,951,210
	330,242,097	11,074,923	341,317,020	339,539,571

Refer to Note 10 for closing cash position of the Group. The Group's terms of sales require amounts to be paid either on a cash on delivery or on terms basis.

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, commission rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Group's functional currency. The Group's transactions are principally in Saudi Riyals and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

ii) Commission rate risk

Commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The Group manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments. The Group's commission -bearing liabilities, which are mainly bank borrowings, are at floating rates of commission, which are subject to re-pricing. Management monitors the changes in commission rates and believes that the fair value risks to the Group are not significant. There are no commission bearing financial assets at the end of reporting period.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2022
(All amounts in Saudi Riyals unless otherwise stated)

24 Financial instruments (continued)

24.3 Financial risk management (continued)

c) Market risk (continued)

The commission rate profile of the Group's commission -bearing financial instruments as reported to the management of the Group is as follows:

	December 31, 2022	December 31, 2021
Financial liabilities, principally borrowings	**139,718,094**	70,000,000

Profit or loss is sensitive to higher/lower commission expense on borrowings as a result of changes in commission rates. The following table demonstrates the sensitivity to a reasonable possible change in commission rate on the Group's profit before zakat, through the impact of floating rate borrowings:

	2022	2021
Commission rate-increases by 100 basis points	**(1,397,181)**	(700,000)
Commission rate-decreases by 100 basis points	**1,397,181**	700,000

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Group does not have any financial instruments that are subject to price risk.

d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximise shareholders' value. The capital structure includes all components of equity. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitor capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	December 31, 2022	December 31, 2021
Borrowings	**139,718,094**	70,000,000
Lease liabilities	**15,818,178**	15,809,339
Less: cash and cash equivalents	**(10,075,518)**	(12,801,519)
Net debt (A)	**145,460,754**	73,007,820
Shareholders' equity (B)	**418,170,596**	376,455,669
Total capital (A+B)	**563,631,350**	449,463,489
Gearing ratio (A / (A+B))	**25.81%**	16.24%

25 Dividends

During the year the shareholders approved and paid dividend of Saudi Riyals 25 million (2021: Saudi Riyals 25 million).

UNITED CARTON INDUSTRIES COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

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

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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Independent auditor's report to the shareholders of United Carton Industries Company

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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 issued by SOCPA, and the applicable requirements of the Regulations for Companies 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, 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

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Independent auditor's report to the shareholders of United Carton Industries Company (continued)

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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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.
- Conclude on the appropriateness of management's 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.

PricewaterhouseCoopers

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محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/١
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

Ali A. Alotaibi
License Number 379

April 4, 2024

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2023	As at December 31, 2022 (Restated Note 31)
Assets			
Non-current assets			
Property, plant and equipment	4	**378,805,743**	347,682,938
Goodwill	5	**38,228,526**	38,228,526
Intangible assets		**4,410,427**	345,387
Right-of-use assets	6	**48,032,188**	12,454,148
Deferred tax assets	16	**9,176,906**	5,041,144
Total non-current assets		**478,653,790**	403,752,143
Current assets			
Inventories	7	**170,184,757**	240,552,420
Trade receivables	8	**223,005,431**	210,705,865
Advances, prepayments and other receivables	9	**23,324,282**	26,611,187
Cash and cash equivalents	10	**30,586,197**	10,075,518
Total current assets		**447,100,667**	487,944,990
Total assets		**925,754,457**	891,697,133
Equity and liabilities			
Equity			
Share capital	11	**200,000,000**	200,000,000
Statutory reserve	12	**60,000,000**	60,000,000
Retained earnings		**222,616,209**	167,351,695
Foreign currency translation reserve		**(546,329)**	-
Total equity		**482,069,880**	427,351,695
Liabilities			
Non-current liabilities			
Lease liabilities	6	**42,517,345**	8,948,890
Employee benefit obligations	14	**63,830,022**	54,225,449
Total non-current liabilities		**106,347,367**	63,174,339
Current liabilities			
Trade payables		**173,355,541**	176,080,041
Accrued and other liabilities	15	**114,837,247**	72,035,631
Short term borrowings	13	**30,168,532**	139,718,094
Current portion of lease liabilities	6	**7,612,644**	6,848,549
Zakat and tax payable	16	**11,363,246**	6,488,784
Total current liabilities		**337,337,210**	401,171,099
Total liabilities		**443,684,577**	464,345,438
Total equity and liabilities		**925,754,457**	891,697,133

The accompanying notes on pages from 8 to 53 form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2023	December 31, 2022 (Restated Note 31)
Revenue	17	**1,361,796,751**	1,414,673,208
Cost of sales	18	**(1,077,458,925)**	(1,260,961,312)
Gross profit		**284,337,826**	153,711,896
Selling and distribution expenses	19	**(23,359,632)**	(19,257,945)
General and administrative expenses	20	**(85,726,727)**	(68,081,811)
Allowance for impairment of trade receivables	8	**(750,000)**	(1,450,000)
Fair value losses on financial assets		**(2,844,333)**	(1,930,030)
Bargain purchase gain on acquisition of a subsidiary	31	**-**	14,798,962
Other income - net	21	**3,009,630**	188,928
Operating profit		**174,666,764**	77,980,000
Finance costs	22	**(7,736,053)**	(3,564,668)
Profit before zakat and income tax		**166,930,711**	74,415,332
Zakat expense	16	**(3,833,795)**	(2,259,111)
Income tax	16	**(6,399,152)**	(2,637,781)
Net profit for the year		**156,697,764**	69,518,440
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**(546,329)**	-
Items that will not be reclassified to profit or loss:			
Re-measurement (loss) / gain on employee benefit obligations	14	**(2,012,725)**	6,784,666
Deferred tax relating to re-measurement gain/(loss)	16	**126,475**	(407,080)
Total other comprehensive (loss)/income for the year		**(2,432,579)**	6,377,586
Total comprehensive income for the year		**154,265,185**	75,896,026
Earnings per share attributable to the shareholders of the Parent			
Basic and diluted	27	**7.83**	3.48

The accompanying notes on pages from 8 to 53 form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joints Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Total
At January 1, 2022	200,000,000	60,000,000	116,455,669	-	**376,455,669**
Profit for the year – Restated (Note 31)	-	-	69,518,440	-	**69,518,440**
Other comprehensive income for the year	-	-	6,377,586	-	**6,377,586**
Total comprehensive income for the year	-	-	75,896,026	-	**75,896,026**
Transactions with owners in their capacity as owners:					
Dividend (Note 29)	-	-	(25,000,000)	-	**(25,000,000)**
At December 31, 2022 – Restated	**200,000,000**	**60,000,000**	**167,351,695**	**-**	**427,351,695**
Profit for the year	-	-	156,697,764	-	**156,697,764**
Other comprehensive income for the year	-	-	(1,886,250)	(546,329)	**(2,432,579)**
Total comprehensive income for the year	-	-	154,811,514	(546,329)	**154,265,185**
Transactions with owners in their capacity as owners:					
Dividend (Note 29)	-	-	(99,547,000)	-	**(99,547,000)**
At December 31, 2023	**200,000,000**	**60,000,000**	**222,616,209**	**(546,329)**	**482,069,880**

The accompanying notes on pages from 8 to 53 form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Year ended December 31, 2023	Year ended December 31, 2022 (Restated Note 31)
Cash flows from operating activities			
Profit before zakat and income tax		**166,930,711**	74,415,332
Adjustments for:			
Depreciation on property, plant and equipment	4	**62,396,764**	53,835,936
Depreciation on right-of-use assets	6	**7,925,918**	6,875,766
Amortisation of intangible assets		**368,568**	2,030,501
Employee benefit obligations	14	**8,386,715**	7,126,810
(Gain)/loss on disposal of property, plant and equipment	21	**(941,160)**	11,007
Finance costs on short term borrowings	22	**5,512,708**	1,809,806
Bargain purchase gain on acquisition of subsidiary	21	**-**	(14,798,962)
Finance costs on lease liabilities	22	**1,701,065**	953,125
Exchange gains		**(436,038)**	-
Impairment of trade receivables	8	**750,000**	1,450,000
Changes in working capital:			
Inventories		**78,554,587**	(59,289,299)
Trade receivables		**23,346,794**	384,857
Advances, prepayments and other receivables		**5,219,149**	(2,360,935)
Trade payables		**(12,188,607)**	(52,136,673)
Accrued and other liabilities		**(1,289,735)**	638,099
Cash generated from operations		**346,237,439**	20,945,370
Zakat and income tax paid	16	**(9,367,772)**	(371,279)
Employee benefit obligations paid	14	**(5,988,599)**	(4,252,813)
Finance costs paid		**(7,115,504)**	(2,690,332)
Net cash inflow from operating activities		**323,765,564**	13,630,946
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(34,838,007)**	(15,563,678)
Proceeds from disposal of property, plant and equipment		**1,439,551**	242,830
Purchase of intangible assets		**(278,907)**	(391,689)
Acquisition of a subsidiary – net	2.2	**(50,668,653)**	(39,061,567)
Net cash outflow from investing activities		**(84,346,016)**	(54,774,104)
Cash flows from financing activities			
Dividends paid	28	**(99,547,000)**	(25,000,000)
Short-term borrowings - net	30(b)	**(109,549,562)**	69,718,094
Repayment of principal portion of lease liabilities		**(9,704,484)**	(6,940,023)
Net cash (outflow)/inflow from financing activities		**(218,801,046)**	37,778,071
Net increase/(decrease) in cash and cash equivalents		**20,618,502**	(3,365,087)
Effect of exchange rate change on cash and cash equivalent		**(107,823)**	-
Cash and cash equivalents at the beginning of the year	10	**10,075,518**	12,801,519
Cash and cash equivalents of an acquired subsidiary		**-**	639,086
Cash and cash equivalents at the end of the year	10	**30,586,197**	10,075,518
Supplemental non-cash information			
Right-of-use assets and lease liabilities		**43,938,764**	6,855,525

The accompanying notes on pages from 8 to 53 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

United Carton Industries Company (the "Parent Company") is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 4030065231 dated 18 Ramadan 1409H (corresponding 23 April 1989). The Company's registered office is located at Industrial Area- Phase No. 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia.

The Parent Company is engaged in the manufacturing and sale of corrugated carton containers and plates.

These consolidated financial statements include the results of the following branches of the Parent Company, which are registered under the following registration numbers and engaged in similar activities as the Parent Company.

Sr. No.	Location of Branch	Commercial Registration Number
1	Jeddah	4030-198716
2	Jeddah	4030-201068
3	Jeddah	4030-125875
4	Riyadh	1010-268185
5	Dammam	2050-075036
6	Al-Kharj	1011-023950
7	Riyadh	1010-053015
8	Riyadh	1010-585737
9	Al Hassa	2257-024095

Theses consolidated financial statements were authorised for issue by the Parent Company's Board of Directors on April 2, 2024.

These consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries in which the Group exercises control (collectively referred to as "the Group").

Subsidiary name	Country of incorporation	Principle business activity	Ownership interest percentage 2023	Ownership interest percentage 2022
Integrated Packaging Industries Company ("IPIC")	Saudi Arabia	Manufacturing of paper from pulp, corrugated cardboard and paper products for household purposes.	**100%**	100%
United Paper Industries Company FZCO (previously known as "Gulf Paper Manufacturing FZCO") ("UPIC")	United Arab Emirates	Manufacturing of paper, packing and packaging material.	**100%**	-

2 Material accounting policies

2.1 Basis of preparation

The material accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

UNITED CARTON INDUSTRIES COMPANY
(A Saudi Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2023
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2 Material accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Historical cost convention

These consolidated financial statements have been prepared on a historical cost convention, and on going concern basis, unless stated otherwise. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

2.2 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Acquisition of United Paper Industries Company FZCO (previously known as "Gulf Paper Manufacturing FZCO")

During 2023, the Parent company signed an agreement to acquire 100% of the shares of United Paper Industries Company FZCO (previously known as "Gulf Paper Manufacturing FZCO"), United Arab Emirates, for a total consideration of Saudi Riyals 104.7 million. The control was transferred to the Group on July 28, 2023. The Group acquired United Paper Industries Company to expand its operations in the Middle East market and as a first step towards backward integration. The management believes that this acquisition will partially mitigate supply risk of brown paper due to the cyclical impact of paper prices.

The net identifiable assets of UPIC at the date of acquisition were as follows:

	Saudi Riyals
Property, plant and equipment	59,398,490
Customer relationships	4,145,544
Right-of-use assets	14,703,758
Inventories	8,186,924
Trade receivables and prepayments	38,328,604
Bank balances and cash	13,182,947
Employee benefit obligations	(5,236,562)
Lease liabilities	(15,142,160)
Trade payables and accruals	(12,825,906)
Net identified assets acquired	**104,741,639**
Goodwill computation	
Purchase consideration	104,741,639
Less: value of net assets acquired	104,741,639
Goodwill arising on acquisition	-

(All amounts in Saudi Riyals unless otherwise stated)

2 Material accounting policies (continued)

2.2 Basis of consolidation (continued)

The summary of the statement of comprehensive income for the acquired subsidiary since the acquisition date:

	From July 28, 2023 to December 31, 2023
Revenue	42,172,232
Gross profit	2,342,041
Loss before tax	(212,563)

If the acquisition had occurred on January 1, 2023, the pro-forma revenue and profit of the combined entity for the year ended December 31, 2023 would have been Saudi Riyals 1.42 billion and Saudi Riyals 165.7 million respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in the accounting policies between the group and the subsidiary, and
- The additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2023, together with the consequential tax effects.

The subsidiary has no contingent liabilities or capital commitments as at December 31, 2023.

The fair value and gross contractual amount of acquired trade receivables is Saudi Riyals 36.4 million, with a loss allowance of nil recognised on acquisition.

Purchase consideration – cash outflow

	2023
Outflow of cash to acquire the subsidiary, net of cash acquired	
Cash consideration paid	63,851,600
Less: Cash acquired	(13,182,947)
Net cash outflow – investing activities	**50,668,653**

Acquisition-related costs

Acquisition-related costs of Saudi Riyals 0.4 million are included in administrative expenses in profit or loss and in operating cash flows in the consolidated statement of cash flows.

Measurement period adjustment – Integrated Packaging Industries Company

During the financial year of 2023, the management finalised the purchase price allocation of net assets and liabilities attributable to Integrated Packaging Industries Company, acquired during 2022, and recognised a fair value adjustment of Saudi Riyals 12.4 million with a corresponding increase in the recognised amount of bargain purchase gain. Accordingly, the carrying value of property, plant and equipment was retrospectively adjusted to reflect the fair value adjustment less the additional depreciation that would have been recognised if the assets' fair value had been recognised from the acquisition date.

The bargain purchase gain is resulting mainly from the reduction in working capital between December 31, 2019 (the date used for working capital) and the finalisation date which is March 30, 2022.

The fair value impact of the purchase price allocation on each of the financial statement line items as at and for the year ended December 31, 2022 is presented in Note 31.

2 Material accounting policies (continued)

2.3 Business combination and goodwill

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of:
- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. 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 recognised 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 recognised immediately in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

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 of the operation.

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.

2 Material accounting policies (continued)

2.3 Application of new and amended standards and interpretations

(a) ***New and amended standards adopted by the Group***

The Group has applied the following standards and amendments for the first time for its annual period commencing 1 January 2023:

- IFRS 17, Insurance Contracts
- Definition of Accounting Estimates – Amendments to IAS 8
- Amendment to IAS 12 – International tax reform (OECD Pillar Two Rules)

The following amendments are effective from the annual period commencing 1 January 2023 but the Group has early adopted the amendments in the comparative period.

- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) ***New standards and interpretations not yet effective***

Certain amendments to accounting standards have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Group. Management is currently evaluating the impact these amendments and they are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The material accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied for all periods presented, unless otherwise stated.

2.4 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entities operate (the "functional currency"). The consolidated financial statements are presented in Saudi Riyals.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group companies 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 recognised in profit or loss.

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 that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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2 Material accounting policies (continued)

(iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at the average exchange rates. The exchange differences arising on the translation of foreign operations are recognised in other comprehensive income. On partial or full disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.6 Current vs non-current classification

The Group presents assets and liabilities in the consolidated 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 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.

The Group classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in 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 Group classifies all other liabilities as non-current.

2.7 Property, plant and equipment

Initial recognition
Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the consolidated statement of profit and loss and other comprehensive income.

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and impairment losses, if any.

2 Material accounting policies (continued)

2.7 Property, plant and equipment (continued)

Subsequent expenditure
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation
Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated statement of profit or loss and other comprehensive income:

Category	Useful life
• Buildings	20 years
• Motor vehicles	4 years
• Machinery and equipment	4 – 10 years
• Furniture and office equipment	4 – 10 years

Capital work-in-progress (CWIP)
Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of CWIP comprises its purchase price, construction / development cost and any other costs directly attributable to the construction or acquisition of an item intended by management. CWIP is measured at cost less impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

2.8 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired in a business combination are recognised at their fair value as at the date of acquisition.

Following initial recognition, intangible assets having a finite useful life are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any.

Intangible assets are amortised using the straight-line method over their estimated useful lives as follows:

Category	Useful life
Computer software	4-10 years
Customer relationship	8 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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2 Material accounting policies (continued)

2.9 Leases

At the inception of the contract, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities
The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

2 Material accounting policies (continued)

2.9 Leases (continued)

Right-of-use assets
The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, initial direct costs and restoration costs, if any. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. Refer note 2.10 for detail.

2.10 Impairment of non-financial assets other than inventories

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. It 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. Where 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 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 such as valuation multiples (including earnings multiples), quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed projections which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These projections are generally covering a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 profit or loss.

2.11 Inventories

Finished goods
Inventories are carried at the lower of cost and net realizable value. Cost is determined on the weighted average method. The cost of finished products includes the cost of raw materials, direct labor and manufacturing overheads and all other costs necessary to bring the goods to their existing condition and location.

Raw materials and spares
Raw materials and spares are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis.

2 Material accounting policies (continued)

2.11 Inventories (continued)

Work in progress
Work in progress is measured using estimated manufacturing cost including appropriate overheads based on normal level of activity.

Goods-in-transit
Goods-in-transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

2.12 Trade and other receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. Other receivables are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. The carrying amount of trade and other receivables is tested for impairment in accordance with the policy described in note 2.15.1.

Other portfolios of trade receivables originated to be placed under factoring arrangements are initially measured at their transaction price, unless they contain a significant financing component in which case they are measured initially at fair value. These are subsequently measured at fair value through profit or loss as they are originated with a business model of selling to finance institutions therefore cannot be measured at amortized cost or fair value through other comprehensive income.

2.13 Prepayments

Prepayments are initially recognised at the transaction price.

2.14 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three-months or less, that are readily convertible to known amounts of cash with insignificant risk of changes in value if any.

2.15 Financial instruments

2.15.1 Financial assets

The Group classifies its financial assets under the following categories

- Amortised cost
- Fair value through profit or loss (FVTPL)

These classifications are on the basis of the business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Group measures a financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

2 Material accounting policies (continued)

2.15 Financial instruments (continued)

(i) Recognition and derecognition

The Group initially recognises financial assets on the date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

(ii) Measurement

At initial recognition, the Company 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss and comprehensive income.

Impairment of financial assets
The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments and are measured at amortised cost. The Group follows the 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component. The application of the simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on the lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the ECL on financial assets to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering the probability of default and loss given default, which are derived from historical data of the Group and are adjusted to reflect the expected future outcome. ECL impairment loss allowance (or reversal) recognised during the period is recognised in profit or loss.

2.15.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss of the consolidated statement of profit or loss and other comprehensive income.

2.15.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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2 Material accounting policies (continued)

2.16 Employee benefit obligations

Short-term employee benefits
Provision is made for benefits accruing to employees in respect of salaries and wages, vacation leaves, ticket and other benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, if any, are measured at an undiscounted amount using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Employee termination benefits
The Group operates a defined benefit scheme for its employees in accordance with the applicable labor regulations. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method.

Actuarial gains and losses are recognised immediately in the consolidated 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 recognises related restructuring costs

Interest expense is calculated by applying the discount rate to the net employees defined benefit liabilities. The Group recognises the following changes in the net defined benefit obligation under "Cost of sales", "General and administrative expenses" and "Selling and distribution expenses" in the consolidated statement of profit or loss and other comprehensive income (by function).

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

2.17 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 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. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in profit or loss, net of reimbursements.

2 Material accounting policies (continued)

2.19 Zakat and taxes

(i) Zakat and current income tax

Zakat and income tax is provided for in accordance with Zakat, Tax and Customs Authority regulations. Income tax for the foreign entity is provided for in accordance with the Federal corporate tax regime in UAE. Adjustments arising from final zakat and income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences arising from the initial recognition of assets and liabilities in a transaction that: (i) is not a business combination, (ii) affects neither the taxable profit nor accounting profit, and (iii) does not create equal and opposite deferred tax assets and liabilities. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Withholding tax
The Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value Added Tax ("VAT")
Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

2 Material accounting policies (continued)

2.20 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

2.21 Revenue recognition

Revenue comprises sale of goods and services to its customers and is measured based on the considerations specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Certain customers are eligible for volume rebates once their purchases during the period exceeds a threshold specified in the respective contracts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates and discounts.

The Group recognises revenues based on a five-step model as set out in IFRS 15 as follows:

IFRS 15 requires that revenue is recognised from contracts with customers based on a five-step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Group satisfies the performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where any of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. In determining the transaction price for the sale of goods or services, the Group considers the effects of the existence of significant financing components, variable consideration, non-cash consideration and consideration payable to the customer (if any). The Group also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

The Group has identified the transportation service as a separate performance obligation for the sales of goods which the group transfers control to the customer over-time and promised to deliver the goods to the customer destination.

The Group does not have contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year, and as a result, the Group does not adjust transaction prices for the time value of money.

2 Material accounting policies (continued)

2.21 Revenue recognition (continued)

The following is a description of the principal activities, from which the Group generates its revenues,:

(i) Sale of corrugated carton, plates, duplex cartons and pulp products

Revenue from the sale of these products that do not have an alternate use to the Group and that the Group has a legally enforceable right to payment for such goods, is recognised over a period of time.

(ii) Sale of paper packing and packaging materials.

Revenue is recognised when a customer obtains control of the goods or services (i.e. when it has the ability to direct the use of and obtain benefits from the goods or services). Customers obtain control when goods are delivered to and have been accepted by the customers as per the applicable delivery terms, and accordingly, revenue is recognised at that point-in-time.

(iii) Delivery and transportation service.

The Group recognises revenue from delivery and transportation services over the period of time when the goods are delivered to the customer destination.

Variable consideration

The Group provides volume rebates to certain customers on the products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Group estimates the expected volume rebate using the “most likely amount” method. These estimates are reviewed on a regular basis and updated, if deemed necessary. These estimates are adjusted against revenue with the additional payable amount recorded under accrued and other liabilities. Such payable is de-recognized against a trade receivable at the point in time at which the actual final price is determined.

2.21 Cost of sales

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labor and other attributable overhead costs.

2.23 Selling and distribution expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group’s products and services. All other expenses are classified as general and administrative expenses.

2.24 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales or selling and distribution expenses. Allocations between general and administrative expenses, selling and distribution expenses and cost of sales, when required, are made on a consistent basis.

2.25 Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes finance costs and income taxes.

2 Material accounting policies (continued)

2.26 Dividends

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Group.

2.27 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Board of Directors ("BoD") of the Group assesses the financial performance and position of the Group, and makes strategic decisions. The BoD has been identified as being the CODM.

Segment results that are reported to the Group's CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.28 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of revenue, costs, assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amount of revenue and expenses during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

(a) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, profit for the year would have been higher or lower by Saudi Riyals 6.1 million.

3 Critical accounting estimates and judgements (continued)

(b) Allowance for impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. At year-end, if the loss rates increased / decreased by 10% with all other variables held constant, the profit for the year would have been lower or higher by Saudi Riyals 1.0 million.

(c) Employee benefit obligations

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate and salary increment rate. As KSA does not have a deep corporate bonds market, the management has used a proxy discount rate based on yields of KSA Sukuk Bonds rates of the duration equal to the duration of liability. The expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The management uses historical data and salary growth trends in KSA to determine the salary increment rate. See Note 14 for the sensitivity of the assumptions used.

Key accounting judgements – Goodwill or bargain purchase gain
Acquisition of subsidiaries involve use of judgement in determining the fair value of net assets and liabilities of acquired investees. Measurement of fair value is a significant estimate that involves the use of models and data inputs. The Group engages external consultants to perform fair value assessment of net identifiable assets of subsidiaries on the date of acquisition. The goodwill or bargain purchase gain on the acquisition transaction is initially determined using book value of net assets on the date of acquisition. The Group uses the measurement period exemption of 12 months to finalise the purchase price allocation when the fair value of identified assets including goodwill or bargain purchase gain is determined.

In the prior year, the acquisition of IPIC resulted in a bargain purchase gain. This gain was increased by way of a restatement in these financial statements as a result of finalising the measurement period adjustments. The Company also reassessed all aspects of the transaction as required by IFRS 3 before concluding that this was indeed a bargain purchase. The reasons for this bargain purchase were:

- The acquiree operated in a non-core sector for the sellers and so they were keen to divest;
- At the time that the pricing was negotiated other operations existed within the acquired company (divested before closing of the deal) making it harder to assess the past performance of the business ultimately acquired and leading to a reduced purchase price; and
- It took a significant period of time to negotiate and complete the deal and target working capital and net debt amounts remained unchanged even after the acquiree completed some agreed divestitures, which led to downward adjustments to the purchase price.

The Company is satisfied that all aspects of the business combination have been appropriately identified and accounted for. The bargain purchase is further supported by the fact that consideration was lower than even the book value of net assets acquired and the acquiree has been profitable since purchased.

See note 31 for details of the finalisation of the purchase accounting.

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4 Property, plant and equipment

	2023						
	Land	**Buildings**	**Motor vehicles**	**Machinery and equipment**	**Furniture and fixtures**	**Capital work-in-progress**	**Total**
Cost:							
Opening balance – Restated	5,427,488	276,321,669	6,841,856	996,158,280	89,444,712	689,953	1,374,883,958
Additions	-	1,411,031	317,174	11,648,203	3,707,469	17,754,130	34,838,007
Disposals	-	(102,000)	(2,062,832)	(20,413,527)	(681,523)	-	(23,259,882)
Transfers to/(from) capital work-in-progress	-	7,401,999	-	7,352,211	1,323,125	(16,077,335)	-
Acquisition of a subsidiary (Note 2.2)	-	10,544,628	513,818	48,178,167	161,877	-	59,398,490
Translation adjustment	-	(122,093)	(17,706)	(209,670)	(10,459)	-	(359,928)
Closing balance	5,427,488	295,455,234	5,592,310	1,042,713,664	93,945,201	2,366,748	1,445,500,645
Accumulated depreciation and impairment loss:							
Opening balance – Restated	-	(137,925,167)	(4,644,869)	(798,930,389)	(85,700,595)	-	(1,027,201,020)
Charges for the year	-	(11,795,172)	(1,360,906)	(44,130,069)	(5,110,617)	-	(62,396,764)
Translation adjustment	-	35,849	13,503	82,904	9,135	-	141,391
Disposals	-	51,680	2,062,820	20,017,446	629,545	-	22,761,491
Closing balance	-	(149,632,810)	(3,929,452)	(822,960,108)	(90,172,532)	-	(1,066,694,902)
Net book value:							
December 31, 2023	5,427,488	145,822,424	1,662,858	219,753,556	3,772,669	2,366,748	378,805,743

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4 Property, plant and equipment (continued)

	2022						
	Land	**Buildings**	**Motor vehicles**	**Machinery and equipment**	**Furniture and fixtures**	**Capital work-in-progress**	**Total**
Cost:							
Opening balance	5,427,488	248,977,214	4,652,118	955,315,181	82,582,675	1,863,154	1,298,817,830
Additions	-	807,915	453,700	4,099,772	1,537,999	8,664,292	15,563,678
Disposals	-	-	(403,420)	(6,302,860)	(572,570)	-	(7,278,850)
Transfers to/(from) capital work-in-progress	-	1,314,140	437,773	3,957,242	4,128,338	(9,837,493)	-
Acquisition of a subsidiary	-	21,780,137	21,249	31,212,519	1,443,337	-	54,457,242
Fair value adjustment (Note 2.2 & 31)	-	3,442,263	1,680,436	7,876,426	324,933	-	13,324,058
Closing balance – Restated (Note 31)	5,427,488	276,321,669	6,841,856	996,158,280	89,444,712	689,953	1,374,883,958
Accumulated depreciation and impairment loss:							
Opening balance	-	(128,082,226)	(4,013,058)	(769,333,970)	(78,960,843)	-	(980,390,097)
Charge for the year – Restated (Note 31)	-	(9,842,941)	(1,035,231)	(35,703,231)	(7,254,533)	-	(53,835,936)
Disposals	-	-	403,420	6,106,812	514,781	-	7,025,013
Closing balance – Restated (Note 31)	-	(137,925,167)	(4,644,869)	(798,930,389)	(85,700,595)	-	(1,027,201,020)
Net book value:							
December 31, 2022 - Restated	5,427,488	138,396,502	2,196,987	197,227,891	3,744,117	689,953	347,682,938

No borrowing costs were capitalised during the year ended December 31, 2023 and 2022 considering that there were no qualifying assets, which necessarily take a substantial period of time to get ready for intended use.

There are no assets provided as a collateral to loans and borrowings as at December 31, 2023 and 2022. The group changed the format and the layout of the Property, Plant and Equipment Note to provide more clarity and improve understandability of the Note to the users of the consolidated financial statements.

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4 Property, plant and equipment (continued)

During 2012, the Group received a notification from the Ministry of Rural Affairs to vacate one of-its plants, located in Riyadh, as the land on which the plant was operating, is located in a zone which should not be used for industrial purposes. Initially, the Group obtained permission from the Ministry of Rural Affairs to continue the operations at the same place till March 2014.

Subsequently, based on request from the Group, the government authorities initiated actions to reassess the environmental impact of the factories operating in that zone. In this regard, the Group undertook an environmental impact assessment and was issued an environmental certificate, certifying its compliance with the environmental standards. Following the environmental certificate, the industrial license was issued to the Group, based on which, the Group is in process of seeking Municipality license which is currently under process.

Based on the information available to date, management doesn't expect impairment reversal to take place in the immediate future periods.

Depreciation charge for the year has been allocated as follows:

	Note	December 31, 2023	December 31, 2022 (Restated - Note 31)
Cost of sales	18	**56,407,634**	49,676,329
Selling and distribution expenses	19	**194,287**	553,216
General and administrative expenses	20	**5,794,843**	3,606,391
		62,396,764	53,835,936

5 Goodwill

	Note	December 31, 2023	December 31, 2022
Cost			
Opening balance		**82,460,430**	82,460,430
Additions for the year	2.2	**-**	-
Closing balance		**82,460,430**	82,460,430
Impairment			
Opening balance		**(44,231,904)**	(44,231,904)
Impaired during the year		**-**	-
Closing balance		**(44,231,904)**	(44,231,904)
Net book value		**38,228,526**	38,228,526

During the year, the group performed an impairment assessment of goodwill related to the acquisition of National Packing Products Company Limited ("NPPCL") which was acquired during 2015 with a resulting goodwill of Saudi Riyals 82.5 million which was subsequently impaired by an amount of Saudi Riyals 44.2 million and the remaining goodwill balance is Saudi Riyals 38.2 million. The results of the impairment test indicated no impairment charge because the head room was sufficient between the carrying amount of net assets amounting to Saudi Riyals 73.2 million and the recoverable amount.

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5 Goodwill (continued)

These calculations use cash flow projections which are based on financial budgets approved by management covering a five-year period as well as the factors used in computing terminal value.

	NPPCL	
	2023	**2022**
Revenue growth rate (average)	**2.50%**	2.50%
Discount rate	**11.76%**	12.65%
Terminal growth rate	**2.00%**	2.00%

Sensitivity to the changes in assumptions:

	NPPCL			
	2023		2022	
	CGU recoverable amount	**% change in CGU recoverable amount**	CGU recoverable amount	% change in CGU recoverable amount
+1% Discount rate	**309,981,488**	**(9%)**	371,819,804	(4%)
-1% Discount rate	**377,908,533**	**11%**	399,812,377	4%
+1% Terminal growth rate	**366,286,520**	**8%**	411,664,244	7%
-1% Terminal growth rate	**319,480,497**	**(6%)**	363,770,290	(6%)
+1% Sales growth rate	**368,430,948**	**8%**	411,297,654	7%
-1% Sales growth rate	**313,288,024**	**(8%)**	360,325,611	(7%)

6 Leases

The Group has lease contracts for various lands, warehouses, staff accommodations and motor vehicles used in its operations. Leases of land generally have lease terms between 10 and 20 years, warehouses and staff accommodation have lease terms of 3 to 5 years while motor vehicles generally have lease terms of up to 4 years.

The Group also has certain leases of accommodation buildings with lease terms of 12 months. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

	December 31, 2023	**December 31, 2022 (Restated Note 31)**
Right-of-use assets		
Leasehold lands	**18,239,693**	6,583,423
Warehouses and accommodation	**26,415,988**	1,887,049
Motor vehicles	**3,376,507**	3,983,676
	48,032,188	12,454,148
Lease liabilities		
Non-current	**42,517,345**	8,948,890
Current	**7,612,644**	6,848,549
	50,129,989	15,797,439

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6 Leases (continued)

The contractual maturities of lease liabilities (undiscounted basis) were as follows:

	December 31, 2023	December 31, 2022 (Restated Note 31)
Less than one year	**9,568,434**	6,847,258
Between 2 to 5 years	**29,046,444**	6,873,193
More than five years	**30,155,019**	4,126,274
	68,769,897	17,846,725

The following are the amounts recognised in profit or loss:

	2023	2022 (Restated Note 31)
Depreciation expense of right-of-use assets – Leasehold lands	**905,864**	505,055
Depreciation expense of right-of-use assets – Warehouses and accommodation	**4,713,407**	4,184,882
Depreciation expense of right-of-use assets – Motor vehicles	**2,306,647**	2,185,829
	7,925,918	6,875,766
Finance cost on lease liabilities	**1,701,065**	953,125
Expense relating to short-term leases (included in cost of sales)	**196,073**	69,758
Expense relating to short-term leases (included in general and administrative expenses)	**255,726**	230,271
Total amount recognised in the profit or loss	**10,078,782**	8,128,920

The depreciation charge related to right-of-use assets for the year was allocated as follows:

	Note	2023	2022 (Restated Note 31)
Cost of sales	18	**6,340,155**	5,857,832
Selling and distribution expenses	19	**85,701**	64,882
General and administrative expenses	20	**1,500,062**	953,052
		7,925,918	6,875,766

The Group had total cash outflows for leases of Saudi Riyals 11.4 million (2022: Saudi Riyals 7.9 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of Saudi Riyals 43.9 million (2022: Saudi Riyals 6.8 million).

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a renewal option.

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7 Inventories

	Note	**December 31, 2023**	December 31, 2022
Raw materials		**129,382,140**	193,063,447
Spare parts		**55,857,559**	52,175,795
Work in progress		**1,060,149**	3,056,175
Finished goods		**4,443,301**	4,373,787
Goods in transit		**23,232,672**	31,674,280
		213,975,821	284,343,484
Less: allowance for slow-moving inventories	7.1	**(43,791,064)**	(43,791,064)
		170,184,757	240,552,420

7.1 Movement in the allowance for obsolescence of inventories is as follows:

	December 31, 2023	December 31, 2022
Opening balance	**43,791,064**	43,791,064
Reversal	**-**	-
Closing balance	**43,791,064**	43,791,064

The cost of inventories charged as an expense during the year was Saudi Riyals 789.1 million (2022: Saudi Riyals 1 billion).

8 Trade receivables

	Note	**December 31, 2023**	December 31, 2022
Trade receivables – third parties		**218,519,339**	198,053,986
Due from related parties	23.2	**9,008,745**	10,253,642
		227,528,084	208,307,628
Less: allowance for impairment of trade receivables		**(10,200,889)**	(9,450,889)
		217,327,195	198,856,739
Trade receivable at fair value*		**5,678,236**	11,849,126
		223,005,431	210,705,865

*This represents trade receivables which are subject to factoring arrangement with commercial banks but are not factored at the year end. The trade receivables portfolio subject to factoring is initially classified at fair value through profit or loss.

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.

Movement in allowance for impairment of trade receivables is as follows:

	December 31, 2023	December 31, 2022
Opening balance	**9,450,889**	8,000,889
Provision for the year	**750,000**	1,450,000
Closing balance	**10,200,889**	9,450,889

The Group had top 30 customer balances that accounted for approximately 35% (2022: 59%) of total outstanding trade receivables. Information about credit risk is disclosed in Note 28.

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9 Advances, prepayments and other receivables

	December 31, 2023	December 31, 2022 (Restated Note 31)
Advances to suppliers	**7,983,282**	11,385,608
Prepayments	**4,547,342**	5,003,985
Employee loans	**4,642,014**	4,462,570
Margin on letters of guarantee	**654,410**	187,625
Other receivables	**5,497,234**	5,571,399
	23,324,282	26,611,187

10 Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash at banks	**30,396,127**	9,721,393
Cash in hand	**190,070**	354,125
	30,586,197	10,075,518

The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The carrying value at each reporting date is estimated to be the same as the fair value.

11 Share capital

At December 31, 2023 and December 31, 2022, the Parent Company's share capital is divided into 20 million shares of Saudi Riyals 10 each and held by the following shareholders:

Name of the shareholders	Country of incorporation	December 31, 2023	December 31, 2022
Zamil Group Holding Company	Kingdom of Saudi Arabia	**60,000,000**	60,000,000
Omar K. Alesayi & Company	Kingdom of Saudi Arabia	**60,000,000**	60,000,000
Frimex Investment L.L.C	United Arab Emirates	**60,000,000**	60,000,000
Zamil Group Investment Company	Kingdom of Saudi Arabia	**10,000,000**	10,000,000
Eastern Industrial Investment Company	Kingdom of Saudi Arabia	**10,000,000**	10,000,000
Total		**200,000,000**	200,000,000

12 Statutory reserve

In accordance with the Regulations for Companies previously applicable in the Kingdom of Saudi Arabia, the Parent Company was required to transfer 10% of the profit for the year to a statutory reserve until it equals to 30% of its share capital. As per the revised Regulations for Companies and the Parent Company's By-laws, maintaining a statutory reserve is no longer required.

13 Short-term borrowings

The Group has obtained short-term loans from commercial banks aggregating to Saudi Riyals 30 million (2022: Saudi Riyals 235 million). These loans are denominated in Saudi Riyals and bear financial charges based on prevailing market rate which is based on Saudi Interbank Offer Rate (SAIBOR). The unused funded balance of these facilities as at December 31, 2023 amounted to Saudi Riyals 240 million (2022: Saudi Riyals 95.3 million). These facilities are collaterised by demand promissory notes from the shareholders of the parent company.

Group management assessed that the fair value of the borrowings is approximately equal to their carrying amounts due to the short-term maturities of three months to six months and interest payable on those borrowings being at current market rates. The finance costs recognised as expense on the above borrowings have been disclosed in Note 22.

14 Employee benefit obligations

The Group operates a defined benefit plan in line with the labour law requirements in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the jurisdictions that the group companies operate in (KSA and UAE). The employees' end of service benefit plan is an unfunded plan, and the benefit payment obligations are met by the Group when they fall due upon termination of employment.

14.1 Movement in the present value of employee benefit obligations

	December 31, 2023	December 31, 2022
Opening balance	**54,225,449**	49,924,820
Acquisition of a subsidiary	**5,236,562**	8,220,326
Transfer	**-**	(9,028)
Current service cost	**5,765,437**	5,581,101
Interest cost	**2,621,278**	1,545,709
Benefits paid	**(5,988,599)**	(4,252,813)
Re-measurement loss/(gain)	**2,012,725**	(6,784,666)
Translation adjustment	**(42,830)**	-
Closing balance	**63,830,022**	54,225,449

14.2 Amount recognised in the consolidated statement of profit or loss and other comprehensive income

	December 31, 2023	December 31, 2022
Included in profit or loss		
Current service cost	**5,765,437**	5,581,101
Interest cost	**2,621,278**	1,545,709
Included in other comprehensive income		
Financial assumptions	**320,283**	(6,549,698)
Experience adjustment	**(766,401)**	(4,896)
Demographic assumptions	**2,458,843**	(230,072)
	2,012,725	(6,784,666)
	10,399,440	342,144

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14 Employee benefit obligations (continued)

14.3 Key actuarial assumptions

	December 31, 2023	December 31, 2022
Discount rate	**4.60%**	4.75%
Future salary growth	**4.00%**	4.00%
Withdrawal rates	**Moderate**	Moderate

14.4 Sensitivity analysis

The quantitative sensitivity analysis for the principal assumptions is as follows:

	Change in assumption		Impact on employee benefit obligations: Increase in assumption		Impact on employee benefit obligations: Decrease in assumption	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Discount rate	**0.5%**	0.5%	**(1,807,734)**	(762,320)	**2,090,814**	4,353,763
Salary growth rate	**0.5%**	0.5%	**1,642,914**	3,941,570	**(1,401,141)**	(1,136,547)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The weighted average duration of the defined benefit obligation is 7.0 years (2022: 7.0 years).

14.5 Expected maturity profile

The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	December 31, 2023	December 31, 2022
Up to 1 year	**6,486,989**	7,303,137
2 – 5 years	**36,678,177**	27,051,222
Over 5 years	**36,199,267**	32,002,717
	79,364,433	66,357,076

15 Accrued and other liabilities

	December 31, 2023	December 31, 2022
Accrued expenses	**46,234,973**	30,843,552
Payable for acquisition of a subsidiary (Note 2.2)	**40,454,001**	-
Advances from customers	**13,234,840**	9,333,511
Refund liabilities	**5,459,517**	4,850,888
VAT payable	**4,538,395**	8,747,403
Other	**4,915,521**	18,260,277
	114,837,247	72,035,631

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15 Accrued and other liabilities (continued)

Accrued expenses include bonus expense amounting to Saudi Riyals 11 million (2022: Saudi Riyals 6.4 million), accruals for vacation pay amounting to Saudi Riyals 8 million (2022: Saudi Riyals 8.1 million), accrued custom duty of Saudi Riyals 6.2 million (2022: Saudi Riyals 1.7 million), accrued professional fee amounting to Saudi Riyals 4.7 million (2022: Saudi Riyals 3.3 million) and directors' remuneration amounting to Saudi Riyals 1.2 million (2022: Saudi Riyals 1 million).

16 Zakat and income tax matters

16.1 Components of the zakat base

The Parent Company and the subsidiaries file separate zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under the zakat and income tax regulations are principally comprised of shareholder's equity adjusted by dividends, provisions at the beginning of the year net of adjustments and adjusted net income, less deductions for the book value of deductible assets.

16.2 Provision for zakat and income tax

	Zakat	Income tax	Total
January 1, 2022	1,463,520	-	1,463,520
Provisions for the year	107,618	-	107,618
Adjustment related to prior year	2,259,111	4,298,590	6,557,701
Payments	(371,279)	-	(371,279)
Offset against zakat and tax advances (Note 9)	(1,182,719)	(86,057)	(1,268,776)
December 31, 2022	**2,276,251**	**4,212,533**	**6,488,784**
Provisions for the year	**3,833,795**	**10,408,439**	**14,242,234**
Payments	**(2,232,326)**	**(7,135,446)**	**(9,367,772)**
December 31, 2023	**3,877,720**	**7,485,526**	**11,363,246**

16.3 Deferred tax assets

The balance comprises temporary differences attributable to:

	December 31, 2023	December 31, 2022 (Restated Note 31)
Property, plant and equipment	**2,423,846**	(618,091)
Goodwill	**-**	(788,807)
Allowance for slow-moving inventories	**2,627,464**	2,627,464
Allowance for impairment of trade receivables	**612,053**	567,053
Employee benefit obligations	**3,513,543**	3,253,525
Net deferred tax assets	**9,176,906**	5,041,144

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16 Zakat and income tax matters (continued)

16.3 Deferred tax assets (continued)

	December 31, 2023	December 31, 2022 (Restated Note 31)
January 1,	**5,041,144**	4,712,690
Deferred tax recognised in profit or loss	**4,009,287**	1,660,809
Deferred tax recognised in other comprehensive income	**126,475**	(407,080)
Deferred tax liability on fair value adjustment netted off against bargain purchase gain	-	(925,275)
December 31,	**9,176,906**	5,041,144

16.4 Status of final assessments

Zakat assessments of the Parent Company have been agreed with the Zakat, Tax and Customs Authority (ZATCA) up to 2012 and for the years 2015 to 2017.

During 2019, the Parent Company received assessment for the years 2013 and 2014 claiming additional zakat aggregating to Saudi Riyals 3.5 million due to certain additions to the zakat base made by ZATCA. The Parent Company submitted an objection to ZATCA against the total amount of assessment for these years. Following the Parent Company's objection, a revised assessment, reducing the additional zakat claim to Saudi Riyals 2.6 million was issued by ZATCA after accepting the Parent Company's contention on depreciation.

The Parent Company escalated the objection against the revised assessment issued by ZATCA through the General Secretariat of Tax Committee (GSTC) to Tax Violations and Disputes Resolution Committee ("TVDRC"). During 2021, GSTC scheduled a hearing on the Parent Company's objections where TVDRC ruled partially in favour of the Parent Company thereby reducing the assessment to Saudi Riyals 2 million. The Parent Company escalated its objection through GSTC to Tax Violations and Disputes Appeal Committee ("TVDAC").

During 2023, the GSTC scheduled a closed hearing session wherein TVDAC ruled partially in favor of the Parent Company thereby reducing the assessments to Saudi Riyals 1.1 million. The Parent Company being aggrieved filed a reconsideration request to GSTC which is awaited hearing.

The assessment for the years 2018 to 2022 have not yet been raised by ZATCA.

Integrated Packaging Industries Company (IPIC)
The Subsidiary has finalised its zakat assessments up to the period ended 30 September 2013. For the period up to 31 December 2021, the zakat return of the Company was filed by the previous shareholders as part of a consolidated return.

The assessments for the years 2014 to 2022 have not yet been raised by ZATCA. Any liability arising in respect of prior years up to the date of the control transfer shall be borne by the previous shareholders as per the terms agreed with them.

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16 Zakat and income tax matters (continued)

16.5 Income tax

The major components of income tax in the consolidated statement of profit or loss and other comprehensive income can be broken down as follows for the year ended:

	Note	December 31, 2023	December 31, 2022 (Restated Note 31)
Current income tax	16.2	**10,408,439**	4,298,590
Deferred income tax	16.3	**(4,009,287)**	(1,660,809)
Total income tax charged to the statement of profit or loss		**6,399,152**	2,637,781
Deferred tax (credit)/charged to other comprehensive income	16.3	**(126,475)**	407,080
Deferred tax liability on fair value adjustment netted off against bargain purchase gain		**-**	925,275

17 Revenue

The Group derives revenue from the following streams:

	2023	2022 (Restated Note 31)
Revenue from:		
- Corrugated cartons and plates	**1,177,433,624**	1,295,084,318
- Duplex cartons	**104,942,245**	86,777,723
- Paper and packaging material	**42,142,624**	-
- Transportation services	**37,278,258**	32,811,167
	1,361,796,751	1,414,673,208

The revenue for the Group by geographical region is as follows:

	2023	2022
Kingdom of Saudi Arabia	**1,303,645,709**	1,393,770,877
Outside the Kingdom of Saudi Arabia	**58,151,042**	20,902,331
	1,361,796,751	1,414,673,208

Timing of revenue recognition

	2023	2022
Point in time	**42,142,624**	-
Over time revenue recognition	**1,319,654,127**	1,414,673,208
	1,361,796,751	1,414,673,208

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17 Revenue (continued)

At December 31, 2023 and 2022, the Group has recognised the contract liabilities related to contract with customers:

	Note	December 31, 2023	December 31, 2022
Advances from customers	15	**13,234,840**	9,333,511

Advances from customers have increased by Saudi Riyal 3.9 million due to the negotiation of larger prepayments. Revenue recognised that was included in the advances from customers balance at the beginning of the year was Saudi Riyals 9.3 million (2022: Saudi Riyals 7.6 million).

18 Cost of sales

	Note	2023	2022 (Restated Note 31)
Material cost		**789,102,405**	1,017,850,127
Employee cost		**102,621,834**	91,333,165
Depreciation on property, plant and equipment	4	**56,407,634**	49,676,329
Utilities		**39,060,315**	22,515,129
Delivery cost		**35,844,479**	31,549,199
Depreciation on right-of-use assets	6	**6,340,155**	5,857,832
Insurance		**3,667,342**	2,164,930
Others		**44,414,761**	40,014,601
		1,077,458,925	1,260,961,312

19 Selling and distribution expenses

	Note	2023	2022 (Restated Note 31)
Employee cost		**17,719,351**	16,695,884
Traveling and conveyance		**2,578,343**	744,158
Delivery cost		**762,695**	-
Sales commission		**600,000**	600,000
Insurance		**214,178**	204,839
Depreciation on property, plant and equipment	4	**194,287**	553,216
Depreciation on right-of-use assets	6	**85,701**	64,882
Others		**1,205,077**	394,966
		23,359,632	19,257,945

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20 General and administrative expenses

	Note	2023	2022 (Restated Note 31)
Employee cost		**48,522,781**	36,153,695
Staff relations		**7,285,254**	6,763,521
License and software maintenance		**6,717,984**	4,550,779
Depreciation on property, plant and equipment	4	**5,794,843**	3,606,391
Professional fees		**3,834,122**	4,596,314
Board of Directors' remuneration	23	**2,200,000**	1,200,000
Depreciation on right-of-use assets	6	**1,500,062**	953,052
Repairs and maintenance		**1,445,090**	2,585,814
Communications		**1,386,449**	1,308,755
Insurance		**418,269**	409,378
Amortisation of intangible asset		**359,412**	2,030,501
Others		**6,262,461**	3,923,611
		85,726,727	68,081,811

20.1 Auditors' remuneration for the statutory audit of the Group's consolidated financial statements and the financial statements of its subsidiaries for the year ended 31 December 2023 amounts to Saudi Riyals 0.9 million (2022: Saudi Riyals 0.4 million).

21 Other income – net

	2023	2022 (Restated Note 31)
Sale of scrap items	**1,051,639**	-
Gain/(loss) on disposal of property, plant and equipment	**941,160**	(11,007)
Exchange gains	**436,038**	-
Miscellaneous	**580,793**	199,935
	3,009,630	188,928

22 Finance costs

	Note	2023	2022 (Restated Note 31)
Finance cost on short term borrowings	13	**5,512,708**	1,809,806
Finance cost on lease liabilities	6	**1,701,065**	953,125
Others		**522,280**	801,737
		7,736,053	3,564,668

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23 Related party transactions and balances

Related parties comprise the shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties (other related party). The following are the details of the major related parties during the year:

23.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarised below:

Related party	Relationship	Nature of transaction	2023	2022
National Food Industries Company	Other related party	Sale of goods	**11,243,977**	12,419,233
		Accommodation expenses	**2,379,095**	2,031,007
National Biscuits and Confectionary Company	Other related party	Sale of goods	**28,801,195**	29,661,468
		Accommodation expenses	**1,788,926**	1,426,524
Zamil Air Conditioner and Home Appliances	Other related party	Sale of goods	**2,115,465**	2,700,606
Zamil Plastic Industries Company	Other related party	Sale of goods	**887,314**	847,728
Zamil Polipa Packaging Company	Other related party	Sale of goods	**1,392,592**	1,226,440
Zamil Central and Air Conditioner Company	Other related party	Sale of goods	**136,241**	24,642
Zamil Food Industries Limited	Other related party	Sale of goods	**2,668,255**	2,355,229
Techno Val Information System	Other related party	IT services	**2,053,057**	2,365,458

23.2 Related party balances

Significant year-end balances arising from transactions with related parties are as follows:

(i) Due from related parties

	December 31, 2023	December 31, 2022
National Biscuits and Confectionary Company	**5,448,677**	6,912,037
National Food Industries Company	**1,853,573**	2,341,134
Zamil Air Conditioner and Home Appliances	**943,437**	520,128
Zamil Polipa Packaging Company	**476,290**	245,469
Zamil Plastic Industries Company	**241,521**	79,140
Zamil Central and Air Conditioner Company	**45,247**	-
Zamil Food Industries Limited	**-**	155,734
	9,008,745	10,253,642

(ii) Due to related parties

	December 31, 2023	December 31, 2022
Technoval Information Systems Limited	**-**	816,743

Sales and purchases (including services) carried out to/from related parties during the year are based on the price lists in force and terms that would be available to third parties in the normal course of business.

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23 Related party transactions and balances (continued)

23.2 Related party balances (continued)

Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. The balances are payable/receivable within normal commercial terms i.e, 30 – 60 days.

23.3 Key management personnel compensation

Key management personnel comprise chief executive officer, chief financial officer, vice presidents and certain head of departments. Compensation of the Group's key management personnel includes salaries and contributions to employee benefit obligations.

	December 31, 2023	December 31, 2022
Short-term employee benefits (salaries and other allowances)	**8,079,894**	6,366,404
Post-employment benefit (end-of-service benefit)	**1,036,234**	516,354
Board of Directors' remuneration	**2,200,000**	1,200,000

24 Commitments

The capital expenditure contracted by the Group but not incurred until December 31, 2023 was Saudi Riyals 14.7 million (2022: Saudi Riyals 12.8 million).

25 Bank guarantees

At December 31, 2023, the Group has outstanding bank guarantees amounting to Saudi Riyals 0.65 million (2022: Saudi Riyals 0.86 million) issued in the normal course of business.

26 Segment information

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
(c) for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. For management purposes, the Group is organised into business units based on their products and has the following reportable segments:

Corrugated
Corrugated segment which manufactures and sells corrugated boxes, digital printing products, retail boxes etc.

Duplex
Duplex segment involves manufacturing of paper pulp from fibers, drawing paper, printing, paper, corrugated cardboard, carton, boxes, folded or single bags of corrugated paper board, paper filing boxes and paper products for household purposes including dishes, cups and allied.

Paper and packaging material
Paper segment involves manufacturing of packaging paper, tissue paper and converted products including hand towels, kitchen rolls and napkins etc.

The Group's CODM (the Group's board of directors) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit/(loss) before zakat and tax for each segment.

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26 Segment information (continued)

The Group's consolidated financial information by business segments, were as follows:

	Corrugated	Duplex	Paper and packaging material	Total
December 31, 2023				
Property, plant and equipment	**269,496,671**	**50,414,708**	**58,894,364**	**378,805,743**
Right of use assets	**28,125,845**	**1,296,243**	**18,610,100**	**48,032,188**
Trade receivables	**176,831,102**	**19,485,432**	**36,889,786**	**233,206,320**
Provision for impairment of trade receivables	**(10,100,889)**	**(100,000)**	**-**	**(10,200,889)**
Trade receivables – net	**166,730,213**	**19,385,432**	**36,889,786**	**223,005,431**
December 31, 2023				
Total assets	**706,468,500**	**101,004,057**	**118,281,900**	**925,754,457**
Total liabilities	**344,630,640**	**60,777,439**	**38,276,498**	**443,684,577**

	Corrugated	Duplex	Total
December 31, 2022 *			
Property, plant and equipment	288,350,477	59,332,461	347,682,938
Right of use assets	11,486,336	967,812	12,454,148
Trade receivables	200,214,345	19,942,409	220,156,754
Provision for impairment of trade receivables	(9,350,889)	(100,000)	(9,450,889)
Trade receivables – net	190,863,456	19,842,409	210,705,865
December 31, 2022			
Total assets	771,200,153	120,496,980	891,697,133
Total liabilities	382,679,830	81,665,608	464,345,438

*The segment report information for the comparative period was computed based on the restated information (refer Note 31 for the restatement disclosure)

	Corrugated	Duplex	Paper and packaging material	Total
For the year ended December 31, 2023				
Segment revenue	**1,214,686,051**	**108,583,648**	**42,172,232**	**1,365,441,931**
Inter-segment revenue	**(2,153,328)**	**(1,462,244)**	**(29,608)**	**(3,645,180)**
Revenue from external customers	**1,212,532,723**	**107,121,404**	**42,142,624**	**1,361,796,751**
Gross profit	**303,245,553**	**(21,249,770)**	**2,342,043**	**284,337,826**
Depreciation and amortization	**(54,758,434)**	**(13,228,467)**	**(2,704,349)**	**(70,691,250)**
Finance costs	**(3,990,382)**	**(3,147,583)**	**(598,088)**	**(7,736,053)**
Profit/ (loss) before zakat and tax	**168,932,983**	**(465,470)**	**(1,536,802)**	**166,930,711**
Additions to property, plant and equipment	**28,788,822**	**4,310,786**	**1,738,399**	**34,838,007**

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(All amounts in Saudi Riyals unless otherwise stated)

26 Segment information (continued)

	Corrugated	Duplex	Total
For the year ended December 31, 2022 - (Note 31)			
Segment revenue	1,331,144,313	88,036,402	1,419,180,715
Inter-segment revenue	(4,507,507)	-	(4,507,507)
Revenue from external customers	1,326,636,806	88,036,402	1,414,673,208
Gross profit	138,813,782	14,898,114	153,711,896
Depreciation and amortisation	(53,233,316)	(9,508,887)	(62,742,203)
Finance costs	(2,997,718)	(566,950)	(3,564,668)
Profit before zakat and tax	62,466,523	11,948,809	74,415,332
Additions to property, plant and equipment	15,418,056	145,622	15,563,678

The Group's operations are conducted principally in Saudi Arabia and United Arab Emirates. Selected financial information as at and for the year ended December 31 by geographic area were as follows:

	Kingdom of Saudi Arabia	United Arab Emirates	Others	Total
2023				
Revenue	**1,304,623,576**	**43,080,048**	**14,093,127**	**1,361,796,751**
Non-current assets	**419,966,240**	**58,687,550**	**-**	**478,653,790**
2022				
Revenue	1,391,342,066	757,803	22,573,339	1,414,673,208
Non-current assets	403,752,143	-		403,752,143

27 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Parent Company, by the weighted average number of ordinary shares outstanding during the financial year. As the Parent Company does not have any diluting potential shares, the diluted earnings per share is the same as the basic earnings per share.

The basic and diluted earnings per share is computed as follows:

	December 31, 2023	December 31, 2022 (Restated Note 31)
Profit for the year	**156,697,764**	69,518,440
Weighted average number of ordinary shares	**20,000,000**	20,000,000
Basic and diluted earnings per share	**7.83**	3.48

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28 Financial instruments

28.1 Financial assets

28.1.1 Financial assets at amortised cost

	Note	December 31, 2023	December 31, 2022
Trade receivables	8	**217,327,195**	198,856,739
Cash and cash equivalents	10	**30,586,197**	10,075,518
Other receivables	9	**5,497,234**	5,571,399
Employee loans	9	**4,642,014**	4,462,570
Margin on letters of guarantee	9	**654,410**	187,625
		258,707,050	219,153,851

28.1.2 Financial assets at fair value through profit or loss

	Note	December 31, 2023	December 31, 2022
Trade receivables	8	**5,678,236**	11,849,126

28.2 Financial liabilities

	Note	December 31, 2023	December 31, 2022
Financial liabilities at amortised cost			
Short term borrowings	13	**30,168,532**	139,718,094
Trade payables		**173,355,541**	176,080,041
Accrued expenses	15	**46,234,973**	30,843,552
Payable for the acquisition of a subsidiary		**40,454,001**	-
Refund liabilities		**5,459,517**	4,850,888
Others	15	**4,915,521**	18,260,277
Total financial liabilities		**300,588,085**	369,752,852

The carrying amount of financial assets and financial liabilities approximates their fair value due to their short-term nature. For credit risk exposure refer to Note 28.3. In prior years, certain non-financial liabilities and lease liabilities were classified as financial liabilities. The corresponding period has now been correctly presented to exclude non-financial liabilities and lease liabilities from the above table.

28.3 Financial risk management

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

(All amounts in Saudi Riyals unless otherwise stated)

28 Financial instruments (continued)

28.3 Financial risk management (continued)

The board monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group has exposure to the following risks arising from financial instruments:
- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest rate risk and price risk)

a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to customers outstanding receivables from other parties.

For banks, only independently rated parties having sound credit ratings are accepted. For trade receivables, the Group assesses the credit quality of the customers, taking into account various factors such as their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management. Refer to Note 8 for concentration of credit risk on trade receivables.

A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write-off when a debtor fails to make contractual payments greater than 365 days past due. Where receivables have been categories as for write off, the Group continues to engage in enforcement activity to attempt to recover the receivable due unless the cost of such activity is expected to be higher than the benefit of doing so. Where recoveries are made, these are directly recognised in profit or loss.

i. Impairment of financial assets

The Group's gross exposure to credit risk at the reporting date is as follows:

	December 31, 2023	**December 31, 2022**
Trade receivables	**223,005,431**	210,705,865
Cash at bank	**30,396,127**	9,721,393
Other receivables	**5,497,234**	5,571,399
Employee loans	**4,642,014**	4,462,570
Margin on letters of guarantee	**654,410**	187,625
	264,195,216	230,648,852

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28 Financial instruments (continued)

28.3 Financial risk management (continued)

Cash at bank

For banks, only independently rated parties with sound credit ratings are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties. The identified risk of default arising on these balances is considered not to be material.

The credit rating of banks in which the Company holds cash are as follows:

	2023	2022
A1	**16,763,202**	9,721,393
A3	**21,492**	-
Aa3	**13,611,433**	-
	30,396,127	9,721,393

Trade Receivables

The Group uses the forward-looking 'expected credit loss' (ECL) model to measure the impairment loss on financial assets. Cash at banks are placed with banks with sound credit ratings. Employee and other receivables are considered to have low credit risk therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group considers the gross domestic product as the most relevant macro-economic factor of forward-looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment losses on financial assets recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2023	2022
Impairment of trade receivables	**750,000**	1,450,000

(All amounts in Saudi Riyals unless otherwise stated)

28 Financial instruments (continued)

28.3 Financial risk management (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

Ageing	Gross carrying amount	Expected credit loss rate (%)	Loss allowance
Not due	173,266,158	0.71%	1,226,894
1 – 90 days	43,050,584	2.08%	895,452
91 – 180 days	3,251,721	27.83%	904,954
181 – 270 days	1,739,473	55.01%	956,884
271 – 365 days	906,132	99.62%	902,689
Greater than 365 days	5,314,016	100%	5,314,016
December 31, 2023	227,528,084		10,200,889

The loss allowance as at December 31, 2022 was determined as follows:

Ageing	Gross carrying amount	Expected credit loss rate (%)	Loss allowance
Not due	159,213,085	0.71%	1,123,048
1 – 90 days	38,886,942	2.00%	778,980
91 – 180 days	1,692,063	21.44%	362,816
181 – 270 days	2,828,078	53.96%	1,525,899
271 – 365 days	2,205,816	98.76%	2,178,502
Greater than 365 days	3,481,644	100%	3,481,644
December 31, 2022	208,307,628		9,450,889

b) ***Liquidity risk***

	December 31, 2023					
	Less than 6 months	6 - 12 months	Between 1 – 2 years	Between 2 – 5 years	Above 5 years	Total
Short term borrowings	30,335,263	-	-	-	-	30,335,263
Lease liabilities	4,986,422	4,582,012	8,176,382	20,870,062	30,155,019	68,769,897
Trade payables	173,355,541	-	-	-	-	173,355,541
Accrued and other liabilities	56,610,011	40,454,001	-	-	-	97,064,012
	265,287,237	45,036,013	8,176,382	20,870,062	30,155,019	369,524,713

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28 Financial instruments (continued)

b) Liquidity risk (continued)

	December 31, 2022					
	Less than 6 months	**6 - 12 months**	**Between 1 – 2 years**	**Between 2 – 5 years**	**Above 5 years**	**Total**
Short term borrowings	140,490,269	-	-	-	-	140,490,269
Lease liabilities	4,890,225	1,957,033	3,010,922	3,862,271	4,126,274	17,846,725
Trade payables	176,080,041	-	-	-	-	176,080,041
Accrued and other liabilities	53,954,717	-	-	-	-	53,954,717
	375,415,252	1,957,033	3,010,922	3,862,271	4,126,274	388,371,752

Refer to Note 13 for unused borrowing facilities and Note 10 for closing cash position of the Group. The Group’s terms of sales require amounts to be paid either on a cash on delivery or on terms basis.

c) ***Market risk***

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group's transactions are principally in Saudi Riyals and United States Dollars. The Group has operations in UAE where AED is pegged with United States Dollars. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value risks to the Group are not significant. There are no interest-bearing financial assets at the end of reporting period.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	December 31, 2023	**December 31, 2022**
Financial liabilities, principally borrowings	**30,168,582**	139,718,094

(All amounts in Saudi Riyals unless otherwise stated)

28 Financial instruments (continued)

c) *Market risk (continued)*

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. Based on average borrowings outstanding throughout the year, the sensitivity impact to a reasonable possible change in interest rate on the Group's profit before zakat has been disclosed as follows:

	2023	2022
Interest rate-increases by 100 basis points	**(849,433)**	(1,048,590)
Interest rate-decreases by 100 basis points	**849,433**	1,048,590

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Group does not have any financial instruments that are subject to price risk.

d) Capital management

The Group's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings, lease liabilities as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

During 2023, the Group's strategy, which remained unchanged from previous year, was to maintain total gearing ratio less than 100%.

	December 31, 2023	December 31, 2022 (Restated Note 31)
Borrowings	**30,168,532**	139,718,094
Lease liabilities	**50,129,989**	15,797,439
Less: cash and cash equivalents	**(30,586,197)**	(10,075,518)
Net debt (A)	**49,712,324**	145,440,015
Shareholders' equity (B)	**482,069,880**	427,351,695
Total capital (A+B)	**531,782,204**	572,791,710
Gearing ratio (A / (A+B))	**9.35%**	25.39%

29 Dividends

During the year the shareholders approved and paid a notional dividend of Saudi Riyals 5 (2022: Saudi Riyals 1.25) per share amounting to Saudi Riyals 100 million (2022: Saudi Riyals 25 million). An amount of Saudi Riyals 0.45 million relating to the dividend due to a non-Saudi shareholder was deducted resulting in a net dividend of Saudi Riyals 99.55 million arising from the fact that the shareholders have agreed to bear their respective zakat and income tax allocations. To ensure the Saudi shareholders bear the zakat and the foreign shareholders bear the income tax expense per the agreement between the shareholders, the dividend per share paid to each shareholder was slightly different.

UNITED CARTON INDUSTRIES COMPANY
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30 Cash flow information

(a) Net debt

	2023	2022 (Restated Note 31)
Cash and cash equivalents	**30,586,197**	10,075,518
Short term borrowings	**(30,168,532)**	(139,718,094)
Lease liabilities	**(50,129,989)**	(15,797,439)
Net debt	**(49,712,324)**	(145,440,015)

(b) Net debt reconciliation

	Cash and cash equivalents	Short term borrowings	Leases	Total
1 January 2022	12,801,519	(70,000,000)	(15,809,339)	(73,007,820)
Movement in cash and cash equivalents	(2,726,001)	-	-	(2,726,001)
Financing cash flows	-	(69,718,094)	6,940,023	(62,778,071)
New leases	-	-	(6,855,525)	(6,855,525)
Interest expense	-	(1,809,806)	(953,125)	(2,762,931)
Interest payment (presented as operating cashflows)	-	1,809,806	880,527	2,690,333
December 31, 2022 - Restated	**10,075,518**	**(139,718,094)**	**(15,797,439)**	**(145,440,015)**
Movement in cash and cash equivalents	20,618,502	-	-	20,618,502
Financing cash flows	-	109,549,562	9,704,484	119,254,046
New leases	-	-	(43,938,764)	(43,938,764)
Foreign exchange adjustment	(107,823)	-	-	(107,823)
Interest expense	-	(5,512,708)	(1,701,065)	(7,213,773)
Interest payment (presented as operating cash flows	-	5,512,708	1,602,795	7,115,503
December 31, 2023	30,586,197	(30,168,532)	(50,129,989)	(49,712,324)

31 Restatement of corresponding amounts

31.1 Measurement period adjustment

During 2023, the Group completed the Purchase Price Allocation for the subsidiary acquired in 2022, Integrated Packaging Industries Company. The Group has finalised the fair value adjustments and adjusted the carrying amounts retrospectively as at the date of acquisition as required by IFRS 3, i.e, March 30, 2022.

The above transaction resulted in restatement of corresponding amounts in the consolidated financial statements to retrospectively reflect the impact of measurement period adjustment as follows. (Refer to Note 4).

(i) Property, plant and equipment increased by Saudi Riyals 13.3 million as a result of finalising the fair value exercise but by 31 December 2022 this has reduced to an uplift of Saudi Riyals 10.3 million due to associated increased depreciation described in (ii) below.

31 Restatement of comparative information (continued)

(ii) Cost of sales, selling and distribution expenses and general and administrative expenses have been increased by incremental depreciation charges of Saudi Riyals 2.2 million, Saudi Riyals 0.3 million and Saudi Riyals 0.6 million respectively.

(iii) Bargain purchase gain recognised in profit or loss was adjusted upwards by Saudi Riyals 12.4 million after adjusting for deferred taxes in the sum of Saudi Riyals 0.9 million on the property, plant and equipment uplift described in (i) above.

31.2 Restatement of prior period errors

Certain prior period balances and transactions have been reassessed to present the appropriate nature of the transactions and, accordingly, the prior period corresponding amounts have been restated, as outlined below. These reclassifications had no significant impact on the previously reported net income and retained earnings of the corresponding period presented:

(i) The Group did not recognise the right-of-use assets and the related lease liabilities on leased buildings related to its subsidiary, Integrated Packaging Industries Company in the prior year (from the date of acquisition) as per the requirements of IFRS 16 – *Leases*. The management has corrected the above error by restating the prior year financial statements recognising the right-of-use assets and related lease liability.

(ii) In prior years, the Group did not consider transportation costs associated with the delivery of goods to customers as separate performance obligations, and instead recognized the amount in selling and distribution expenses. Under the terms of the contracts, and considering the requirements of IFRS 15 'Revenue from contracts with customers', the Group has two performance obligations i.e, sale of goods and rendering of services associated with delivery of goods. Accordingly, the reported amount of revenues in the prior year has been split between the two performance obligations and disclosed separately. There was no impact on the total amount of revenue recognised in the year. The costs associated with the transportation performance obligation, amounting to Saudi Riyals 31.6 million, have been reclassified to cost of sales.

(iii) In 2022, the Group reported losses arising on sale of financial assets of Saudi riyals 1.9 million partially as part of finance cost (Saudi Riyals 1.5 million) and partially aggregated with other income (Saudi Riyals 0.4 million). However, the Group has now reassessed these receivables and concluded that the intention to sell them means that they are subsequently measured at fair value through profit or loss. Consequently, the Group has represented these fair value losses separately as a single line on the face of the statement of profit or loss and other comprehensive income.

(iv) During 2023, the group discovered that a 2022 expense incurred as cost of production amounting to Saudi Riyals 1.2 million was erroneously allocated to general and administrative expenses. This amount has been reclassified from general and administrative expenses to cost of sales.

(v) In 2012, one of the production facilities was partially impaired. Subsequently, the Group continued to charge the same amount of depreciation, notwithstanding the impairment loss already recorded, but to offset this excess depreciation, recorded an impairment reversal within other income. This had no impact on profit for any of the previous years but did represent an inappropriate gross up across different lines of the statement of profit or loss and other comprehensive income. In the prior year Saudi Riyals 1.3 million was reported as an impairment reversal within other income. This has now been corrected to present the correct amount of depreciation expenses related to the partially impaired assets in the cost of sales (Note 18).

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31 Restatement of comparative information (continued)

31.3 Change in presentation policy:

The amount of provisional bargain purchase gain of Saudi Riyals 2.4 million reported in 2022 arising on the acquisition of Integrated Packaging Industries Company, was previously presented in 'Other income' and has now been presented separately on the face of consolidated statement of profit or loss and other comprehensive income in light of the increased amount of the gain following completion of the IFRS 3 fair value exercise. Also refer to Note 31.1 above for the measurement period adjustment that resulted in the additional bargain purchase gain of Saudi Riyals 12.4 million.

The above errors, change in accounting policy and measurement period adjustments have been corrected by restating each of the affected financial statement line items for the prior periods. The following tables summarise the impact on the financial statement line items. None of the adjustments affected the statement of financial position at 1 January 2022. None of the above adjustments materially affected the classification of cash flows between operating activities, investing activities and financing activities.

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31 Restatement of comparative information (continued)

The following table summarises the impact on the Group's financial statements:

	Note	As previously reported	Measurement period adjustment	Restatement	Reclassification	As restated
Effect on the consolidated statement of financial position at December 31, 2022						
Property, plant and equipment	31.1 (i)	337,381,414	10,301,524	-	-	347,682,938
Right-of-use assets	31.2 (i)	11,486,336	-	967,812	-	12,454,148
Deferred tax	31.1 (iii)	5,966,419	(925,275)	-	-	5,041,144
Advances, prepayments and other receivables	31.2 (i)	26,733,739	-	(122,552)	-	26,611,187
Lease liabilities	31.2 (i)	(14,757,028)	-	(1,040,411)	-	(15,797,439)
Effect on the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022						
Cost of sales	31.1 (ii), 31.2 (i), 31.2 (ii), 31.2 (iv), 31.2 (v)	(1,227,283,899)	(2,164,929)	(31,512,484)	-	(1,260,961,312)
Selling and distribution expenses	31.1 (ii), 31.2 (ii)	(50,539,920)	(267,224)	31,549,199	-	(19,257,945)
General and administrative expenses	31.1 (ii), 31.2 (iv)	(68,655,800)	(590,381)	1,164,370	-	(68,081,811)
Fair value losses on financial assets	31.2 (iii)	-	-	(1,930,030)	-	(1,930,030)
Bargain purchase gain on acquisition of a subsidiary	31.1 (iii), 31.3	-	12,398,783	-	2,400,179	14,798,962
Finance costs	31.2 (i), 31.2 (iii)	(5,015,485)	-	1,450,817	-	(3,564,668)
Other income	31.2 (iii), 31.2 (v), 31.3	3,506,130	-	(917,023)	(2,400,179)	188,928

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32 Subsequent event

On February 15, 2024, one of the production halls at Integrated Packaging Industries Company, a wholly owned subsidiary contributing 8% to the Group's revenue and 3% to the net profit for the year ended December 31, 2023, was partially damaged by fire. There were no injuries or loss of human life and the safety measures in place contained damage and fire. Surveyors are in the process of assessing the extent of the loss, following which the subsidiary will file a claim for reimbursement with the insurance company. Operations in other parts of the plant have resumed in ten days in addition to outsourcing of services relating to the affected area. The estimated carrying amount of assets affected by the fire when it happened amounts to Saudi Riyals 3.1 million comprising of Saudi Riyals 2.3 million in inventories and Saudi Riyals 0.8 million in property, plant and equipment. The Group will account for any losses in subsequent reporting periods as the fire is a non-adjusting subsequent event.

UNITED CARTON INDUSTRIES COMPANY
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CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2024
AND REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2024

Report on review of condensed consolidated interim financial information

To the Board of Directors of United Carton Industries Company
(A Closed Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of United Carton Industries Company (the "Company") and its subsidiaries (together the "Group") as of June 30, 2024 and the related condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended June 30, 2024 and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

Emphasis of matter - Restriction on distribution and use

We draw attention to Note 1 to the accompanying condensed consolidated interim financial information which describes that the accompanying condensed consolidated interim financial information as of and for the three-month and six-month periods ended June 30, 2024 has been prepared for inclusion in the Company's initial public offering application to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia and should not be used for any other purpose. Our conclusion is not modified in respect of this matter.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

October 1, 2024

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PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	4	**361,049,578**	378,805,743
Goodwill		**38,228,526**	38,228,526
Intangible assets		**4,204,333**	4,410,427
Right-of-use assets		**44,954,464**	48,032,188
Deferred tax assets		**7,004,913**	9,176,906
Total non-current assets		**455,441,814**	478,653,790
Current assets			
Inventories	5	**213,702,452**	170,184,757
Trade receivables	6	**218,959,441**	223,005,431
Advances, prepayments and other receivables	7	**39,612,382**	23,324,282
Cash and cash equivalents		**29,527,005**	30,586,197
Total current assets		**501,801,280**	447,100,667
Total assets		**957,243,094**	925,754,457
Equity and liabilities			
Equity			
Share capital		**400,000,000**	200,000,000
Statutory reserve		**-**	60,000,000
Retained earnings		**145,349,854**	222,616,209
Foreign currency translation reserve		**(554,343)**	(546,329)
Total equity		**544,795,511**	482,069,880
Liabilities			
Non-current liabilities			
Lease liabilities		**37,920,634**	42,517,345
Employee benefit obligations		**66,406,838**	63,830,022
Total non-current liabilities		**104,327,472**	106,347,367
Current liabilities			
Trade payables		**224,039,507**	173,355,541
Accrued and other liabilities	8	**70,205,822**	114,837,247
Short-term borrowings	9	**-**	30,168,532
Current portion of lease liabilities		**9,205,047**	7,612,644
Zakat and income tax payable	10	**4,669,735**	11,363,246
Total current liabilities		**308,120,111**	337,337,210
Total liabilities		**412,447,583**	443,684,577
Total equity and liabilities		**957,243,094**	925,754,457

The accompanying notes form an integral part of this condensed consolidated interim financial information.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Condensed consolidated interim statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Three-month period ended June 30,		For the six-month period ended June 30,	
		2024	**2023**	**2024**	**2023**
		(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue	11	**315,168,385**	314,287,702	**670,681,026**	689,109,777
Cost of revenue		**(254,914,784)**	(244,924,732)	**(536,853,376)**	(540,510,062)
Gross profit		**60,253,601**	69,362,970	**133,827,650**	148,599,715
Selling and distribution expenses		**(6,453,643)**	(5,383,869)	**(13,171,426)**	(10,764,053)
General and administrative expenses		**(21,571,592)**	(21,102,691)	**(45,090,163)**	(41,738,762)
Fair value losses on financial assets		**(679,892)**	(632,463)	**(1,287,971)**	(1,383,258)
Impairment losses of financial assets		**-**	(443,924)	**(656,500)**	(443,924)
Other income - net		**195,885**	482,372	**458,025**	663,218
Operating profit		**31,744,359**	42,282,395	**74,079,615**	94,932,936
Finance costs		**(637,664)**	(1,736,328)	**(1,833,102)**	(4,174,155)
Profit before zakat and income tax		**31,106,695**	40,546,067	**72,246,513**	90,758,781
Zakat expense	10	**(368,331)**	192,258	**(2,084,218)**	(1,916,898)
Income tax expense	10	**(2,650,460)**	(2,227,099)	**(7,428,650)**	(5,204,219)
Profit for the period		**28,087,904**	38,511,226	**62,733,645**	83,637,664
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**-**	-	**(8,014)**	-
Total other comprehensive loss for the period		**-**	-	**(8,014)**	-
Total comprehensive income for the period		**28,087,904**	38,511,226	**62,725,631**	83,637,664
Earnings per share attributable to the shareholders of the Company (Saudi Riyals)					
Basic and diluted	12	**0.70**	0.96	**1.57**	2.09

The accompanying notes form an integral part of this condensed consolidated interim financial information.

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UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Total
Balance as at January 1, 2023 (Audited)		200,000,000	60,000,000	167,351,695	-	427,351,695
Profit for the period		-	-	83,637,664	-	83,637,664
Other comprehensive income for the period		-	-	-	-	-
Total comprehensive income for the period		-	-	83,637,664	-	83,637,664
Balance as at June 30, 2023 (Unaudited)		200,000,000	60,000,000	250,989,359	-	510,989,359
Balance as at January 1, 2024 (Audited)		**200,000,000**	**60,000,000**	**222,616,209**	**(546,329)**	**482,069,880**
Profit for the period		**-**	**-**	**62,733,645**	**-**	**62,733,645**
Other comprehensive loss for the period		**-**	**-**	**-**	**(8,014)**	**(8,014)**
Total comprehensive income for the period		**-**	**-**	**62,733,645**	**(8,014)**	**62,725,631**
Transfer to share capital	1	**200,000,000**	**(60,000,000)**	**(140,000,000)**	**-**	**-**
Balance as at June 30, 2024 (Unaudited)		**400,000,000**	**-**	**145,349,854**	**(554,343)**	**544,795,511**

The accompanying notes form an integral part of this condensed consolidated interim financial information.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the six-month period ended June 30, 2024 (Unaudited)	2023 (Unaudited)
Operating activities			
Profit before zakat and income tax		**72,246,513**	90,758,781
Adjustment to reconcile income before zakat to net cash inflow from operating activities:			
Depreciation of property, plant and equipment	4	**32,496,747**	30,248,507
Depreciation of right-of-use assets		**3,960,538**	3,504,778
Amortization of intangible assets		**335,420**	66,823
Provision for employee benefits obligations		**4,356,996**	3,927,284
Impairment losses on property, plant and equipment	4	**771,908**	-
Provision for slow-moving and damaged inventories	5	**2,728,092**	-
Fair value loss on financial assets	6	**1,287,971**	1,383,258
Loss / (gain) on disposal of property, plant and equipment		**66,423**	(372,818)
Finance costs on borrowings		**631,029**	3,668,998
Finance costs on lease liabilities		**1,202,073**	505,157
Impairment losses of financial assets		**656,500**	443,924
		120,740,210	134,134,692
Changes in working capital:			
Inventories		**(46,245,787)**	47,743,827
Trade receivables		**2,101,519**	(14,888,118)
Advances, prepayments and other receivables		**(16,288,100)**	(9,638,772)
Trade payables		**50,683,966**	22,347,690
Accrued and other liabilities		**(12,295,145)**	(3,037,163)
Cash generated from operations		**98,696,663**	176,662,156
Finance cost paid		**(1,833,102)**	(4,174,155)
Employee benefit obligations paid		**(1,779,668)**	(2,722,659)
Zakat and income tax paid		**(14,034,386)**	(7,354,385)
Net cash generated from operating activities		**81,049,507**	162,410,957
Cash flows from investing activities			
Payment for acquisition of a subsidiary	8	**(32,336,280)**	(53,508,000)
Purchase of property, plant and equipment	4	**(15,615,337)**	(14,783,884)
Proceeds from disposal of property, plant and equipment		**36,275**	764,135
Purchase of intangible assets		**(129,326)**	(278,909)
Net cash used in investing activities		**(48,044,668)**	(67,806,658)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		**(3,886,945)**	(4,238,164)
Changes in short-term borrowings		**(30,168,532)**	(92,674,139)
Net cash used in financing activities		**(34,055,477)**	(96,912,303)
Net decrease in cash and cash equivalents		**(1,050,638)**	(2,308,004)
Effect of currency exchange rate on cash and cash equivalents		**(8,554)**	-
Cash and cash equivalents at beginning of the period		**30,586,197**	10,075,518
Cash and cash equivalents at end of the period		**29,527,005**	7,767,514
Supplemental non-cash information			
Additions to right-of-use assets and lease liabilities		**884,581**	6,755,638
Transfer from retained earnings to share capital		**140,000,000**	-
Transfer from statutory reserve to share capital		**60,000,000**	-

The accompanying notes form an integral part of this condensed consolidated interim financial information.

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UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended June 30, 2024
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

United Carton Industries Company (the "Company") is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration ("CR") number 4030065231 dated Ramadan 18, 1409H (corresponding to April 24, 1989). The Company's registered office is located at Industrial Area- Phase No. 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia.

The Company is engaged in the manufacturing and sale of corrugated carton containers, paper plates, corrugated paper paperboard and paper containers.

This condensed consolidated interim financial information includes the results of the following branches of the Company and subsidiaries, which are registered under the following CR numbers and engaged in similar activities as the Company.

Sr. No.	Location of Branch	CR number
1	Jeddah	4030-198716
2	Jeddah	4030-201068
3	Jeddah	4030-125875
4	Riyadh	1010-268185
5	Dammam	2050-075036
6	Al-Kharj	1011-023950
7	Riyadh	1010-053015
8	Riyadh	1010-585737
9	Al Hassa	2257-024095

This condensed consolidated interim financial information includes the financial information of the Company and the following subsidiaries in which the Group exercises control (collectively referred to as the "Group"). Refer to Note 17 (a).

Subsidiary name	Country of incorporation	Principle business activity	Ownership interest percentage	
			As at June 30, 2024	**As at December 31, 2023**
Integrated Packaging Industries Company ("IPIC")	Saudi Arabia	Manufacturing of paper from pulp, corrugated cardboard and paper products for household purposes.	**100%**	100%
United Paper Industries Company FZCO ("UPIC")	United Arab Emirates	Manufacturing of paper, packing and packaging material.	**100%**	100%

a) *Initial Public Offering ("IPO")*

The shareholders of the Company have resolved to file an IPO application with the Capital Market Authority of the Kingdom of Saudi Arabia ("CMA") to list the Company's shares on Tadawul, the main market in the Kingdom of Saudi Arabia.

On June 13, 2024, the Company filed the application with the CMA for the IPO of its shares on Tadawul, the main market in the Kingdom of Saudi Arabia, in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA. As of the date of issuance of this condensed consolidated interim financial information, the application is under review by the CMA.

Accordingly, this condensed consolidated interim financial information as of and for the three-month and six-month periods ended June 30, 2024 has been prepared solely for inclusion in the IPO application of the Company to be filed with the CMA in order to list the Company's shares on Tadawul.

b) Business performance

During the six-month period ended June 30, 2024, the Group witnessed a decline in revenue mainly on account of reduction in the average prices of paper products in the local and international markets when compared to the prior period. The gross margin has reduced compared to prior period due to increase in the raw material prices, however the Group witnessed an overall growth in terms of volume sold. Furthermore, the Group witnessed an increase in operating expenses, primarily related to the acquisition of UPIC, which was not part of the Group during the three-month and six-month periods ended June 30, 2023.

During the three-month period ended June 30, 2024, the prices of paper products in the local and international markets started to increase which resulted in increase in the cost of revenue and reduction in the gross profitability, and also resulted in increase in inventories and trade payables.

Furthermore, the Group has also increased its purchases of raw materials, to ensure it has surplus quantities available to fulfil customer orders. This has led to increase in inventories and trade payable balances as at the reporting date.

The Group repaid its short-term borrowings during the six-month period ended June 30, 2024 which resulted in decrease in finance cost. The borrowings were obtained to fund its working capital requirements.

On February 15, 2024, one of the production halls at IPIC, was partially damaged by fire. There were no injuries or loss of human life and the safety measures in place contained damage and fire. Surveyors are in the process of assessing the extent of the loss, following which the subsidiary will file a claim for reimbursement with the insurance company. Operations in other parts of the plant have resumed in ten days in addition to outsourcing of services relating to the affected area. The estimated carrying amount of assets affected by the fire, when it happened, amounts to Saudi Riyals 3.1 million comprising of Saudi Riyals 2.3 million in inventories (refer to Note 5) and Saudi Riyals 0.8 million in property, plant and equipment (refer to Note 4) and they have been fully provided for.

c) Changes in share capital

On April 28, 2024, the Board of Directors of the Company approved to increase the share capital of the Company, through transfer from retained earnings and statutory reserve amounting to Saudi Riyals 140 million and Saudi Riyals 60 million, respectively. This resulted in a revised total share capital balance amounting to Saudi Riyals 400 million comprising 40 million ordinary shares. The legal formalities for such increase in share capital were completed on June 26, 2024.

2 Basis of preparation

This condensed consolidated interim financial information of the Group has been prepared in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34"), as endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

This condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2023. IAS 34 states that the interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA, require in annual financial statements. An interim period is considered as an integral part of the whole fiscal year, however, the results of operations for the interim periods may not be a fair indication of the results of the full year's operations.

The condensed consolidated interim financial information is prepared on a going concern basis.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended June 30, 2024
(All amounts in Saudi Riyals unless otherwise stated)

2.1 Basis of measurement

This condensed consolidated interim financial information has been prepared under the historical cost basis, except as explained in the relevant accounting policies in the annual consolidated financial statements for the year ended December 31, 2023.

This condensed consolidated interim financial information is presented in Saudi Arabian Riyals ("Saudi Riyals"), which is the functional and presentation currency of the Company. This condensed consolidated interim financial information has been rounded-off to the nearest Saudi Riyals, unless otherwise stated.

2.2 New standards and amendments

a) New and amended standards adopted by the Group

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the condensed consolidated interim financial information of the Group and accordingly, the Group did not have to change its accounting policies or make any retrospective adjustments.

Title	**Key requirements**	**Effective date**
Classification of Liabilities as Current or Noncurrent – Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements, clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
Leases on sale and leaseback – Amendment to IFRS 16	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Supplier Finance arrangements - Amendments to IAS 7 and IFRS 7	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 1, 2024
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	January 1, 2026

(All amounts in Saudi Riyals unless otherwise stated)

b) Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2024 reporting periods and have not been early adopted by the Group. The standards, interpretations and amendments issued that are relevant to the Group, but are not yet effective are disclosed below.

Title	Key requirements	Effective date
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	January 1, 2025
IFRS 18 — Presentation and Disclosure in Financial Statements	The new standard on presentation and disclosure in financial statements, requires more focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: - the structure of the statement of profit or loss; - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	January 1, 2027
IFRS 19 – Subsidiaries without Public Accountability	This new standard applies to eligible subsidiaries that elect to adopt the standard in their consolidated, separate or individual financial statements. Eligible subsidiaries are those that are not publicly accountable and whose ultimate or intermediate parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.	January 1, 2027

Management is in the process of assessing the impact, if any, these pronouncements may have in future reporting periods.

2.3 Material accounting policies

The material accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial information are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended December 31, 2023.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended June 30, 2024
(All amounts in Saudi Riyals unless otherwise stated)

3 Critical accounting estimates and judgements

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

Management has concluded that the Group's critical accounting judgements, estimates and assumptions remain appropriate under the current circumstances for the purpose of preparation of this special purpose condensed consolidated interim financial information. Management believes all sources of estimation uncertainty remain similar to those disclosed in the annual consolidated financial statements for the year ended December 31, 2023.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended June 30, 2024
(All amounts in Saudi Riyals unless otherwise stated)

4 Property, plant and equipment

	Land	Buildings	Motor vehicles	Machinery and equipment	Furniture and fixtures	Capital work-in-progress *	Total
As at December 31, 2023 (Audited):							
Cost	5,427,488	295,455,234	5,592,310	1,042,713,664	93,945,201	2,366,748	1,445,500,645
Accumulated depreciation	-	(149,632,810)	(3,929,452)	(822,960,108)	(90,172,532)	-	(1,066,694,902)
Net book value	5,427,488	145,822,424	1,662,858	219,753,556	3,772,669	2,366,748	378,805,743
Six-month period ended June 30, 2024 (Unaudited)							
Opening net book value	**5,427,488**	**145,822,424**	**1,662,858**	**219,753,556**	**3,772,669**	**2,366,748**	**378,805,743**
Additions*	-	**4,523,728**	**236,800**	**3,785,967**	**624,499**	**6,444,343**	**15,615,337**
Disposals	-	**(100,281)**	-	-	**(2,417)**	-	**(102,698)**
Transfers	-	**23,691**	**41,400**	**913,265**	**11,100**	**(989,456)**	-
Depreciation charge for the period	-	**(7,859,305)**	**(332,899)**	**(21,825,857)**	**(2,478,686)**	-	**(32,496,747)**
Translation adjustment	-	-	-	**(149)**	-	-	**(149)**
Impairment **	-	-	-	**(771,908)**	-	-	**(771,908)**
Closing net book value	**5,427,488**	**142,410,257**	**1,608,159**	**201,854,874**	**1,927,165**	**7,821,635**	**361,049,578**
As at June 30, 2024: (Unaudited)							
Cost	**5,427,488**	**299,902,372**	**5,870,510**	**1,047,412,896**	**94,578,383**	**7,821,635**	**1,461,013,284**
Accumulated depreciation and impairment	-	**(157,492,115)**	**(4,262,351)**	**(845,558,022)**	**(92,651,218)**	-	**(1,099,963,706)**
Net book value	**5,427,488**	**142,410,257**	**1,608,159**	**201,854,874**	**1,927,165**	**7,821,635**	**361,049,578**

* The significant increase in capital work-in-progress during the period relates to purchase of a new machine, which is under the installation stage and will replace the damaged machine affected by the fire incident at IPIC. Please refer to Note 1 for further details.

** The impairment recorded during the current period relates to the damaged machinery and equipment due to fire incident at IPIC (see Note 1).

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended June 30, 2024
(All amounts in Saudi Riyals unless otherwise stated)

5 Inventories

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Raw materials	**153,717,699**	129,382,140
Spare parts	**55,391,598**	55,857,559
Work-in-progress	**2,773,618**	1,060,149
Finished goods	**977,630**	4,443,301
Goods-in-transit	**47,361,063**	23,232,672
	260,221,608	213,975,821
Less: allowance for slow-moving and damaged inventories*	**(46,519,156)**	(43,791,064)
	213,702,452	170,184,757

Movement in allowance for slow-moving and damaged inventories is as follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Opening balance	**43,791,064**	43,791,064
Provision for the period / year *	**2,728,092**	-
Closing balance	**46,519,156**	43,791,064

*It includes Saudi Riyals 2.3 million related to the damaged inventory due to fire incident at IPIC (see Note 1).

6 Trade receivables

	Note	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
At amortized cost			
Trade receivables – third parties		**213,827,980**	218,519,339
Trade receivables – related parties	13	**8,708,079**	9,008,745
		222,536,059	227,528,084
Less: allowance for impairment of trade receivables		**(10,857,389)**	(10,200,889)
		211,678,670	217,327,195
At fair value			
Trade receivables at fair value*		**7,280,771**	5,678,236
		218,959,441	223,005,431

* This represents trade receivables which are subject to factoring arrangement with commercial banks but are not factored at the period end. The trade receivables portfolio subject to factoring is initially classified at fair value through profit or loss.

Due to the short-term nature of trade receivables at amortized cost, their carrying amount is considered to be the same as their fair value.

The Group had top 30 customer balances that accounted for approximately 47% (December 31, 2023: 35%) of total outstanding trade receivables.

Movement in allowance for impairment of trade receivables is as follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Opening balance	**10,200,889**	9,450,889
Provision for the period / year	**656,500**	750,000
Closing balance	**10,857,389**	10,200,889

The changes in the loss allowance were caused by delay in the collection from certain customers. The management has collected majority of the trade receivable balances as at June 30, 2024 pertaining to December 31, 2023.

7 Advances, prepayments and other receivables

	Note	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Advances to suppliers		**13,276,921**	7,983,282
Contract assets	11	**6,156,705**	-
Loans to employees		**5,105,261**	4,642,014
Prepaid expenses		**4,376,042**	4,547,342
Receivable from shareholders for reimbursement of initial public offering expenses	13	**3,821,560**	-
Margin letters of guarantee		**654,364**	654,410
Other receivables		**6,221,529**	5,497,234
		39,612,382	23,324,282

8 Accrued and other liabilities

	Note	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Accrued expenses		**41,339,638**	46,234,973
Payable for acquisition of a subsidiary *		**8,219,321**	40,454,001
Advances from customers	11	**5,895,751**	13,234,840
Accruals for rebate and discounts		**3,242,067**	5,459,517
VAT payable, net		**5,616,427**	4,538,395
Others		**5,892,618**	4,915,521
		70,205,822	114,837,247

* During the six-month period ended June 30, 2024, the Group has paid Saudi Riyals 32 million to previous owners of UPIC as per agreement.

9 Short-term borrowings

The Group had obtained short-term borrowings from commercial banks. During the six-month period ending June 30, 2024, the Group repaid the borrowings in full.

These loans were denominated in Saudi Riyals and bore financial charges based on prevailing market rate which was based on Saudi Interbank Offer Rate (SAIBOR).

The unused facilities as at June 30, 2024 amounted to Saudi Riyals 270 million (December 31, 2023: Saudi Riyals 240 million). These facilities are collaterised by demand promissory notes from the shareholders of the Company.

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10 Zakat and income tax matters

10.1 Components of the zakat base

The Company and the subsidiaries file separate zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under the zakat and income tax regulations are principally comprised of shareholder's equity adjusted by dividends, provisions at the beginning of the year net of adjustments and adjusted net income, less deductions for the book value of deductible assets.

10.2 Charge for the period

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2024	**2023**	**2024**	**2023**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Zakat charge	**368,331**	(192,258)	**2,084,218**	1,916,898
Current tax charge	**2,181,377**	261,962	**5,256,657**	3,239,082
Deferred tax charge	**469,083**	1,965,137	**2,171,993**	1,965,137
	2,650,460	2,227,099	**7,428,650**	5,204,219
	3,018,791	2,034,841	**9,512,868**	7,121,117

10.3 Provision for zakat and income tax

	Zakat	Income tax	Total
December 31, 2022 (Audited)	**2,276,251**	**4,212,533**	**6,488,784**
Provisions for the year	3,833,795	10,408,439	14,242,234
Payments	(2,232,326)	(7,135,446)	(9,367,772)
December 31, 2023 (Audited)	**3,877,720**	**7,485,526**	**11,363,246**
Provision for the period	**2,084,218**	**5,256,657**	**7,340,875**
Payment for the period *	**(3,676,081)**	**(10,358,305)**	**(14,034,386)**
June 30, 2024 (Unaudited)	**2,285,857**	**2,383,878**	**4,669,735**

*During the period ended June 30, 2024, the Group has paid Saudi Riyals 2.6 million quarterly advance tax as per the income tax regulations, which was based on the previous year's zakat and income tax return.

10.4 Status of final assessments

There are no changes to the status of open zakat assessments, as at June 30, 2024, as disclosed in the annual consolidated financial statements for the year ended December 31, 2023 except for the assessments relating to years 2013 and 2014, against which Tax Violations and Disputes Appeal Committee ("TVDAC") has ruled for additional assessments of Saudi Riyals 1.1 million. The Company being aggrieved filed a first reconsideration request with the General Secretariat of Tax Committee ("GSTC") in 2023 which was subsequently denied. In May 2024, the Company submitted a second reconsideration request to the GSTC, which was again denied by ZATCA. In in June 2024 the Company submitted a third reconsideration request to the GSTC, which is currently pending review.

(All amounts in Saudi Riyals unless otherwise stated)

11 Revenue

The Group derives revenue from the following streams:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Corrugated cartons and plates	**258,536,229**	280,550,823	**552,772,283**	616,429,921
Duplex cartons	**18,743,771**	25,204,965	**40,088,036**	55,040,097
Paper and packaging material	**27,145,075**	-	**54,858,810**	-
Transportation services	**10,743,310**	8,531,914	**22,961,897**	17,639,759
	315,168,385	314,287,702	**670,681,026**	689,109,777

The revenue for the Group by geographical region is as follows:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Kingdom of Saudi Arabia	**278,497,016**	307,976,706	**601,942,178**	678,136,038
Outside the Kingdom of Saudi Arabia	**36,671,369**	6,310,996	**68,738,848**	10,973,739
	315,168,385	314,287,702	**670,681,026**	689,109,777

Timing of revenue recognition

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Point-in-time	**27,145,075**	-	**54,858,810**	-
Over-time revenue recognition	**288,023,310**	314,287,702	**615,822,216**	689,109,777
	315,168,385	314,287,702	**670,681,026**	689,109,777

At June 30, 2024 and December 31, 2023, the Group has recognised the contract liabilities related to contract with customers:

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Advances from customers	**5,895,751**	13,234,840

Advances from customers have decreased by Saudi Riyals 7.3 million. The Group has allocated opening advances against the related sales invoices. (June 30, 2023: Saudi Riyals 8.7 million).

The Group has recognised the contract assets related to the performance obligation satisfied as at June 30, 2024 but not yet billed to the customers.

	June 30, 2024	December 31, 2023
	(Unaudited)	(Audited)
Contract assets	**6,156,705**	-

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12 Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to shareholders of the Company, by the weighted average number of ordinary shares outstanding during the financial period. As the Company does not have any diluting potential shares, the diluted earnings per share is the same as the basic earnings per share.

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2024	**2023**	**2024**	**2023**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Profit for the period	**28,087,904**	38,511,226	**62,733,645**	83,637,664
Weighted average number of ordinary shares *	**40,000,000**	40,000,000	**40,000,000**	40,000,000
Basic and diluted earnings per share	**0.70**	0.96	**1.57**	2.09

*The number of ordinary shares have been adjusted retrospectively to reflect the change in the number of issued shares, as a result of the capitalization effect of retained earnings and statutory reserve (Note 1). Since this represents a change in the number of basic shares, without a corresponding change in resources, the weighted average number of ordinary shares outstanding during all reported periods is adjusted retrospectively.

(All amounts in Saudi Riyals unless otherwise stated)

13 Related party transactions and balances

Related parties comprise the shareholders, directors and key management personnel of the Group and entities controlled or jointly controlled by the shareholders, who have significant influence on the Company (other related party).

13.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the condensed consolidated interim financial information are summarised below:

			For the three-month period ended June 30,		For the six-month period ended June 30,	
Related party	**Relationship**	**Nature of transaction**	**2024 (Unaudited)**	**2023 (Unaudited)**	**2024 (Unaudited)**	**2023 (Unaudited)**
National Food Industries Company	Other related party	Sale of goods	**3,913,097**	2,014,992	**5,396,159**	5,074,307
		Staff and accommodation expenses reimbursement from related party	**430,344**	611,361	**878,198**	1,119,420
National Biscuits and Confectionary Company	Other related party	Sale of goods	**6,941,195**	7,131,949	**14,013,532**	15,220,936
		Staff and accommodation expenses reimbursement from related party	**350,421**	423,535	**896,652**	778,794
Zamil Air Conditioner and Home Appliances	Other related party	Sale of goods	**12,210**	334,555	**81,958**	812,879
Zamil Plastic Industries Company	Other related party	Sale of goods	**174,187**	376,475	**443,459**	376,475
Modern Plastics Industry Company	Other related party	Sale of goods	**283,618**	475,047	**775,537**	692,502
Zamil Central and Air Conditioner Company	Other related party	Sale of goods	**6,091**	-	**67,496**	-
Zamil Food Industries Limited	Other related party	Sale of goods	**1,372,904**	746,118	**2,174,071**	1,191,172
Techno Val Information System	Other related party	IT services	**376,033**	728,827	**83,977**	728,827

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Significant period-end balances arising from transactions with related parties are as follows:

(i) Due from related parties

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
National Biscuits and Confectionary Company	**6,721,187**	5,448,677
National Food Industries Company	**1,389,634**	1,853,573
Zamil Air Conditioner and Home Appliances	**35,396**	943,437
Modern Plastics Industry Company	**313,197**	476,290
Zamil Plastic Industries Company	**184,792**	241,521
Zamil Central and Air Conditioner Company	**45,691**	45,247
Zamil Food Industries Limited	**18,182**	-
	8,708,079	9,008,745

The shareholders of the Company have agreed to reimburse the Company for initial public offering (IPO) related expenses amounting to Saudi Riyals 3.82 million (refer to Note 7).

Sales and purchases (including services) carried out to/from related parties during the period / year are based on the price lists in force and terms that would be available to third parties in the normal course of business.

Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables. The balances are receivable within normal commercial terms i.e. 30 – 60 days.

13.2 Key management personnel compensation

Key management personnel comprise the chief executive officer, chief financial officer, vice presidents and certain heads of departments. Compensation of the Group's key management personnel include salaries and contributions to employee benefit obligations.

	For the three-month period ended June 30		For the six-month period ended June 30	
	2024 (Unaudited)	2023 (Unaudited)	2024 (Unaudited)	2023 (Unaudited)
Short-term employee benefits (salaries and other allowances)	**2,718,282**	2,336,407	**5,048,930**	4,468,256
Post-employment benefit (end-of-service benefit)	**61,758**	275,394	**337,152**	550,788
Board of Directors' remuneration	**550,000**	550,000	**1,100,000**	1,100,000

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14 Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Group's Chief Executive Officer ("CEO") and Board of Directors ("BoD") of the Group assess the financial performance and position of the Group, and makes strategic decisions. The CEO and BoD have been identified as being the CODM.

Segment results that are reported to the Group's CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. For management purposes, the Group is organised into business units based on their products and has the following reportable segments:

Corrugated

Corrugated segment manufactures and sells corrugated boxes and products.

Duplex

Duplex segment is involved in manufacturing and sale of folding cartons (duplex) and molded pulp products.

Paper and packaging material

Paper segment is involved in manufacturing of packaging paper (containerboard).

The Group's CODM (the Group's CEO and BoD) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit/(loss) before zakat and tax for each segment.

The Group's consolidated financial information by operating segments, was as follows:

	Corrugated	Duplex	Paper and packaging material	Total
June 30, 2024 (Unaudited)				
Property, plant and equipment	251,220,588	53,329,032	56,499,958	361,049,578
Right-of-use assets	25,818,389	1,011,119	18,124,956	44,954,464
Trade receivables	175,980,298	13,828,080	40,008,452	229,816,830
Provision for impairment of trade receivables	(10,661,889)	(195,500)	-	(10,857,389)
Trade receivables - net	165,318,409	13,632,580	40,008,452	218,959,441
June 30, 2024 (Unaudited)				
Total assets	848,336,601	68,478,542	40,427,951	957,243,094
Total liabilities	343,137,364	28,886,220	40,423,999	412,447,583

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	Corrugated	Duplex	Paper and packaging material	Total
December 31, 2023 (Audited)				
Property, plant and equipment	269,496,671	50,414,708	58,894,364	378,805,743
Right-of-use assets	28,125,845	1,296,243	18,610,100	48,032,188
Trade receivables	176,831,102	19,485,432	36,889,786	233,206,320
Provision for impairment of trade receivables	(10,100,889`	(100,000)	-	(10,200,889)
Trade receivables - net	166,730,213	19,385,432	36,889,786	223,005,431
December 31, 2023 (Audited)				
Total assets	706,468,500	101,004,057	118,281,900	925,754,457
Total liabilities	344,630,640	60,777,439	38,276,498	443,684,577

For the six-month period ended June 30, 2024 (Unaudited)

	Corrugated	Duplex	Paper and packaging material	Total
Segment revenue	**575,408,009**	**41,115,713**	**55,172,384**	**671,696,106**
Inter-segment revenue	**(701,506)**	**-**	**(313,574)**	**(1,015,080)**
Revenue from external customers	**574,706,503**	**41,115,713**	**54,858,810**	**670,681,026**
Gross profit	**129,360,574**	**694,464**	**3,772,612**	**133,827,650**
Depreciation and amortization	**27,727,963**	**5,930,170**	**3,134,572**	**36,792,705**
Finance costs	**739,355**	**556,869**	**536,878**	**1,833,102**
Profit/ (loss) before zakat and tax	**78,356,351**	**(6,083,759)**	**(26,079)**	**72,246,513**
Additions to property, plant and equipment	**6,362,542**	**9,252,795**	**-**	**15,615,337**

For the three-month period ended June 30, 2024 (Unaudited)

	Corrugated	Duplex	Paper and packaging material	Total
Segment revenue	**269,030,880**	**18,977,249**	**27,458,649**	**315,466,778**
Inter-segment revenue	**(298,393)**	**-**	**-**	**(298,393)**
Revenue from external customers	**268,732,487**	**18,977,249**	**27,458,649**	**315,168,385**
Gross profit	**57,065,262**	**1,563,218**	**1,625,121**	**60,253,601**
Depreciation and amortization	**13,861,461**	**3,053,325**	**1,567,299**	**18,482,085**
Finance costs	**351,903**	**14,491**	**271,270**	**637,664**
Profit/ (loss) before zakat and tax	**33,643,813**	**(1,914,752)**	**(622,366)**	**31,106,695**
Additions to property, plant and equipment	**3,124,790**	**8,423,025**	**-**	**11,547,815**

(All amounts in Saudi Riyals unless otherwise stated)

For the six-month period ended June 30, 2023 (Unaudited)

	Corrugated	Duplex	Total
Segment revenue	632,911,141	58,103,368	691,014,509
Inter-segment revenue	(1,209,488)	(695,244)	(1,904,732)
Revenue from external customers	631,701,653	57,408,124	689,109,777
Gross profit	141,191,397	7,408,318	148,599,715
Depreciation and amortisation	27,196,317	6,623,791	33,820,108
Finance costs	2,388,341	1,785,814	4,174,155
Profit before zakat and tax	90,104,777	654,004	90,758,781
Additions to property, plant and equipment	11,639,705	3,144,179	14,783,884

For the three-month period ended June 30, 2023 (Unaudited)

	Corrugated	Duplex	Total
Segment revenue	287,917,255	26,995,492	314,912,747
Inter-segment revenue	(625,045)	-	(625,045)
Revenue from external customers	287,292,210	26,995,492	314,287,702
Gross profit	66,050,278	3,312,692	69,362,970
Depreciation and amortisation	13,646,624	3,148,309	16,794,933
Finance costs	968,318	768,010	1,736,328
Profit before zakat and tax	40,093,896	452,171	40,546,067
Additions to property, plant and equipment	7,238,674	898,976	8,137,650

The Group's operations are conducted principally in Kingdom of Saudi Arabia and United Arab Emirates. Selected financial information as at and for the three-month and six-month periods / year ended June 30, 2024 and December 31, 2023 respectively by geographic area were as follows:

	Kingdom of Saudi Arabia	United Arab Emirates	Others	Total
As at June 30, 2024 (Unaudited)				
Non-current assets	**377,142,481**	**78,299,333**	**-**	**455,441,814**
As at December 31, 2023 (Audited)				
Non-current assets	419,966,240	58,687,550	-	478,653,790
For the six-month period ended June 30, 2024 (Unaudited)				
Revenue	**601,942,175**	**53,059,362**	**15,679,489**	**670,681,026**
For the three-month period ended June 30, 2024 (Unaudited)				
Revenue	**278,810,587**	**26,575,674**	**9,782,124**	**315,168,385**
For the six-month period ended June 30, 2023 (Unaudited)				
Revenue	677,422,394	633,463	11,053,920	689,109,777
For the three-month period ended June 30, 2023 (Unaudited)				
Revenue	307,264,145	213,941	6,809,616	314,287,702

(All amounts in Saudi Riyals unless otherwise stated)

15 Commitments and bank guarantees

The capital expenditure contracted by the Group but not incurred until June 30, 2024 was Saudi Riyals 31.7 million (December 31, 2023: Saudi Riyals 14.7 million).

At June 30, 2024, the Group has outstanding bank guarantees amounting to Saudi Riyals 3.5 million (December 31, 2023: Saudi Riyals 0.65 million) issued in the normal course of business.

16 Fair value measurement of financial instruments

As at June 30, 2024 and December 31, 2023, the fair values of all financial assets and liabilities, measured at amortised cost, are considered to approximate their carrying amounts.

During the six-month period ended June 30, 2024 and the year ended December 31, 2023, there were no transfers into or out of Level 3 fair value measurements.

The table below presents the financial assets at their fair values as at June 30, 2024 and December 31, 2023 based on the fair value hierarchy:

June 30, 2024 (Unaudited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	-	-	**7,280,771**	**7,280,771**
	-	-	**7,280,771**	**7,280,771**

December 31, 2023 (Audited)	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	-	-	5,678,236	5,678,236
	-	-	5,678,236	5,678,236

17 Subsequent events

a) On July 10, 2024, the Company acquired 100% equity shareholding in Ras Al Khaimah Packaging Company LLC (the "Acquired Company"), a corrugated packaging company based in the United Arab Emirates, for a provisional value of Saudi Riyals 16.83 million (equivalent to AED 16.45 million). In addition, an amount of Saudi Riyals 5.00 million (equivalent to AED 4.89 million) was paid by the Company to one of the previous shareholders of the Acquired Company in lieu of the amount due to such previous shareholder by the Acquired Company which is novated to the Company. The management is in the process of completing the provisional price allocation exercise. The Group considers this transaction as a strategic opportunity to expand in the corrugated packaging industry in United Arab Emirates.

b) On July 21, 2024, the Board of Directors approved a notional dividend of Saudi Riyals 1.625 per share amounting to Saudi Riyals 65 million.

c) On September 1, 2024, the Company incorporated a wholly owned subsidiary registered in the Kingdom of Saudi Arabia, under CR number 4030575596 dated 28 Safar 1446H (corresponding September 1, 2024), named Integrated Paper Industry Company (a single shareholder limited liability company). The registered office of the subsidiary is situated in Jeddah, Kingdom of Saudi Arabia. The objectives of the subsidiary include manufacturing of corrugated paper, cardboard and containers made from paper and cardboard and other types of paper and paperboard.

18 Approval of condensed consolidated interim financial information

This condensed consolidated interim financial information was approved and authorized for issue by the Board of Directors of the Group on September 29, 2024.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
AND INDEPENDENT AUDITOR'S REPORT

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

Independent auditor's report to the shareholders of United Carton Industries Company

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of United Carton Industries Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes 1 to 33 to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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 issued by SOCPA, and the applicable requirements of the Regulations for Companies 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, 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

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Independent auditor's report to the shareholders of United Carton Industries Company (continued)

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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, 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 International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism 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.
- Conclude on the appropriateness of management's 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

March 17, 2025

3

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2024	**2023**
Assets			
Non-current assets			
Property, plant and equipment	4	**393,497,885**	378,805,743
Goodwill	5	**38,228,526**	38,228,526
Intangible assets		**6,923,638**	4,410,427
Right-of-use assets	6	**53,207,833**	48,032,188
Deferred tax assets	17	**5,620,498**	9,176,906
Total non-current assets		**497,478,380**	478,653,790
Current assets			
Inventories	8	**187,505,614**	170,184,757
Trade receivables	9	**235,014,452**	223,005,431
Advances, prepayments and other receivables	10	**39,676,231**	23,324,282
Cash and cash equivalents	11	**38,005,164**	30,586,197
Total current assets		**500,201,461**	447,100,667
Total assets		**997,679,841**	925,754,457
Equity and liabilities			
Equity			
Share capital	12	**400,000,000**	200,000,000
Statutory reserve	13	**-**	60,000,000
Retained earnings		**146,069,391**	222,616,209
Foreign currency translation reserve		**(544,932)**	(546,329)
Total equity		**545,524,459**	482,069,880
Liabilities			
Non-current liabilities			
Deferred tax liabilities	17	**1,021,204**	-
Lease liabilities	6	**47,906,447**	42,517,345
Employee benefit obligations	15	**61,060,599**	63,830,022
Total non-current liabilities		**109,988,250**	106,347,367
Current liabilities			
Trade payables		**199,386,283**	173,355,541
Accrued and other liabilities	16	**74,630,050**	114,837,247
Short-term borrowings	14	**53,656,310**	30,168,532
Current portion of lease liabilities	6	**7,353,554**	7,612,644
Zakat and income tax payable	17	**7,140,935**	11,363,246
Total current liabilities		**342,167,132**	337,337,210
Total liabilities		**452,155,382**	443,684,577
Total equity and liabilities		**997,679,841**	925,754,457

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31,	
		2024	**2023**
Revenue	18	**1,344,476,419**	1,361,796,751
Cost of revenue	19	**(1,104,413,687)**	(1,077,458,925)
Gross profit		**240,062,732**	284,337,826
Selling and distribution expenses	20	**(25,791,449)**	(23,359,632)
General and administrative expenses	21	**(95,653,567)**	(85,726,727)
Reversal / (impairment) loss on financial assets	9	**859,065**	(750,000)
Fair value losses on financial assets		**(2,659,518)**	(2,844,333)
Bargain purchase gain on acquisition of a subsidiary	7	**11,240,415**	-
Other income - net	22	**17,812,076**	3,009,630
Operating profit		**145,869,754**	174,666,764
Finance costs	23	**(5,959,688)**	(7,736,053)
Profit before zakat and income tax		**139,910,066**	166,930,711
Zakat expense	17	**(3,330,081)**	(3,833,795)
Income tax expense	17	**(11,883,774)**	(6,399,152)
Net profit for the year		**124,696,211**	156,697,764
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		**1,397**	(546,329)
Items that will not be reclassified to profit or loss:			
Re-measurement gain/(loss) on employee benefit obligations	15	**3,989,255**	(2,012,725)
Deferred tax relating to re-measurement gain / (loss) on employee benefit obligations	17	**(232,284)**	126,475
Other comprehensive income/(loss) for the year		**3,758,368**	(2,432,579)
Total comprehensive income for the year		**128,454,579**	154,265,185
Earnings per share attributable to the shareholders of the Company			
Basic and diluted	28	**3.12**	3.92

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joints Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Total
At January 1, 2023		200,000,000	60,000,000	167,351,695	-	**427,351,695**
Profit for the year		-	-	156,697,764	-	**156,697,764**
Other comprehensive loss for the year		-	-	(1,886,250)	(546,329)	**(2,432,579)**
Total comprehensive income for the year		-	-	154,811,514	(546,329)	**154,265,185**
Transaction with shareholders in their capacity as shareholders:						
Dividends	30	-	-	(99,547,000)	-	**(99,547,000)**
At December 31, 2023		**200,000,000**	**60,000,000**	**222,616,209**	**(546,329)**	**482,069,880**
Profit for the year		**-**	**-**	**124,696,211**	**-**	**124,696,211**
Other comprehensive income for the year		**-**	**-**	**3,756,971**	**1,397**	**3,758,368**
Total comprehensive income for the year		**-**	**-**	**128,453,182**	**1,397**	**128,454,579**
Transactions with shareholders in their capacity as shareholders:						
Transfers to share capital	12	**200,000,000**	**(60,000,000)**	**(140,000,000)**	**-**	**-**
Dividends	30	**-**	**-**	**(65,000,000)**	**-**	**(65,000,000)**
		200,000,000	**(60,000,000)**	**(205,000,000)**	**-**	**(65,000,000)**
At December 31, 2024		**400,000,000**	**-**	**146,069,391**	**(544,932)**	**545,524,459**

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2024	2023
Cash flows from operating activities			
Profit before zakat and income tax		**139,910,066**	166,930,711
Adjustments for:			
Depreciation on property, plant and equipment	4	**64,046,508**	62,396,764
Depreciation on right-of-use assets	6	**7,815,783**	7,925,918
Impairment loss on property, plant and equipment	4	**771,908**	-
Provision for slow-moving and damaged inventories	8	**2,822,197**	-
Amortisation of intangible assets		**1,741,036**	368,568
Provision for employee benefits obligations	15	**7,973,697**	8,386,715
Insurance claim compensation	22	**(12,726,847)**	-
Gain on termination of leases	6	**(547,363)**	-
Loss/(gain) on disposal of property, plant and equipment	22	**46,855**	(941,160)
Finance costs on short-term borrowings and others	23	**3,217,002**	5,512,708
Finance costs on lease liabilities	23	**2,742,686**	1,701,065
Exchange losses/(gains)	22	**19,778**	(436,038)
(Reversal) / impairment losses on financial assets	9	**(859,065)**	750,000
Bargain purchase gain on acquisition of a subsidiary	7	**(11,240,415)**	-
Changes in working capital:			
Inventories		**(16,834,238)**	78,554,587
Trade receivables		**(1,724,613)**	23,346,794
Advances, prepayments and other receivables		**(7,339,110)**	5,219,149
Trade payables		**16,904,330**	(12,188,607)
Accrued and other liabilities		**(791,668)**	(1,289,735)
Cash generated from operations		**195,948,527**	346,237,439
Zakat and income tax paid	17	**(16,637,755)**	(9,367,772)
Employee benefit obligations paid	15	**(7,210,352)**	(5,988,599)
Finance costs paid		**(5,959,688)**	(7,115,504)
Net cash generated from operating activities		**166,140,732**	323,765,564
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(55,504,988)**	(34,838,007)
Proceeds from disposal of property, plant and equipment		**79,667**	1,439,551
Purchase of intangible assets		**(1,468,584)**	(278,907)
Proceeds from insurance claim compensation		**4,454,396**	-
Payment for acquisition of subsidiaries	7	**(52,442,550)**	(50,668,653)
Net cash used in investing activities		**(104,882,059)**	(84,346,016)
Cash flows from financing activities			
Dividends paid	30	**(65,000,000)**	(99,547,000)
Changes in short-term borrowings	31 (b)	**23,487,778**	(109,549,562)
Repayment of borrowing of acquiree	7.1	**(5,016,244)**	-
Repayment of principal portion of lease liabilities	31	**(7,314,297)**	(9,704,484)
Net cash used in financing activities		**(53,842,763)**	(218,801,046)
Net increase in cash and cash equivalents		**7,415,910**	20,618,502
Effect of exchange rate change on cash and cash equivalent		**3,057**	(107,823)
Cash and cash equivalents at the beginning of the year	11	**30,586,197**	10,075,518
Cash and cash equivalents at the end of the year	11	**38,005,164**	30,586,197
Supplemental information for non-cash transactions			
Additions to right-of-use assets and lease liabilities	6	**13,097,754**	43,500,362
Transfer from retained earnings to share capital	12	**140,000,000**	-
Transfer from statutory reserve to share capital	13	**60,000,000**	-

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

United Carton Industries Company (the "Company") is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 4030065231 dated Ramadan 18, 1409H (corresponding April 24, 1989). The Company's registered office is located at Industrial Area- Phase No. 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia.

The Company and its subsidiaries (together referred to as the "Group") are primarily engaged in the manufacturing and sale of corrugated carton containers and plates, folding carton (duplex) and pulp products, paper and packaging material.

These consolidated financial statements include the results of the following branches of the Group, which are registered under the following registration numbers.

Sr. No.	Location of Branch	Commercial Registration Number
1	Jeddah	4030-198716
2	Jeddah	4030-201068
3	Jeddah	4030-125875
4	Riyadh	1010-268185
5	Dammam	2050-075036
6	Al-Kharj	1011-023950
7	Riyadh	1010-053015
8	Riyadh	1010-585737
9	Al Ahsa	2252-011935

a) Initial Public Offering ("IPO")

During 2024, the shareholders of the Company resolved to file an IPO application with the Capital Market Authority of the Kingdom of Saudi Arabia (the "CMA") to list the Company's shares on Tadawul, the main market in the Kingdom of Saudi Arabia.

The Company filed the application with the CMA for the IPO of its shares on Tadawul, in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA, which was approved on December 16, 2024. The CMA's approval is valid for a period of six months from the date of such approval and will be deemed as cancelled if the offering and listing of the Company's shares are not completed within this six-month period. The Company is in the process of completing the procedures for the offering and listing of Company's shares.

2 Material accounting policies

2.1 Basis of preparation

The material accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

(b) Historical cost convention

These consolidated financial statements have been prepared on the historical cost convention, and on going concern basis, unless stated otherwise. The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

(All amounts in Saudi Riyals unless otherwise stated)

2.2 Application of new and amended standards and interpretations

a) New and amended standards adopted by the Group

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the financial statements of the Group and accordingly, the Group did not have to change its accounting policies or make any retrospective adjustments.

Title	Key requirements	Effective date
Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
Leases on sale and leaseback - Amendment to IFRS 16	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Supplier Finance arrangements - Amendments to IAS 7 and IFRS 7	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 1, 2024

b) Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Group. The standards, interpretations and amendments issued that are relevant to the Group, but are not yet effective are disclosed below.

Title	Key requirements	Effective date
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	January 1, 2025
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	January 1, 2026

Title	Key requirements	Effective date
IFRS 18 - Presentation and Disclosure in Financial Statements	The new standard on presentation and disclosure in financial statements, requires more focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: - the structure of the statement of profit or loss; - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	January 1, 2027
IFRS 19 - Subsidiaries without Public Accountability	This new standard applies to eligible subsidiaries that elect to adopt the standard in their consolidated, separate or individual financial statements. Eligible subsidiaries are those that are not publicly accountable and whose ultimate or intermediate parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.	January 1, 2027

Management is in the process of assessing the impact, if any, these pronouncements may have in future reporting periods.

2.3 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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, and
- 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 with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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 other comprehensive income 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 into 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.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combination and goodwill or bargain purchase

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of:
- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. 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 recognised 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 recognised immediately in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

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 of the operation.

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.

2.4 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entities operate (the "functional currency"). The consolidated financial statements are presented in Saudi Riyals.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group companies 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 recognised in profit or loss.

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 that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at the average exchange rates. The exchange differences arising on the translation of foreign operations are recognised in other comprehensive income. On partial or full disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.5 Current vs non-current classification

The Group presents assets and liabilities in the consolidated 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 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.

The Group classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in 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 Group classifies all other liabilities as non-current.

2.6 Property, plant and equipment

Initial recognition
Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the consolidated statement of profit and loss and other comprehensive income.

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and impairment losses, if any.

Subsequent expenditure
Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation
Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated statement of profit or loss and other comprehensive income:

Category	Useful life
• Buildings	20 years
• Motor vehicles	4 years
• Machinery and equipment	4 – 10 years
• Furniture, fixtures and office equipment	4 – 10 years

Capital work-in-progress (CWIP)
Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of CWIP comprises its purchase price, construction / development cost and any other costs directly attributable to the construction or acquisition of an item intended by management. CWIP is measured at cost less impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

2.7 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired in a business combination are recognised at their fair value as at the date of acquisition.

Following initial recognition, intangible assets having a finite useful life are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any.

Intangible assets are amortised using the straight-line method over their estimated useful lives as follows:

Category	**Useful life**
Computer software	4-10 years
Customer relationship	8 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.8 Leases

At the inception of the contract, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities
The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets
The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, initial direct costs and restoration costs, if any. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. Refer Note 2.9 for detail.

2.9 Impairment of non-financial assets other than inventories

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. It 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. Where 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 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 such as valuation multiples (including earnings multiples), quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized 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 recognized. 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 profit or loss.

2.10 Inventories

Finished goods
Inventories are carried at the lower of cost and net realizable value. Cost is determined on the weighted average method. The cost of finished products includes the cost of raw materials, direct labor and manufacturing overheads and all other costs necessary to bring the goods to their existing condition and location.

Raw materials and spares
Raw materials and spares are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis.

Work in progress
Work in progress is measured using estimated manufacturing cost including appropriate overheads based on normal level of activity.

Goods-in-transit
Goods-in-transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

2.11 Trade and other receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. Other receivables are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. The carrying amount of trade and other receivables is tested for impairment in accordance with the policy described in Note 2.14.1.

Other portfolios of trade receivables originated to be placed under factoring arrangements are initially measured at their transaction price, unless they contain a significant financing component in which case they are measured initially at fair value. These are subsequently measured at fair value through profit or loss as they are originated with a business model of selling to finance institutions therefore cannot be measured at amortized cost or fair value through other comprehensive income.

2.12 Prepayments

Prepayments are initially recognised at the transaction price.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three-months or less, that are readily convertible to known amounts of cash with insignificant risk of changes in value if any.

2.14 Financial instruments

2.14.1 Financial assets

The Group classifies its financial assets under the following categories
- Amortised cost; and
- Fair value through profit or loss (FVTPL)

These classifications are on the basis of the business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures a financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will be recorded in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

(i) Recognition and derecognition
The Group initially recognises financial assets on the date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

(ii) Measurement
At initial recognition, the Company 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss and comprehensive income.

(iii) Subsequent measurement and gains and losses
Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Impairment of financial assets
The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments and are measured at amortised cost. The Group follows the 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component. The application of the simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on the lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the ECL on financial assets to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering the probability of default and loss given default, which are derived from historical data of the Group and are adjusted to reflect the expected future outcome. ECL impairment loss allowance (or reversal) recognised during the period is recognised in profit or loss.

2.14.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where 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 a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss of the consolidated statement of profit or loss and other comprehensive income.

2.14.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.15 Employee benefit obligations

Short-term employee benefits
Provision is made for benefits accruing to employees in respect of salaries and wages, vacation leaves, ticket and other benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, if any, are measured at an undiscounted amount using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Post-employment obligations
The Group operates a defined benefit scheme for its employees in accordance with the applicable labor regulations. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method.

Actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income 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 recognises related restructuring costs

Interest expense is calculated by applying the discount rate to the net employees defined benefit liabilities. The Group recognises the following changes in the net defined benefit obligation under "Cost of revenue", "General and administrative expenses" and "Selling and distribution expenses" in the consolidated statement of profit or loss and other comprehensive income (by function).

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and,

- Net interest expense or income

2.16 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 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. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in profit or loss, net of reimbursements.

2.18 Zakat and taxes

(i) Zakat and current income tax

Zakat and income tax is provided for in accordance with Zakat, Tax and Customs Authority regulations. Income tax for the foreign entities in the UAE is provided for in accordance with the Federal corporate tax regime in UAE. Adjustments arising from final zakat and income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences arising from the initial recognition of assets and liabilities in a transaction that: (i) is not a business combination, (ii) affects neither the taxable profit nor accounting profit, and (iii) does not create equal and opposite deferred tax assets and liabilities. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Withholding tax
The Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value Added Tax ("VAT")
Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

2.19 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

2.20 Revenue recognition

Revenue comprises sale of goods and services to its customers and is measured based on the considerations specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Certain customers are eligible for volume rebates once their purchases during the period exceeds a threshold specified in the respective contracts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates and discounts.

The Group recognises revenues based on a five-step model as set out in IFRS 15 as follows:

IFRS 15 requires that revenue is recognised from contracts with customers based on a five-step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Group satisfies the performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where any of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. A contract asset is recognised when a performance obligation has been satisfied and revenue has been recognised, but the payment is contingent on the Group's future performance. This typically indicates that the entity can only issue an invoice to the customer after satisfying additional performance obligations under the same contract.

In determining the transaction price for the sale of goods or services, the Group considers the effects of the existence of significant financing components, variable consideration, non-cash consideration and consideration payable to the customer (if any). The Group also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

The Group has identified the transportation service as a separate performance obligation for the sales of goods which the Group transfers control to the customer over-time and promised to deliver the goods to the customer destination.

The Group does not have contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year, and as a result, the Group does not adjust transaction prices for the time value of money.

The following is a description of the principal activities, from which the Group generates its revenues,:

(i) Sale of corrugated carton, plates, duplex cartons and pulp products

Revenue from the sale of these products, that do not have an alternate use to the Group and that the Group has a legally enforceable right to payment for such goods, is recognised over a period of time.

(ii) Sale of paper packing and packaging materials.

Revenue is recognised when a customer obtains control of the goods or services (i.e. when it has the ability to direct the use of and obtain benefits from the goods or services). Customers obtain control when goods are delivered to and have been accepted by the customers as per the applicable delivery terms, and accordingly, revenue is recognised at that point-in-time.

(iii) Delivery and transportation service.

The Group recognises revenue from delivery and transportation services over the period of time when the goods are delivered to the customer destination.

Contract assets are recognized by the Group when revenue is recognized over time, in accordance with the satisfaction of performance obligations.

Variable consideration

The Group provides volume rebates to certain customers on the products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Group estimates the expected volume rebate using the "most likely amount" method. These estimates are reviewed on a regular basis and updated, if deemed necessary. These estimates are adjusted against revenue with the additional payable amount recorded under accrued and other liabilities. Such payable is de-recognized against a trade receivable at the point in time at which the actual final price is determined.

2.21 Cost of revenue

Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs.

2.22 Selling and distribution expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group's products and services. All other expenses are classified as general and administrative expenses.

2.23 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue or selling and distribution expenses. Allocations between general and administrative expenses, selling and distribution expenses and cost of revenue, when required, are made on a consistent basis.

2.24 Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes finance costs and income taxes.

2.25 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the shareholders of the Group.

2.26 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Group's Chief Executive Officer ("CEO") and Board of Directors ("BoD") assesses the financial performance and position of the Group and makes strategic decisions. The CEO and BoD has been identified as being the CODM.

Segment results that are reported to the Group's CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.27 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amount of revenue and costs during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, profit for the year would have been higher or lower by Saudi Riyals 5.9 million.

Key accounting judgements – Goodwill or bargain purchase gain

Acquisition of subsidiaries involves the exercise of judgement in determining the fair value of net assets and liabilities of acquired investees. Measurement of fair value is a significant estimate that involves the use of models and data inputs. The Group engages external consultants to perform fair value assessment of net identifiable assets of subsidiaries on the date of acquisition. The goodwill or bargain purchase gain on the acquisition transaction is initially determined using book value of net assets on the date of acquisition. The Group has an option to use measurement period exemption of 12 months to finalise the purchase price allocation when the fair value of identified assets including goodwill or bargain purchase gain is determined. Please refer to Note 7.1 for more details.

(All amounts in Saudi Riyals unless otherwise stated)

4 Property, plant and equipment

	For the year ended December 31, 2024						
	Land	Buildings	Motor vehicles	Machinery and equipment	Furniture, fixtures and office equipment	Capital work-in-progress	Total
Cost:							
At January 1, 2024	5,427,488	295,455,234	5,592,310	1,042,713,664	93,945,201	2,366,748	1,445,500,645
Additions	-	8,377,007	505,800	38,210,500	1,782,311	6,629,370	55,504,988
Disposals	-	(668,413)	(683,602)	(28,611,100)	(1,776,897)	-	(31,740,012)
Reclassification *	-	(482,718)	(616,878)	(8,206,496)	9,306,092	-	-
Transfer to intangible assets **	-	-	-	-	(3,944,966)	-	(3,944,966)
Transfers from capital work-in-progress	-	343,334	-	3,060,673	121,299	(3,525,306)	-
Acquisition of a subsidiary (Note 7)	-	20,727,595	335,401	5,725,268	111,931	-	26,900,195
Translation adjustment	-	22,911	2,463	30,185	551	114	56,224
At December 31, 2024	5,427,488	323,774,950	5,135,494	1,052,922,694	99,545,522	5,470,926	1,492,277,074
Accumulated depreciation and impairment loss:							
At January 1, 2024	-	(149,632,810)	(3,929,452)	(822,960,108)	(90,172,532)	-	(1,066,694,902)
Charge for the year	-	(15,713,828)	(1,181,640)	(45,129,200)	(2,021,840)	-	(64,046,508)
Disposals	-	568,131	683,592	28,589,329	1,772,438	-	31,613,490
Reclassification *	-	482,718	607,622	3,033,487	(4,123,827)	-	-
Transfer to intangible assets **	-	-	-	-	1,159,303	-	1,159,303
Impairment (Note 22)	-	-	-	(771,908)	-	-	(771,908)
Translation adjustment	-	(11,185)	(2,334)	(24,675)	(470)	-	(38,664)
At December 31, 2024	-	(164,306,974)	(3,822,212)	(837,263,075)	(93,386,928)	-	(1,098,779,189)
Net book value:							
At December 31, 2024	5,427,488	159,467,976	1,313,282	215,659,619	6,158,594	5,470,926	393,497,885

* The management conducted a periodic review of the fixed assets register and enhanced the alignment of asset classifications with their intended use and economic benefits.

** During the year, management has reassessed the classification of assets and identified certain intangible assets that were previously categorized under property, plant and equipment. As a result, these assets have been disclosed under intangible assets to improve the clarity and accuracy of asset categorization and financial reporting practices.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2024
(All amounts in Saudi Riyals unless otherwise stated)

	For the year ended December 31, 2023						
	Land	**Buildings**	**Motor vehicles**	**Machinery and equipment**	**Furniture, fixtures and office equipment**	**Capital work-in-progress**	**Total**
Cost:							
At January 1, 2023	5,427,488	276,321,669	6,841,856	996,158,280	89,444,712	689,953	1,374,883,958
Additions	-	1,411,031	317,174	11,648,203	3,707,469	17,754,130	34,838,007
Disposals	-	(102,000)	(2,062,832)	(20,413,527)	(681,523)	-	(23,259,882)
Transfers from capital work-in-progress	-	7,401,999	-	7,352,211	1,323,125	(16,077,335)	-
Acquisition of a subsidiary	-	10,544,628	513,818	48,178,167	161,877	-	59,398,490
Translation adjustment	-	(122,093)	(17,706)	(209,670)	(10,459)	-	(359,928)
At December 31, 2023	5,427,488	295,455,234	5,592,310	1,042,713,664	93,945,201	2,366,748	1,445,500,645
Accumulated depreciation and impairment loss:							
At January 1, 2023	-	(137,925,167)	(4,644,869)	(798,930,389)	(85,700,595)	-	(1,027,201,020)
Charge for the year	-	(11,795,172)	(1,360,906)	(44,130,069)	(5,110,617)	-	(62,396,764)
Translation adjustment	-	35,849	13,503	82,904	9,135	-	141,391
Disposals	-	51,680	2,062,820	20,017,446	629,545	-	22,761,491
At December 31, 2023	-	(149,632,810)	(3,929,452)	(822,960,108)	(90,172,532)	-	(1,066,694,902)
Net book value:							
At December 31, 2023	5,427,488	145,822,424	1,662,858	219,753,556	3,772,669	2,366,748	378,805,743

(All amounts in Saudi Riyals unless otherwise stated)

a) During 2012, the Group received a notification from the Ministry of Rural Affairs to vacate one of-its plants, located in Riyadh, as the land on which the plant was operating, is located in a zone which should not be used for industrial purposes. Initially, the Group obtained permission from the Ministry of Rural Affairs to continue the operations at the same place till March 2014.

   Subsequently, based on request from the Group, the government authorities initiated actions to reassess the environmental impact of the factories operating in that zone. In this regard, the Group undertook an environmental impact assessment and was issued an environmental certificate, certifying its compliance with the environmental standards. Following the environmental certificate, the industrial license was issued to the Group, based on which, the Group is in process of seeking Municipality license which is currently under process. The underlying assets relating to this plant, except land, are fully impaired.

b) No borrowing costs were capitalised during the year ended December 31, 2024 and 2023 considering that there were no qualifying assets which necessarily take a substantial period of time to get ready for intended use. There are no assets provided as a collateral to borrowings as at December 31, 2024 and 2023.

c) During the year, the Company acquired Ras Al Khaimah Packaging Company LLC ("RAK") as a part of its expansion strategy. The plant of RAK and the related non-current assets have been considered as a separate CGU. During the year ended December 31, 2024, RAK incurred a loss and had negative operating cash flows. Management identified these as impairment indicators and, accordingly, performed an impairment assessment of its non-current assets and determined the recoverable amount based on the fair value less costs to sell. The fair value was determined through the cost approach. As a result of such assessment, as at December 31, 2024, the recoverable amount of the non-current assets was higher than the carrying amount.

d) CWIP mainly represents advance payments made to the vendors for the acquisition of property, plant and equipment. Also refer Note 7.2 for further details.

e) Depreciation charge for the year has been allocated as follows:

	Note	2024	2023
Cost of revenue	19	**58,752,184**	56,407,634
Selling and distribution expenses	20	**165,399**	194,287
General and administrative expenses	21	**5,128,925**	5,794,843
		64,046,508	62,396,764

5 Goodwill

	2024	2023
Cost	**82,460,430**	82,460,430
Accumulated impairment	**(44,231,904)**	(44,231,904)
Net book value	**38,228,526**	38,228,526

The goodwill recognized related to the acquisition of National Packing Products Company Limited ("NPPCL") which was acquired during 2015 with a resulting goodwill of Saudi Riyals 82.5 million which was subsequently impaired by an amount of Saudi Riyals 44.2 million and, hence, the remaining goodwill balance is Saudi Riyals 38.2 million. This plant has been considered as a separate CGU.

During the year ended December 31, 2024, management performed an impairment assessment. The results of the impairment test indicated no impairment charge as a result of sufficient headroom between the carrying amount of this CGU, amounting to Saudi Riyals 78.4 million, and the recoverable amount.

(All amounts in Saudi Riyals unless otherwise stated)

These calculations use cash flow projections, which are based on financial budgets approved by management covering a five-year period as well as the factors used in computing terminal value.

	2024	2023
Revenue growth rate (average)	**2.50%**	2.50%
Discount rate	**11.84%**	11.76%
Terminal growth rate	**2.00%**	2.00%

Sensitivity to the changes in assumptions:

	December 31, 2024		December 31, 2023	
	CGU recoverable amount	% change in CGU recoverable amount	CGU recoverable amount	% change in CGU recoverable amount
+1% Sales growth rate	**464,982,912**	**7%**	368,430,948	8%
-1% Sales growth rate	**404,143,621**	**(7%)**	313,288,024	(8%)
+1% Discount rate	**394,854,422**	**(9%)**	309,981,488	(9%)
-1% Discount rate	**482,338,527**	**11%**	377,908,533	11%
+1% Terminal growth rate	**467,485,813**	**8%**	366,286,520	8%
-1% Terminal growth rate	**406,971,371**	**(6%)**	319,480,497	(6%)

6 Leases

The Group has lease contracts for various lands, warehouses, staff accommodations and motor vehicles used in its operations. Leases of land generally have lease terms between 10 and 20 years, warehouses and staff accommodation have lease terms of 3 to 5 years while motor vehicles generally have lease terms of up to 4 years. The Group also has certain leases of vehicles with lease terms of 12 months. The Group applies the 'short-term lease' recognition exemptions for these leases.

Below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Leasehold lands	Warehouses and accommodations	Motor vehicles	Total
At January 1, 2024	**18,239,693**	**26,415,988**	**3,376,507**	**48,032,188**
Additions during the year	**11,175,411**	**1,037,763**	**884,580**	**13,097,754**
Charge for the year	**(1,376,273)**	**(5,025,219)**	**(1,414,291)**	**(7,815,783)**
Terminations during the year	**-**	**-**	**(123,964)**	**(123,964)**
Translation adjustment	**16,793**	**845**	**-**	**17,638**
At December 31, 2024	**28,055,624**	**22,429,377**	**2,722,832**	**53,207,833**

	Leasehold lands	Warehouses and accommodations	Motor vehicles	Total
At January 1, 2023	6,583,423	1,887,049	3,983,676	12,454,148
Acquisition of a subsidiary	5,025,044	9,678,714	-	14,703,758
Additions during the year	7,535,127	19,561,999	1,699,478	28,796,604
Charge for the year	(905,864)	(4,713,407)	(2,306,647)	(7,925,918)
Translation adjustment	1,963	1,633	-	3,596
At December 31, 2023	18,239,693	26,415,988	3,376,507	48,032,188

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
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(All amounts in Saudi Riyals unless otherwise stated)

Below are the carrying amounts of lease liabilities and the movements during the year:

	2024	**2023**
At January 1,	**50,129,989**	15,797,439
Acquisition of a subsidiary	**-**	15,142,160
Additions during the year	**13,097,754**	28,796,604
Terminations during the year	**(671,327)**	-
Accretion of finance cost	**2,742,686**	1,701,065
Payments	**(10,056,983)**	(11,405,549)
Translation adjustment	**17,882**	98,270
At December 31,	**55,260,001**	50,129,989

	2024	**2023**
Lease liabilities		
Non-current	**47,906,447**	42,517,345
Current	**7,353,554**	7,612,644
	55,260,001	50,129,989

The contractual maturities of lease liabilities (undiscounted basis) were as follows:

	2024	**2023**
Less than one year	**8,615,451**	9,568,434
Between 1 to 2 years	**6,795,754**	8,176,382
Between 3 to 5 years	**24,102,427**	20,870,062
More than five years	**50,025,274**	30,155,019
	89,538,906	68,769,897

The following are the amounts recognised in profit or loss:

	2024	**2023**
Depreciation expense of right-of-use assets – Leasehold lands	**1,376,273**	905,864
Depreciation expense of right-of-use assets – Warehouses and accommodation	**5,025,219**	4,713,407
Depreciation expense of right-of-use assets – Motor vehicles	**1,414,291**	2,306,647
	7,815,783	7,925,918
Finance cost on lease liabilities	**2,742,686**	1,701,065
Expense relating to short-term leases	**980,840**	451,799
Total amount recognised in the profit or loss	**11,539,309**	10,078,782

The depreciation charge related to right-of-use assets for the year was allocated as follows:

	Note	**2024**	**2023**
Cost of revenue	19	**6,252,782**	6,340,155
Selling and distribution expenses	20	**88,464**	85,701
General and administrative expenses	21	**1,474,537**	1,500,062
		7,815,783	7,925,918

The Group had total cash outflows for leases of Saudi Riyals 11.0 million (2023: Saudi Riyals 11.9 million).

(All amounts in Saudi Riyals unless otherwise stated)

Payments associated with short-term leases of equipment and vehicles are recognized as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a renewal option. Lease rentals are recognized on a straight-line basis over the lease term, which may not always equal the actual cash payments made.

7 Interests in subsidiaries

The Group's subsidiaries at December 31, 2024 and 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business:

Subsidiary name	Country of incorporation	Principle business activity	Ownership interest percentage	
			2024	**2023**
Integrated Packaging Industries Company	Kingdom of Saudi Arabia ("KSA")	Manufacturing of paper from pulp, corrugated cardboard and paper products for household purposes.	**100%**	100%
United Paper Industries Company FZCO (Note 7.3)	United Arab Emirates ("UAE")	Manufacturing of paper, packing and packaging material.	**100%**	100%
Ras Al Khaimah Packaging Ltd. Co. LLC (Note 7.1)	United Arab Emirates	Manufacturing of corrugated paper, paper board containers and wholesale trading of paper.	**100%**	-
Integrated Paper Industry Company (Note 7.2)	Kingdom of Saudi Arabia	Production of pulp, paper, and cardboard, Production of corrugated paper, cardboard, and paper based containers.	**100%**	-

7.1 Acquisition of Ras Al Khaimah Packaging Company LLC ("RAK")

On July 10, 2024 (the "Acquisition Date"), the Company acquired 100% equity shareholding in RAK, a corrugated packaging company based in the UAE, for a purchase consideration of Saudi Riyals 13.75 million (equivalent to UAE Dirham "AED" 13.45 million). In addition, Saudi Riyals 5.02 million (equivalent to AED 4.89 million) was paid by the Company to one of the previous shareholders of RAK to also acquire a debt instrument issued by RAK, which is novated to the Company (effectively settled from a Group perspective). The Group considers this transaction as a strategic opportunity to expand in the corrugated packaging industry in UAE.

The fair value of net identifiable assets of RAK at the date of acquisition were as follows:

	Saudi Riyals
Property, plant and equipment	26,900,195
Inventories	3,308,816
Trade receivables	9,425,343
Advances, prepayments and other receivables	740,388
Cash and cash equivalents	1,763,954
Deferred tax liability	(1,546,917)
Employee benefit obligations	(455,885)
Trade payables	(9,126,412)
Accrued and other liabilities	(1,000,320)
Due to previous shareholder	(5,016,244)
Net identified assets acquired	24,992,918
Bargain purchase computation	
Fair value of identifiable net assets acquired	24,992,918
Less: purchase consideration	(13,752,503)
Bargain purchase arising on acquisition	**11,240,415**

(All amounts in Saudi Riyals unless otherwise stated)

Previously, as at September 30, 2024, the Group reported goodwill amounting to Saudi Riyals 4.3 million, which was based on the provisional purchase price allocation. However, following the finalization of the purchase price allocation, the Group derecognized the goodwill as a result of the fair value of property, plant and equipment being determined to be significantly higher than provisional amounts. This resulted in a bargain purchase gain of Saudi Riyals 11.2 million which reflects the final determination of the purchase price and the fair value of acquired assets and liabilities.

The valuation was completed during December 2024, and the acquisition date fair value of the property, plant and equipment was Saudi Riyals 26.9 million. The difference between the final fair value of property, plant and equipment and the provisional value, amounts to Saudi Riyals 17.2 million and was recognised as a fair value adjustment to the property, plant and equipment. Deferred taxes were adjusted accordingly. The resulting bargain purchase gain from fair value of net assets and liabilities attributable to RAK is recognized as bargain purchase gain in the consolidated statement of profit or loss and other comprehensive income.

RAK was incurring losses and operated in a non-core sector for the sellers, with minimal willingness by the sellers to further invest in these operations. Accordingly, the sellers were keen to divest and the acquisition price was negotiated on the basis of the carrying value of the net assets of RAK. These factors were the main reasons for resultant bargain purchase gain. The Group also reassessed all aspects as required by IFRS 3 before concluding that this was indeed a bargain purchase gain and is satisfied that all aspects of the business combination have been appropriately identified and accounted for.

The summary of the statement of profit or loss and other comprehensive income for the acquired subsidiary since the Acquisition date to December 31, 2024 is as follows:

Revenue	15,399,045
Gross loss	(733,908)
Loss before income tax	(2,987,989)

If the acquisition had occurred on January 1, 2024, the pro-forma revenue and profit before zakat and income tax of the combined entity for the year ended December 31, 2024 would have been Saudi Riyals 1.36 billion and Saudi Riyals 136.6 million, respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in the accounting policies between the Group and the subsidiary, and
- The additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from January 1, 2024, together with the consequential tax effects.

RAK has no contingent liabilities as at December 31, 2024. Capital commitments as at December 31, 2024 amounted to Saudi Riyals 0.18 million. The fair value and gross contractual amount of acquired trade receivables is Saudi Riyals 9.4 million, with no loss allowance recognized on acquisition.

(All amounts in Saudi Riyals unless otherwise stated)

Purchase consideration

Provisional payment for RAK acquisition	16,828,619
Less: working capital adjustment as per SPA*	(3,076,116)
Purchase consideration	**13,752,503**

* This represents the working capital adjustment made to the purchase consideration arising from due to the difference between the reference accounts and completion accounts.

During the year ended December 31, 2024, the Group has paid Saudi Riyals 52.4 million to the previous shareholders of RAK and UPIC as disclosed below:

	2024
Outflow of cash to acquire the subsidiary, net of cash acquired	
Cash consideration paid	13,752,503
Less: Cash acquired	(1,763,954)
Deferred payment in relation to UPIC acquisition	40,454,001
Net cash outflow - investing activities	**52,442,550**

Acquisition-related costs
Acquisition-related costs of Saudi Riyals 0.6 million are included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income and in operating cash flows in the consolidated statement of cash flows.

7.2 Incorporation of Integrated Paper Industry Company ("IPC")

On September 1, 2024, the Company incorporated a wholly owned subsidiary registered in the Kingdom of Saudi Arabia, under CR number 4030575596 dated Safar 28, 1446H (corresponding September 1, 2024), named Integrated Paper Industry Company (a single shareholder limited liability company). The registered office of the subsidiary is situated in Jeddah, Kingdom of Saudi Arabia. The objectives of the subsidiary include manufacturing of corrugated paper, cardboard and containers made from paper and cardboard and other types of paper and paperboard.

On October 31, 2024, IPC entered into an agreement for the purchase of certain items of property, plant and equipment amounting to Saudi Riyals 10.4 million, out of which Saudi Riyals 2.1 million has been paid in advance. The balance contractual payment of Saudi Riyals 8.3 million will be paid once the control of these assets are transferred to IPC, which shall be upon the transfer of a lease contract with a third party to IPC.

7.3 Acquisition of United Paper Industries Company FZCO ("UPIC")

During 2023, the Company signed an agreement to acquire 100% of the shares of UPIC, United Arab Emirates ("UAE") for a total consideration of Saudi Riyals 104.7 million, with control transferred to the Group on July 28, 2023. The acquisition aims to expand the Group's operations in the Middle East market and serve as a first step towards backward integration, with management expecting it to partially mitigate supply risk of brown paper due to the cyclical impact of paper prices.

The net identifiable assets of UPIC at the acquisition date amounted to Saudi Riyals 104.7 million. The net cash outflow for the acquisition, net of cash acquired, was Saudi Riyals 50.7 million (cash consideration paid of Saudi Riyals 63.9 million, less cash acquired of Saudi Riyals 13.2 million). The fair value and gross contractual amount of acquired trade receivables was Saudi Riyals 36.4 million, with no loss allowance recognised on acquisition. UPIC had no contingent liabilities or capital commitments as at December 31, 2023. Deferred consideration for this acquisition, amounting to Saudi Riyals 40.5 million was paid in 2024.

(All amounts in Saudi Riyals unless otherwise stated)

8 Inventories

	Note	2024	2023
Raw materials		**155,595,705**	129,382,140
Spare parts		**54,294,306**	55,857,559
Work in progress		**1,235,003**	1,060,149
Finished goods		**675,249**	4,443,301
Goods in transit		**22,318,612**	23,232,672
		234,118,875	213,975,821
Less: provision for slow-moving and damaged inventories	8.1	**(46,613,261)**	(43,791,064)
		187,505,614	170,184,757

8.1 Movement in the provision for slow-moving and damaged inventories is as follows:

	2024	2023
At January 1	**43,791,064**	43,791,064
Provision for the year *	**2,822,197**	-
At December 31	**46,613,261**	43,791,064

* This includes Saudi Riyals 2.3 million related to damaged inventory due to a fire incident at IPIC.

The cost of inventories charged as an expense during the year was Saudi Riyals 772.4 million (2023: Saudi Riyals 789.1 million).

9 Trade receivables

	Note	2024	2023
At amortised cost			
Trade receivables – third parties		**224,566,059**	218,519,339
Trade receivables - related parties	24.2	**12,313,601**	9,008,745
		236,879,660	227,528,084
Less: allowance for impairment of trade receivables		**(9,341,824)**	(10,200,889)
		227,537,836	217,327,195
At fair value			
Trade receivables at fair value*		**7,476,616**	5,678,236
		235,014,452	223,005,431

*This represents trade receivables which are subject to factoring arrangement with commercial banks but are not factored at the year end. The trade receivables portfolio subject to factoring is initially classified at fair value through profit or loss.

Due to the short-term nature of trade receivables at amortised cost, their carrying amount is considered to be the same as their fair value.

Movement in allowance for impairment of trade receivables is as follows:

	2024	2023
At January 1	**10,200,889**	9,450,889
(Reversal) of /impairment allowance for the year	**(859,065)**	750,000
At December 31	**9,341,824**	10,200,889

The Group had top 30 customer balances that accounted for approximately 44% (2023: 35%) of total outstanding trade receivables. Information about credit risk is disclosed in Note 29.

(All amounts in Saudi Riyals unless otherwise stated)

10 Advances, prepayments and other receivables

	Note	2024	2023
Advances to suppliers		**9,255,562**	7,983,282
Insurance claim receivable	22	**8,272,451**	-
Prepayments		**5,131,219**	4,547,342
Contract assets	18	**4,883,166**	-
Employee loans		**4,065,940**	4,642,014
Margin on letters of guarantee		**654,455**	654,410
VAT receivable		**2,350,949**	1,055,302
Other receivables		**5,062,489**	4,441,932
		39,676,231	23,324,282

11 Cash and cash equivalents

	2024	2023
Cash at banks	**30,619,753**	18,085,327
Bank deposits *	**7,182,000**	12,310,800
Cash in hand	**203,411**	190,070
	38,005,164	30,586,197

The cash at banks is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The carrying value at each reporting date is estimated to be the same as the fair value.

* In the prior year, the Group held bank deposits (less than 3 months maturity) of Saudi Riyals 12.3 million, which were disclosed under cash at banks. During the current period, these were presented separately to provide more detailed financial information.

12 Share capital

On April 28, 2024, the shareholders of the Company approved to increase the share capital of the Company from Saudi Riyals 200 million to Saudi Riyals 400 million through transfer from retained earnings and statutory reserve amounting to Saudi Riyals 140 million and Saudi Riyals 60 million, respectively. The legal formalities for such increase in share capital were completed on June 26, 2024.

The share capital of the Company is divided into 40 million shares (2023: 20 million shares) of Saudi Riyals 10 each (2023: Saudi Riyals 10 each) and is held by the following shareholders:

Name of the shareholders	Country of incorporation	2024	2023
Zamil Group Holding Company	Kingdom of Saudi Arabia	**120,000,000**	60,000,000
Omar K. Alesayi & Company	Kingdom of Saudi Arabia	**120,000,000**	60,000,000
Frimex Investment L.L.C	United Arab Emirates	**120,000,000**	60,000,000
Zamil Group Investment Company	Kingdom of Saudi Arabia	**20,000,000**	10,000,000
Eastern Industrial Investment Company	Kingdom of Saudi Arabia	**20,000,000**	10,000,000
Total		**400,000,000**	200,000,000

13 Statutory reserve

In accordance with the Regulations for Companies previously applicable in the Kingdom of Saudi Arabia, the Company was required to transfer 10% of the profit for the year to a statutory reserve until it equals to 30% of its share capital. As per the revised Regulations for Companies, maintaining a statutory reserve is no longer required. During the year, the Company has utilised the full balance of statutory reserve for increasing its share capital (Note 12).

14 Short-term borrowings

Short term borrowings are obtained from local and foreign commercial banks to finance the working capital of the Group.

These are denominated in Saudi Riyals and AED, bear financial charges based on prevailing market rates based on Saudi Interbank Offer Rate (SAIBOR) in the Kingdom of Saudi Arabia and Emirates Interbank Offer Rate ("EIBOR") in UAE and are collaterised by demand promissory notes from the Company. The unused funded balance of these facilities as at December 31, 2024 amounted to Saudi Riyals 244.6 million (2023: Saudi Riyals 240 million).

The Group's management assessed that the fair value of the borrowings is approximately equal to their carrying amounts due to the short-term maturities of three month to six month and interest payable on those borrowings being at current market rates. The finance costs recognised as expense on the above borrowings have been disclosed in Note 23.

15 Employee benefit obligations

The Group operates a defined benefit plan in line with the labour law requirements in the Kingdom of Saudi Arabia and UAE. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the jurisdictions that the Group companies operate in (KSA and UAE). The employees' end of service benefit plan is an unfunded plan, and the benefit payment obligations are met by the Group when they fall due upon termination of employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at December 31, 2024 and 2023.

15.1 Movement in the present value of employee benefit obligations

	2024	**2023**
At January 1,	**63,830,022**	54,225,449
Acquisition of a subsidiary	**455,885**	5,236,562
Current service cost	**5,303,431**	5,765,437
Interest cost	**2,670,266**	2,621,278
Benefits paid	**(7,210,352)**	(5,988,599)
Re-measurement (gain)/loss	**(3,989,255)**	2,012,725
Translation adjustment	**602**	(42,830)
At December 31,	**61,060,599**	63,830,022

(All amounts in Saudi Riyals unless otherwise stated)

15.2 Amount recognised in the consolidated statement of profit or loss and other comprehensive income

	2024	2023
Included in profit or loss		
Current service cost	**5,303,431**	5,765,437
Interest cost	**2,670,266**	2,621,278
	7,973,697	8,386,715
Included in other comprehensive income		
Financial assumptions	**(3,686,402)**	320,283
Experience adjustment	**(302,853)**	(766,401)
Demographic assumptions	**-**	2,458,843
	(3,989,255)	2,012,725
	3,984,442	10,399,440

15.3 Key actuarial assumptions

	2024	2023
Discount rate	**4.80% - 5.25%**	4.05% - 4.60%
Future salary growth	**4.00%**	4.00% - 5.00%

15.4 Sensitivity analysis

The quantitative sensitivity analysis for the principal assumptions is as follows:

	Change in assumption		Impact on employee benefit obligations: Increase in assumption		Impact on employee benefit obligations: Decrease in assumption	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Discount rate	**0.5%**	0.5%	**(2,047,126)**	(1,807,734)	**2,184,955**	2,090,814
Salary growth rate	**0.5%**	0.5%	**1,771,939**	1,642,914	**(1,677,338)**	(1,401,141)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another. The weighted average duration of the defined benefit obligation ranges between 5.7 years - 10.3 years (2023: 5.8 years – 8.5 years).

15.5 Expected maturity profile

The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	2024	2023
Up to 1 year	**5,631,180**	6,486,989
2 - 5 years	**33,701,926**	36,678,177
Over 5 years	**38,651,848**	36,199,267
	77,984,954	79,364,433

(All amounts in Saudi Riyals unless otherwise stated)

16 Accrued and other liabilities

	Note	2024	2023
Accrued expenses		**43,549,453**	46,234,973
Advances from customers	18	**7,890,290**	13,234,840
Advances from shareholders for reimbursement of IPO expenses **	24.1	**7,846,614**	-
VAT payable		**4,925,831**	4,538,395
Accruals for rebates and discounts		**4,819,053**	5,459,517
Payable for acquisition of a subsidiary *		**-**	40,454,001
Others		**5,598,809**	4,915,521
		74,630,050	114,837,247

* During the year ended December 31, 2024, the balance consideration amounting to Saudi Riyals 40.45 million related to the acquisition of United Paper Industries Company FZCO has been paid.

** This represents Saudi Riyals 19 million received from the shareholders and off-set against the IPO related expenses incurred, during the year ended December 31, 2024 amounting to Saudi Riyals 11.2 million, which the shareholders have confirmed to reimburse the Company for (Note 24.1).

17 Zakat and income tax matters

17.1 Components of the zakat base

The Company and the subsidiaries file separate zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under the zakat and income tax regulations are principally comprised of shareholder's equity, provisions and other adjustments, less deductions for the book value of deductible assets.

17.2 Provision for zakat and income tax

	Zakat	Income tax	Total
January 1, 2023	2,276,251	4,212,533	6,488,784
Provisions for the year	3,833,795	10,408,439	14,242,234
Payments *	(2,232,326)	(7,135,446)	(9,367,772)
December 31, 2023	**3,877,720**	**7,485,526**	**11,363,246**
Provisions for the year	**3,330,081**	**9,085,363**	**12,415,444**
Payments *	**(3,676,080)**	**(12,961,675)**	**(16,637,755)**
December 31, 2024	**3,531,721**	**3,609,214**	**7,140,935**

* This includes advance income tax amounting to Saudi Riyals 5.21 million (2023: Saudi Riyals 3.02 million).

17.3 Deferred tax movement

The movement comprises temporary differences attributable to:

			(Charged) / credited to		
	At January 1, 2024	Business combination	Profit or loss	Other comprehensive income	At December 31, 2024
Property, plant and equipment	2,423,846	(1,546,917)	(3,311,467)	-	(2,434,538)
Provisions	6,753,060	-	153,416	(232,284)	6,674,192
Carried forward losses	-	-	359,640	-	359,640
Net deferred tax	**9,176,906**	**(1,546,917)**	**(2,798,411)**	**(232,284)**	**4,599,294**
Deferred tax assets	**9,176,906**	**-**	**(3,355,912)**	**(200,496)**	**5,620,498**
Deferred tax liabilities	**-**	**(1,546,917)**	**557,501**	**(31,788)**	**(1,021,204)**

(All amounts in Saudi Riyals unless otherwise stated)

	At January 1, 2023	(Charged) / credited to Profit or loss	(Charged) / credited to Other comprehensive income	At December 31, 2023
Property, plant and equipment	(618,091)	3,041,937	-	2,423,846
Goodwill	(788,807)	788,807	-	-
Provisions	6,448,042	178,543	126,475	6,753,060
Net deferred tax	**5,041,144**	**4,009,287**	**126,475**	**9,176,906**
Deferred tax assets	**5,041,144**	**4,009,287**	**126,475**	**9,176,906**
Deferred tax liabilities	-	-	-	-

17.4 Status of zakat and income tax assessments

United Carton Industries Company - Company

Up to years ended December 31, 2012 and 2015 to 2017:

The zakat assessments for these years are considered as final.

Years ended December 31, 2013 and 2014:

During 2019, the Company received assessments claiming additional zakat aggregating to Saudi Riyal 3.5 million for the years 2013 and 2014 due to certain additions to zakat base made by the ZATCA. The Company submitted an objection to ZATCA against the total amount of assessment for these years. Following the Company's objection, a revised assessment, reducing the additional zakat claim to Saudi Riyal 2.6 million, was issued by ZATCA after accepting the Company's contention on depreciation. The Company escalated the objection against the revised assessment issued by the ZATCA through the General Secretariat of Tax Committees ("GSTC").

During 2021, the GSTC scheduled a hearing on the Company's objection with the Tax Violations and Disputes Resolution Committee ("TVDRC") where TVDRC ruled partially in favor of the Company thereby reducing the assessment to Saudi Riyal 2 million. The Company subsequently escalated its objection to the Tax Violations and Disputes Appeal Committee ("TVDAC") through the GSTC.

During 2023, the GSTC scheduled a closed hearing session wherein TVDAC ruled partially in favor of the Company thereby reducing the assessment to Saudi Riyals 1.13 million. The Company being aggrieved filed a reconsideration request with the GSTC which is awaiting hearing.

Years ended December 31, 2018 to 2023:

The Company submitted zakat and income tax returns for the above-mentioned years to ZATCA and has a certificate valid up to April 30, 2025. Zakat and income tax assessments for these years have not yet raised by ZATCA.

Integrated Packaging Industries Company

Zakat assessments of the company have been finalized up to the period ended September 30, 2013. For the period up to December 31, 2021, the zakat return of the company was filed by the previous shareholders as part of their consolidated return. The assessments for the years 2014 to 2022 have not yet been raised by ZATCA. Any liability arising in respect of prior years up to the date of the control transfer shall be borne by the previous shareholders as per the terms agreed with them.

The company submitted zakat and income tax returns for the year ended December 31, 2023 to ZATCA and has a certificate valid up to April 30, 2025.

(All amounts in Saudi Riyals unless otherwise stated)

Integrated Paper Industry Company

The Company was incorporated on September 1, 2024 and, accordingly, its zakat and income tax returns are not yet due.

Income tax - foreign subsidiaries

On December 9, 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax ("CT") regime in the UAE. The CT regime is effective for accounting periods beginning on or after June 1, 2023. The Group's foreign subsidiaries in the UAE are obliged to pay income tax as per applicable tax laws. Tax paying foreign subsidiaries determine their liabilities based on applicable corporate rates to the adjusted taxable income for the year. There are no open assessments currently outstanding for any of the foreign subsidiaries.

17.5 Income tax

The major components of income tax in the consolidated statement of profit or loss and other comprehensive income can be broken down as follows for the year ended:

	Note	2024	2023
Current income tax	17.2	**9,085,363**	10,408,439
Deferred income tax	17.3	**2,798,411**	(4,009,287)
Total income tax charged to profit or loss		**11,883,774**	6,399,152
Deferred tax charge/(credit) to other comprehensive income	17.3	**232,284**	(126,475)

18 Revenue

The Group derives revenue from the following streams:

	2024	2023
Revenue from:		
- Corrugated cartons and plates	**1,103,863,842**	1,177,433,624
- Duplex cartons	**84,487,324**	104,942,245
- Paper and packaging material	**109,745,395**	42,142,624
- Transportation services	**46,379,858**	37,278,258
	1,344,476,419	1,361,796,751

The revenue for the Group by geographical region is as follows:

	2024	2023
Kingdom of Saudi Arabia	**1,196,949,985**	1,303,645,709
United Arab Emirates	**123,223,875**	43,109,656
Others	**24,302,559**	15,041,386
	1,344,476,419	1,361,796,751

(All amounts in Saudi Riyals unless otherwise stated)

Timing of revenue recognition

	2024	2023
Point in time	**109,745,395**	42,142,624
Over time	**1,234,731,024**	1,319,654,127
	1,344,476,419	1,361,796,751

At December 31, 2024 and 2023, the Group has recognised the contract liabilities related to contract with customers:

	Note	2024	2023
Advances from customers	16	**7,890,290**	13,234,840

Revenue recognised that was included in the advances from customers balance at the beginning of the year was Saudi Riyals 13.2 million (2023: Saudi Riyals 9.3 million).

The Group has recognised the contract assets related to the performance obligation satisfied as at December 31, 2024, but not yet billed to the customers:

	2024	2023
Contract assets	**4,883,166**	-

19 Cost of revenue

	Note	2024	2023
Material cost		**772,447,132**	789,102,405
Employee cost		**103,414,943**	102,621,834
Utilities		**64,698,184**	39,060,315
Depreciation on property, plant and equipment	4	**58,752,184**	56,407,634
Delivery cost		**44,163,928**	35,844,479
Depreciation on right-of-use assets	6	**6,252,782**	6,340,155
Insurance		**5,017,644**	3,667,342
Others		**49,666,890**	44,414,761
		1,104,413,687	1,077,458,925

20 Selling and distribution expenses

	Note	2024	2023
Employee cost		**19,190,138**	17,719,351
Traveling and conveyance		**2,610,275**	2,578,343
Delivery cost		**1,802,799**	762,695
Insurance		**261,012**	214,178
Depreciation on property, plant and equipment	4	**165,399**	194,287
Depreciation on right-of-use assets	6	**88,464**	85,701
Sales commission		**803,514**	600,000
Others		**869,848**	1,205,077
		25,791,449	23,359,632

(All amounts in Saudi Riyals unless otherwise stated)

21 General and administrative expenses

	Note	2024	2023
Employee cost		**60,267,033**	55,808,035
License and software maintenance		**7,910,985**	7,750,370
Professional fees		**4,579,200**	3,834,122
Depreciation on property, plant and equipment	4	**5,128,925**	5,794,843
Board of Directors' remuneration	24	**3,800,000**	2,200,000
Depreciation on right-of-use assets	6	**1,474,537**	1,500,062
Repairs and maintenance		**1,603,244**	1,445,090
Amortisation of intangible asset		**679,556**	359,412
Insurance		**544,318**	418,269
Communications		**1,634,591**	1,386,449
Others		**8,031,178**	5,230,075
		95,653,567	85,726,727

22 Other income - net

	2024	2023
Income from insurance claim *	**12,726,847**	-
Staff accommodation expense reimbursement	**3,580,654**	-
Sale of scrap items	**502,434**	1,051,639
(Loss)/gain on disposal of property, plant and equipment	**(46,855)**	941,160
Exchange (losses) / gains	**(19,778)**	436,038
Others	**1,068,774**	580,793
	17,812,076	3,009,630

* On February 15, 2024, one of the production halls of IPIC was partially damaged by fire. There were no injuries or loss of human life and the safety measures in place contained damage and fire. Operations in other parts of the plant resumed in ten days in addition to outsourcing of services relating to the affected area. The estimated carrying amount of assets affected by the fire, when it happened, amount to Saudi Riyals 3.1 million comprising of Saudi Riyals 2.3 million in inventories and Saudi Riyals 0.8 million, which have been fully provided for and impaired, respectively.

After completing the required administrative procedures, IPIC filed the claim with the insurance company amounting to Saudi Riyals 40 million. As of December 31, 2024, the insurance company has approved a partial amount amounting to Saudi Riyals 12.73 million out of which Saudi Riyal 4.46 million was collected by IPIC prior to the year-end and Saudi Riyals 8.27 million was collected subsequent to the year-end (Note 10). The Group has recorded this amount as income from insurance claim in the consolidated statement of profit or loss and other comprehensive income.

23 Finance costs

	Note	2024	2023
Finance cost on short-term borrowings	14	**2,767,328**	5,512,708
Finance cost on lease liabilities	6	**2,742,686**	1,701,065
Others		**449,674**	522,280
		5,959,688	7,736,053

(All amounts in Saudi Riyals unless otherwise stated)

24 Related party transactions and balances

Related parties comprise the shareholders, directors and key management personnel of the Group and entities controlled or jointly controlled by the shareholders, who have significant influence on the Group (other related party). The following are the details of the major related parties during the year:

24.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarised below:

Related party	Relationship	Nature of transaction	2024	2023
National Food Industries Company	Other related party	Sale of goods	**11,608,311**	11,243,977
		Staff accommodation expense reimbursement	**1,793,884**	2,379,095
National Biscuits and Confectionary Company	Other related party	Sale of goods	**28,809,048**	28,801,195
		Staff accommodation expense reimbursement	**1,786,770**	1,788,926
Zamil Air Conditioner and Home Appliances	Other related party	Sale of goods	**2,830,702**	2,115,465
		Purchase of goods	**99,800**	-
Zamil Plastic Industries Company	Other related party	Sale of goods	**1,284,453**	887,314
Modern Plastics Industry Company	Other related party	Sale of goods	**1,584,566**	1,392,592
Zamil Central and Air Conditioner Company	Other related party	Sale of goods	**208,279**	136,241
Zamil Food Industries Limited	Other related party	Sale of goods	**4,137,109**	2,668,255
Techno Val Information System	Other related party	IT services	**1,236,441**	2,053,057
Shareholders of the Company*	Shareholders	IPO related expenses	**11,153,386**	-

* The shareholders of the Company have agreed to reimburse the Company for IPO related expenses (refer to Note 16).

24.2 Related party balances

Significant year-end balances arising from transactions with related parties are as follows:

(i) Due from related parties – classified within trade receivables

	2024	2023
National Biscuits and Confectionary Company	**8,531,919**	5,448,677
National Food Industries Company	**1,908,194**	1,853,573
Zamil Air Conditioner and Home Appliances	**705,260**	943,437
Modern Plastics Industry Company	**356,376**	476,290
Zamil Plastic Industries Company	**345,653**	241,521
Zamil Central and Air Conditioner Company	**40,275**	45,247
Zamil Food Industries Limited	**425,924**	-
	12,313,601	9,008,745

(All amounts in Saudi Riyals unless otherwise stated)

Sales and purchases (including services) carried out to/from related parties during the year are based on the price lists in force and terms that would be available to third parties in the normal course of business. Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. The balances are payable/receivable within normal commercial terms up to 3 months.

24.3 Related party commitment

During the year ended December 31, 2024, the Company and its shareholders have entered into an agreement wherein the foreign founding shareholder has committed to reimburse the Company for the increased income tax burden due to the foreign shareholding, effective from January 1, 2024.

24.4 Key management personnel compensation

Key management personnel comprise chief executive officer, chief financial officer, vice presidents and certain head of departments. Compensation of the Group's key management personnel includes salaries and contributions to employee benefit obligations.

	2024	**2023**
Short-term employee benefits (salaries and other allowances) *	**14,415,635**	10,279,894
Post-employment benefit (end-of-service benefit)	**678,390**	1,036,234
	15,094,025	11,316,128

* Short-term employee benefits include Board of Directors' remuneration for the year ended December 31, 2024 amounting to Saudi Riyals 3.8 million (2023: Saudi Riyals 2.2 million).

25 Commitments

The capital expenditure contracted by the Group but not incurred until December 31, 2024 was Saudi Riyals 29.9 million (2023: Saudi Riyals 14.7 million).

26 Bank guarantees

At December 31, 2024, the Group has outstanding bank guarantees amounting to Saudi Riyals 3.8 million (2023: Saudi Riyals 0.65 million) issued in the normal course of business.

27 Segment information

An operating segment is a component of an entity:

(a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
(c) for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. For management purposes, the Group is organised into business units based on their products and has the following reportable segments:

Corrugated

Corrugated segment which manufactures and sells corrugated boxes, digital printing products, retail boxes etc.

Duplex

Duplex segment involves manufacturing of folding cartons and pulp products.

Paper and packaging material

Paper segment involves manufacturing of paper, packing and packaging material.

(All amounts in Saudi Riyals unless otherwise stated)

The Group's CODM (CEO and BoD) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit/(loss) before zakat and tax for each segment.

The Group's consolidated financial information by business segments, were as follows:

	Corrugated	Duplex	Paper and packaging material	Total
December 31, 2024				
Property, plant and equipment	**268,816,482**	**66,344,028**	**58,337,375**	**393,497,885**
Right of use assets	**34,402,835**	**1,159,935**	**17,645,063**	**53,207,833**
Trade receivables	**186,093,669**	**17,998,912**	**40,263,695**	**244,356,276**
Allowance for impairment of trade receivables	**(9,033,263)**	**(308,561)**	**-**	**(9,341,824)**
Trade receivables – net	**177,060,406**	**17,690,351**	**40,263,695**	**235,014,452**
December 31, 2024				
Total assets	**736,610,671**	**127,542,387**	**133,526,783**	**997,679,841**
Total liabilities	**328,771,909**	**84,622,243**	**38,761,230**	**452,155,382**

	Corrugated	Duplex	Paper and packaging material	Total
December 31, 2023				
Property, plant and equipment	269,496,671	50,414,708	58,894,364	378,805,743
Right of use assets	28,125,845	1,296,243	18,610,100	48,032,188
Trade receivables	176,831,102	19,485,432	36,889,786	233,206,320
Allowance for impairment of trade receivables	(10,100,889)	(100,000)	-	(10,200,889)
Trade receivables – net	166,730,213	19,385,432	36,889,786	223,005,431
December 31, 2023				
Total assets	706,468,500	101,004,057	118,281,900	925,754,457
Total liabilities	344,630,640	60,777,439	38,276,498	443,684,577

	Corrugated	Duplex	Paper and packaging material	Total
For the year ended December 31, 2024				
Segment revenue	**1,151,870,023**	**87,202,801**	**112,795,403**	**1,351,868,227**
Inter-segment revenue	**(3,986,900)**	**(354,900)**	**(3,050,008)**	**(7,391,808)**
Revenue from external customers	**1,147,883,123**	**86,847,901**	**109,745,395**	**1,344,476,419**
Gross profit	**228,068,657**	**7,025,335**	**4,968,740**	**240,062,732**
Depreciation and amortization	**(55,113,035)**	**(11,920,258)**	**(6,570,034)**	**(73,603,327)**
Finance costs	**(2,853,133)**	**(2,063,746)**	**(1,042,809)**	**(5,959,688)**
Profit before zakat and income tax	**137,032,290**	**5,535,262**	**(2,657,486)**	**139,910,066**
Additions to property, plant and equipment	**22,826,798**	**28,123,356**	**4,554,834**	**55,504,988**

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
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	Corrugated	**Duplex**	**Paper and packaging material**	**Total**
For the year ended December 31, 2023				
Segment revenue	1,214,686,051	108,583,648	42,172,232	1,365,441,931
Inter-segment revenue	(2,153,328)	(1,462,244)	(29,608)	(3,645,180)
Revenue from external customers	1,212,532,723	107,121,404	42,142,624	1,361,796,751
Gross profit	303,245,553	(21,249,770)	2,342,043	284,337,826
Depreciation and amortization	(54,758,434)	(13,228,467)	(2,704,349)	(70,691,250)
Finance costs	(3,990,382)	(3,147,583)	(598,088)	(7,736,053)
Profit/ (loss) before zakat income and tax	168,932,983	(465,470)	(1,536,802)	166,930,711
Additions to property, plant and equipment	28,788,822	4,310,786	1,738,399	34,838,007

The Group's operations are conducted principally in Saudi Arabia and United Arab Emirates. Selected financial information as at and for the year ended December 31 by geographic area were as follows:

	Kingdom of Saudi Arabia	**United Arab Emirates**	**Others**	**Total**
2024				
Revenue	**1,196,949,985**	**123,223,875**	**24,302,559**	**1,344,476,419**
Non-current assets	**385,402,385**	**112,075,995**	**-**	**497,478,380**
2023				
Revenue	1,303,645,709	43,109,656	15,041,386	1,361,796,751
Non-current assets	419,966,240	58,687,550	-	478,653,790

28 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company, by the weighted average number of ordinary shares outstanding during the financial year. As the Company does not have any diluting potential shares, the diluted earnings per share is the same as the basic earnings per share. The basic and diluted earnings per share is computed as follows:

	2024	**2023**
Profit for the year	**124,696,211**	156,697,764
Weighted average number of ordinary shares*	**40,000,000**	40,000,000
Basic and diluted earnings per share	**3.12**	3.92

* The number of ordinary shares have been adjusted retrospectively to reflect the change in the number of issued shares, as a result of the capitalization effect of retained earnings and statutory reserve (Note 12). Since this represents a change in the number of basic shares, without a corresponding change in resources, the weighted average number of ordinary shares outstanding during all reported periods has been adjusted retrospectively.

(All amounts in Saudi Riyals unless otherwise stated)

The Company has a foreign shareholder and as such a portion of Company's profits are subject to income tax in the Kingdom of Saudi Arabia. Similarly, the Company currently pays zakat in proportion to its Saudi shareholding. However, once the Company's IPO is complete, there is a possibility of the Company being solely subject to zakat, provided certain conditions related to the foreign shareholding are met. The Company has prepared an alternative non-IFRS earnings per share measure disclosed below that adjusts for the effects of Saudi income tax and reports earnings per share as if the Company was only subject to zakat.

	Note	2024
Alternative non-IFRS basic and diluted earnings per share		
Net profit for the year		**124,696,211**
Add: Saudi income tax expense attributable to the foreign shareholder	17.5	**9,085,363**
Less: Additional zakat expense if the Company was only subject to zakat		**(1,715,235)**
Adjusted net profit for the year		**132,066,339**
Weighted average number of ordinary shares		**40,000,000**
Alternative non-IFRS basic and diluted earnings per share		**3.30**

29 Financial instruments

29.1 Financial assets

29.1.1 Financial assets at amortised cost

	Note	2024	2023
Trade receivables	9	**227,537,836**	217,327,195
Cash and cash equivalents	11	**38,005,164**	30,586,197
Insurance claim receivable	10	**8,272,451**	-
Other receivables	10	**5,062,489**	4,441,932
Employee loans	10	**4,065,940**	4,642,014
Margin on letters of guarantee	10	**654,455**	654,410
		283,598,335	257,651,748

29.1.2 Financial assets at fair value through profit or loss

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is 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.

Fair value of financial assets, that are classified as level 3 in the fair value hierarchy for financial instruments measured at fair value is as follows:

	Note	2024	2023
Trade receivables (Level 3)	9	**7,476,616**	5,678,236

(All amounts in Saudi Riyals unless otherwise stated)

29.2 Financial liabilities

	Note	2024	2023
Financial liabilities at amortised cost			
Trade payables		**199,386,283**	173,355,541
Lease liabilities	6	**55,260,001**	50,129,989
Short-term borrowings	14	**53,656,310**	30,168,532
Accrued expenses	16	**43,549,453**	46,234,973
Payable for acquisition of a subsidiary	16	**-**	40,454,001
Accruals for rebates and discounts	16	**4,819,053**	5,459,517
Other payables	16	**5,598,809**	4,915,521
Total financial liabilities		**362,269,909**	350,718,074

The carrying amount of financial assets and financial liabilities approximates their fair value due to their short-term nature. For credit risk exposure refer to Note 29.3.

29.3 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest rate risk and price risk)

a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to customers outstanding receivables from other parties.

For banks, only independently rated parties having sound credit ratings are accepted. For trade receivables, the Group assesses the credit quality of the customers, taking into account various factors such as their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management. Refer to Note 9 for concentration of credit risk on trade receivables.

A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write-off when a debtor fails to make contractual payments greater than 365 days past due. Where receivables have been categories as for write off, the Group continues to engage in enforcement activity to attempt to recover the receivable due unless the cost of such activity is expected to be higher than the benefit of doing so. Where recoveries are made, these are directly recognised in profit or loss.

(All amounts in Saudi Riyals unless otherwise stated)

i. Impairment of financial assets

The Group's gross exposure to credit risk at the reporting date is as follows:

	2024	2023
Trade receivables	**236,879,660**	227,528,084
Cash and cash equivalents	**38,005,164**	30,586,197
Insurance claim receivable	**8,272,451**	-
Other receivables	**5,062,489**	4,441,932
Employee loans	**4,065,940**	4,642,014
Margin on letters of guarantee	**654,455**	654,410
	292,940,159	267,852,637

Cash at bank

For banks, only independently rated parties with sound credit ratings are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties. The identified risk of default arising on these balances is considered not to be material.

The credit rating of banks in which the Group holds cash are as follows:

	2024	2023
A1	**22,333,928**	16,763,202
A3	**64,181**	21,492
Aa3	**13,010,502**	13,611,433
Baa1	**134,586**	-
Baa3	**2,258,556**	-
	37,801,753	30,396,127

Trade and other receivables

The Group uses the forward-looking 'expected credit loss' (ECL) model to measure the impairment loss on financial assets. Cash at banks are placed with banks with sound credit ratings. Employee and other receivables are considered to have low credit risk therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group considers the gross domestic product as the most relevant macro-economic factor of forward-looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment losses on financial assets recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2024	2023
Reversal of / (impairment) loss on financial assets	**859,065**	(750,000)

(All amounts in Saudi Riyals unless otherwise stated)

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers:

Ageing	**Gross carrying amount**	**Expected credit loss rate (%)**	**Loss allowance**
Not due	**186,525,902**	**0.61%**	**1,140,676**
1 – 90 days	**40,890,138**	**2.07%**	**844,924**
91 – 180 days	**2,238,435**	**27.84%**	**623,099**
181 – 270 days	**905,289**	**47.75%**	**432,265**
271 – 365 days	**705,622**	**97.30%**	**686,586**
Greater than 365 days	**5,614,274**	**100.00%**	**5,614,274**
December 31, 2024	**236,879,660**		**9,341,824**

The loss allowance as at December 31, 2023 was determined as follows:

Ageing	**Gross carrying amount**	**Expected credit loss rate (%)**	**Loss allowance**
Not due	173,266,158	0.71%	1,226,894
1 – 90 days	43,050,584	2.08%	895,452
91 – 180 days	3,251,721	27.83%	904,954
181 – 270 days	1,739,473	55.01%	956,884
271 – 365 days	906,132	99.62%	902,689
Greater than 365 days	5,314,016	100.00%	5,314,016
December 31, 2023	227,528,084		10,200,889

b) ***Liquidity risk***

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentration of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cash flows as of December 31, 2024 and 2023 are:

	Less than 1 year	**Between 1 – 2 years**	**Between 2 – 5 years**	**Above 5 years**	**Total**
Trade payables	**199,386,283**	-	-	-	**199,386,283**
Short-term borrowings	**53,656,310**	-	-	-	**53,656,310**
Accrued and other liabilities	**53,967,315**	-	-	-	**53,967,315**
Lease liabilities	**8,615,451**	**6,795,754**	**24,102,427**	**50,025,274**	**89,538,906**
	315,625,359	**6,795,754**	**24,102,427**	**50,025,274**	**396,548,814**

	Less than 1 year	**Between 1 – 2 years**	**Between 2 – 5 years**	**Above 5 years**	**Total**
Trade payables	173,355,541	-	-	-	173,355,541
Accrued and other liabilities	97,064,012	-	-	-	97,064,012
Short-term borrowings	30,335,263	-	-	-	30,335,263
Lease liabilities	9,568,434	8,176,382	20,870,062	30,155,019	68,769,897
	310,323,250	8,176,382	20,870,062	30,155,019	369,524,713

Refer to Note 14 for unused borrowing facilities and Note 11 for closing cash position of the Group. The Group's terms of sales require amounts to be paid either on a cash on delivery or on terms basis.

*c) **Market risk***

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group's transactions are principally in Saudi Riyals, AED and United States Dollars ("USD"). Saudi Riyals and AED are pegged with USD. The Group also has operations in UAE where AED is pegged with USD Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value risks to the Group are not significant. There are no interest-bearing financial assets at the end of reporting period.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2024	**2023**
Financial liabilities, principally borrowings	**53,656,310**	30,168,582

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. Based on average borrowings outstanding throughout the year, the sensitivity impact to a reasonable possible change in interest rate on the Group's profit before zakat has been disclosed as follows:

	2024	**2023**
Interest rate-increases by 100 basis points	**(536,563)**	(849,433)
Interest rate-decreases by 100 basis points	**536,563**	849,433

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Group does not have any financial instruments that are subject to price risk.

(All amounts in Saudi Riyals unless otherwise stated)

d) ***Capital management***

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings, lease liabilities as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The Group's strategy, which remained unchanged from previous year, was to maintain total gearing ratio less than 100%.

	2024	**2023**
Borrowings	**53,656,310**	30,168,532
Lease liabilities	**55,260,001**	50,129,989
Less: cash and cash equivalents	**(38,005,164)**	(30,586,197)
Net debt (A)	**70,911,147**	49,712,324
Shareholders' equity (B)	**545,524,459**	482,069,880
Total capital (A+B)	**616,435,606**	531,782,204
Gearing ratio (A / (A+B))	**11.50%**	9.35%

30 Dividends

During the year ended December 31, 2024, the Board of Directors approved an interim dividend of Saudi Riyals 1.625 per share (2023: Saudi Riyals 5 per share) amounting to Saudi Riyals 65 million (2023: Saudi Riyals 100 million), which has been fully paid.

31 Cash flow information

(a) Net debt

	2024	**2023**
Cash and cash equivalents	**38,005,164**	30,586,197
Short-term borrowings	**(53,656,310)**	(30,168,532)
Lease liabilities	**(55,260,001)**	(50,129,989)
Net debt	**(70,911,147)**	(49,712,324)

(All amounts in Saudi Riyals unless otherwise stated)

(b) Net debt reconciliation

	Cash and cash equivalents	Short-term borrowings	Leases	Total
January 1, 2023	10,075,518	(139,718,094)	(15,797,439)	(145,440,015)
Movement in cash and cash equivalents	20,618,502	-	-	20,618,502
Financing cash flows	-	109,549,562	9,704,484	119,254,046
New leases	-	-	(43,938,764)	(43,938,764)
Foreign exchange adjustment	(107,823)	-	-	(107,823)
Interest expense	-	(5,512,708)	(1,701,065)	(7,213,773)
Interest payment	-	5,512,708	1,602,795	7,115,503
December 31, 2023	**30,586,197**	**(30,168,532)**	**(50,129,989)**	**(49,712,324)**
Movement in cash and cash equivalents	**7,422,026**	**-**	**-**	**7,422,026**
Financing cash flows	**-**	**(23,487,778)**	**7,314,297**	**(16,173,481)**
New leases	**-**	**-**	**(13,097,754)**	**(13,097,754)**
Termination of leases	**-**	**-**	**671,327**	**671,327**
Foreign exchange adjustment	**(3,059)**	**-**	**(17,882)**	**(20,941)**
Interest expense	**-**	**(2,767,328)**	**(2,742,686)**	**(5,510,014)**
Interest payment	**-**	**2,767,328**	**2,742,686**	**5,510,014**
December 31, 2024	**38,005,164**	**(53,656,310)**	**(55,260,001)**	**(70,911,147)**

32 Subsequent events

No subsequent events occurred between December 31, 2024 and the date of authorisation of issuance of the accompanying consolidated financial statements by the Board of Directors, which may have an impact on the consolidated financial statements.

33 Approval of the consolidated financial statements

These consolidated financial statements were approved by the Group's Board of Directors on March 14, 2025.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
(All amounts in Saudi Riyals unless otherwise stated)

Supplementary information

During the preparation of the Group's consolidated financial statements for the year ended December 31, 2024, the management has identified an inconsistency in the unaudited segment information reported as at June 30, 2024, which has been adjusted as follows:

	Corrugated	Duplex	Paper and packaging material	Total
Total assets (Unaudited)				
As previously reported	848,336,601	68,478,542	40,427,951	957,243,094
Adjustment	(134,529,862)	31,810,238	102,719,624	-
As adjusted	713,806,739	100,288,780	143,147,575	957,243,094
Total liabilities (Unaudited)				
As previously reported	343,137,364	28,886,220	40,423,999	412,447,583
Adjustment	(6,010,000)	6,010,000	-	-
As adjusted	337,127,364	34,896,220	40,423,999	412,447,583

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)

UNAUDITED PRO FORMA CONDENSED
CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

PKF Al Bassam
Chartered Accountants

INDEPENDENT AUDITOR'S ASSURANCE REPORT

TO THE BOARD OF DIRECTORS OF UNITED CARTON INDUSTRIES COMPANY

REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of unaudited pro forma condensed consolidated financial information of United Carton Industries Company ("UCIC" or the "Company") by management. The unaudited pro forma condensed consolidated financial information consist of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income for the year ended 31 December 2021, and related notes. The applicable criteria on the basis of which management has compiled the unaudited pro forma condensed consolidated financial information are described in Note 2 of unaudited pro forma condensed consolidated financial information.

The unaudited pro forma condensed consolidated financial information has been compiled by management to illustrate the impact of the acquisition of *Integrated Packaging Industries Company ("IPIC")* and *United Paper Industries Company ("UPIC") (collectively referred to as Acquirees')* as mentioned in the introduction section i.e. 30 March 2022 and 28 July 2023 respectively and note 3.3 of the unaudited pro forma condensed consolidated financial information on the unaudited pro forma consolidated financial position of the Company as at 31 December 2021 as if the transactions had taken place on that date, and on the unaudited pro forma consolidated financial performance of the Company for the year ended 31 December 2021 as if the transactions had taken place at 1 January 2021. As part of this process, information about the Company's financial position and financial performance has been extracted by management from the Company's and Acquirees' financial statements for the year ended 31 December 2021, on which an unqualified audit report has been issued except for IPIC where the information has been extracted from the management accounts.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE COMPILATION OF UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

Management is responsible for compiling the unaudited pro forma condensed consolidated Financial information on the basis of the applicable criteria described in note 2 to the unaudited pro forma condensed consolidated financial information.

AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE REPORT OF THE COMPILATION OF UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

Our responsibility is to express an opinion about whether the unaudited pro forma condensed consolidated financial information has been compiled, in all material respects, by management on the basis of the preparation stated.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of pro forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board and endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the unaudited pro forma condensed consolidated financial information on the basis of the preparation stated.

RIYADH
Tel. +966 11 206 5333 | P.O Box 69658
Fax +966 11 206 5444 | Riyadh 11557

JEDDAH
Tel. +966 12 652 5333 | P.O Box 15651
Fax +966 12 652 2894 | Jeddah 21454

AL KHOBAR
Tel. +966 13 893 3378 | P.O Box 4636
Fax +966 13 893 3349 | Al Khobar 31952

PKF Al Bassam
Chartered Accountants

INDEPENDENT AUDITOR'S ASSURANCE REPORT (CONTINUED)

TO THE BOARD OF DIRECTORS OF UNITED CARTON INDUSTRIES COMPANY

REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

AUDITOR'S RESPONSIBILITIES FOR THE ASSURANCE REPORT OF THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS (CONTINUED)

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma condensed consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma condensed consolidated financial information.

A reasonable assurance engagement to report on whether the unaudited pro forma condensed consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the unaudited pro forma condensed consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma condensed consolidated financial information reflects the proper application of those adjustments to the unadjusted condensed consolidated financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma condensed consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma condensed consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the unaudited pro forma condensed consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria described in note 2 to the unaudited pro forma condensed consolidated financial information.

For PKF Al-Bassam
Chartered Accountants

شركة بي كي اف البسام
محاسبون ومراجعون قانونيون
C. R. 1010385804
PKF Al Bassam
chartered accountants

Ahmed Abdulmajeed Mohandis
Certified Public Accountant
License No. 477
Jeddah: 24 Rabi Al Thani 1446H
Corresponding to: 27 October 2024

RIYADH
Tel. +966 11 206 5333 | P.O Box 69658
Fax +966 11 206 5444 | Riyadh 11557

JEDDAH
Tel. +966 12 652 5333 | P.O Box 15651
Fax +966 12 652 2894 | Jeddah 21454

AL KHOBAR
Tel. +966 13 893 3378 | P.O Box 4636
Fax +966 13 893 3349 | Al Khobar 31952

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Introduction to the unaudited pro forma condensed consolidated financial information

The accompanying unaudited pro forma condensed consolidated financial information for the year ended December 31, 2021 and related notes (the "unaudited pro forma condensed consolidated financial information") has been prepared pursuant to, and for the purpose of illustrating the effects of the following acquisitions (the "Acquisitions") made by United Carton Industries Company (the "Company" or "UCIC") on the consolidated financial position as at December 31, 2021 and consolidated financial performance of UCIC for the year ended December 31, 2021.

a) Integrated Packaging Industries Co. (IPIC) (Acquired in FY 2022 on 30 March 2022); and
b) United Paper Industries Co. (UPIC) (Acquired in FY 2023 on 28 July 2023).

Collectively hereinafter referred to as "Acquirees'"

This unaudited pro forma condensed consolidated financial information has been prepared solely for inclusion in the initial public offering application of the Company to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia in order to list the Company's shares on Tadawul, the main market in the Kingdom of Saudi Arabia.

The unaudited pro forma condensed consolidated financial information consist of the unaudited pro forma consolidated statement of financial position as of December 31, 2021 of UCIC as if the Acquisitions had taken place on that date and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2021 of UCIC giving effect to the Acquisitions, as if the Acquisitions had taken place on January 1, 2021 and the related notes to the unaudited pro forma condensed consolidated financial information.

The purpose of the unaudited pro forma condensed consolidated financial information is set out in the preceding paragraph above and to reflect the material effects that the Acquisitions would have had on the historical consolidated statement of financial position as at December 31, 2021 and historical consolidated statement of profit or loss and other comprehensive income of UCIC for the year ended December 31, 2021, if UCIC had already made the Acquisitions as of the specified dates mentioned above.

The shareholders of the Company have resolved to file an initial public offering application with the Capital Market Authority of the Kingdom of Saudi Arabia to list the Company's shares on Tadawul, the main market in the Kingdom of Saudi Arabia. The unaudited pro forma condensed consolidated financial information has been prepared in accordance with the applicable requirements of Annex 12, Annex 19 and Article 46 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia. The unaudited pro forma condensed consolidated financial information has been compiled by management and is the ultimate responsibility of UCIC's Board of Directors.

The preparation and presentation of the unaudited pro forma condensed consolidated financial information is based on certain pro forma assumptions (detailed in the Basis of preparation note below) and has been prepared for illustrative purposes only. Moreover, because of its nature, the unaudited pro forma condensed consolidated financial information addresses a hypothetical situation and, therefore, does not represent UCIC's actual consolidated financial position and consolidated financial performance, and may not give a true picture of the consolidated financial position and consolidated financial performance of UCIC after the Acquisitions. In addition, the unaudited pro forma condensed consolidated financial information is neither representative of the consolidated financial situation and consolidated financial performance that could have been observed if the Acquisitions had been undertaken at the deemed acquisition date nor is the unaudited pro forma condensed consolidated financial information indicative of the future operating results or consolidated financial position and consolidated financial performance of UCIC after the Acquisitions.

The unaudited pro forma condensed consolidated financial information was authorized for issue by the Company's Board of Directors on October 24, 2024.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Unaudited pro forma consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	As at December 31, 2021 (Note 3)
Assets	
Non-current assets	
Property, plant and equipment	421,811,703
Goodwill	62,957,435
Right of use assets	27,996,733
Intangible assets	1,984,199
Deferred Tax	4,712,690
Total non-current assets	519,462,760
Current assets	
Inventories	188,331,062
Trade Receivables	259,978,917
Advances, prepayments and other receivables	29,956,539
Cash and bank balances	14,478,263
Total current assets	492,744,781
Total assets	1,012,207,541
Equity and liabilities	
Equity	
Share capital	200,000,000
Statutory reserve	60,000,000
Retained earnings	117,033,601
Total equity	377,033,601
Liabilities	
Non-current liabilities	
Lease liabilities	23,531,385
Term loan	17,683,762
Employee's terminal benefits	62,854,051
Total non-current liabilities	104,069,198
Current liabilities	
Trade payables	240,841,866
Accrued and other liabilities	209,680,551
Short term borrowings	70,000,000
Due to related parties	828,975
Lease liabilities - current portion	8,289,830
Zakat and tax payable	1,463,520
Total current liabilities	531,104,742
Total liabilities	635,173,940
Total equity and liabilities	1,012,207,541

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Unaudited pro forma consolidated statement of profit or loss and other comprehensive income

(All amounts in Saudi Riyals unless otherwise stated)

	For the year ended December 31, 2021 (Note 3)
Sales - net	1,281,527,895
Cost of sales	(1,149,507,475)
Gross profit	132,020,420
Selling and distribution	(52,253,449)
General and administration	(75,425,389)
Profit from Operations	4,341,582
Other income-net	6,869,089
Financial charges	(4,970,209)
Profit before zakat and income tax	6,240,462
Zakat charge for the year	(1,588,506)
Income tax	2,065,848
Net profit for the year	6,717,804
Other comprehensive income	
Items that will not be reclassified to profit or loss	
Re-measurement gain on employee benefit obligations	2,277,694
Deferred tax relating to re-measurement loss	(163,384)
Total other comprehensive income	2,114,310
Total comprehensive income for the year	8,832,114

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Notes to the unaudited pro forma condensed consolidated financial information
For the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

1 General information

United Carton Industries Company is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration ("CR") number 4030065231 dated 18 Ramadan 1409H (corresponding April 23, 1989). The Company's registered office is located at Industrial Area- Phase No. 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia. The Company is engaged in the manufacturing and sale of corrugated carton containers and plates.

UCIC has the following branches, registered under the specified registration numbers, and engaged in similar activities as UCIC:

Serial number	Location of branch	CR number
1	Jeddah	4030-198716
2	Jeddah	4030-201068
3	Jeddah	4030-125875
4	Riyadh	1010-268185
5	Dammam	2050-075036
6	Al-Kharj	1011-023950
7	Riyadh	1010-053015
8	Riyadh	1010-585737

IPIC (previously known as "Al Kifah Paper Products Company"), is a Limited Liability Company registered in Al Ahsa, Kingdom of Saudi Arabia under Commercial Registration No. 2257024095 dated 23 Rabi' II 1416H (corresponding to September 20, 2008). IPIC's registered office is Al-Oyun Industrial Area P.O. Box 13, Al Ahsa, 31982 Kingdom of Saudi Arabia. The principal activities of IPIC are manufacturing of paper pulp from fibers, drawing paper, printing, paper, corrugated cardboard, carton, boxes, folded or single bags of corrugated paper board, paper filing boxes and paper products for household purposes including dishes, cups and allied.

UPIC (previously known as "Gulf Paper Manufacturing FZCO") is incorporated in the Jebel Ali Free Zone and is licensed to manufacture paper, packing and packaging materials. The registered address of the Company is P.O. Box 18075, Jebel Ali, Dubai, United Arab Emirates. UPIC was incorporated on June 29, 2003 and was issued a trade license to operate on July 1, 2003. The main activities of UPIC are manufacturing and selling of paper, packing and packaging material.

2 Basis of preparation

The unaudited pro forma condensed consolidated financial information of UCIC has been presented for the purpose as set out in the Introduction section above and has been prepared based on, and in accordance with, the basis of preparation as set out in this note.

For the preparation of the unaudited pro forma condensed consolidated financial information, management has extracted the historical financial information as follows:

a) UCIC

From the Company's audited separate financial statements for the year ended December 31, 2021 ("UCIC financial statements"), on which an unqualified audit report dated January 13, 2022 has been issued. UCIC financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

(All amounts in Saudi Riyals unless otherwise stated)

Basis of preparation (continued)

b) IPIC

Since, IPIC went under re-organization before the acquisition, therefore, the historical financial information of IPIC was extracted from its management accounts as of 31 December 2021 (IPIC financial statements). IPIC previously operated as a business division of Al Kifah Paper Products Company. Subsequent to December 31, 2021 and before its acquisition on March 30, 2022, all non-target business divisions were carved out from Al Kifah Paper Products Company, and the only business division that remained was IPIC. We have classified target and non-target segments based on the management accounts and audited financial statements of Al Kifah Paper Products Company for the year ended December 31, 2021. The financial position and performance of IPIC, as included in the unaudited pro forma condensed consolidated financial information, reflect the respective balances and amounts pertaining to the target segment (IPIC) that UCIC subsequently acquired. The management accounts of IPIC for the year ended December 31, 2021 were in compliance with IFRS for SMEs as endorsed in the Kingdom of Saudi Arabia.

c) UPIC

From the UPIC audited separate financial statements for the year ended December 31, 2021 (UPIC financial statements) prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), on which an unqualified audit report dated February 16, 2022 has been issued.

Certain disclosures that may be required by IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA have not been included in this unaudited pro forma condensed consolidated financial information.

The unaudited pro forma condensed consolidated financial information does not take into consideration the effects of any expected synergies or costs incurred to achieve these synergies as a result of the Acquisitions. The unaudited pro forma condensed consolidated financial information gives no indication of the operating results and future financial situation of the activities of UCIC subsequent to the acquisitions.

The unaudited pro forma condensed consolidated financial information is impacted by the following assumptions:

2.1 *Basis of accounting*

The Acquisitions have been accounted for in the unaudited pro forma condensed consolidated financial information in accordance with IFRS 3 “Business Combination”, which requires an acquirer to be identified in a business combination to apply the acquisition method of accounting principles. For the purpose of this unaudited pro forma condensed consolidated financial information, UCIC has been identified as the acquirer. UCIC has applied the “acquisition method” of accounting for the Acquisitions and is required to fair value the assets, liabilities and contingent liabilities acquired as at the respective dates of the Acquisitions and to reflect the difference between their fair value and the purchase consideration as goodwill or bargain purchase gain on such acquisitions. The Purchase Price Allocation (PPA) exercise is not conducted as of the date of the unaudited pro forma condensed consolidated financial information. Accordingly, for the purpose of preparing the unaudited pro forma condensed consolidated financial information, the acquirer considered the carrying/book values as fair values for the acquired assets and liabilities of IPIC and UPIC in this unaudited pro forma condensed consolidated financial information. The PPA exercise may result in materially different values being attributed to the assets, liabilities, and contingent liabilities acquired than those shown in this unaudited pro forma condensed consolidated financial information, which is prepared for illustrative purposes only.

2.2 *Zakat and income tax liability*

It is assumed that there is no impact on the zakat and income tax liability of the Company as a result of the Acquisitions. Hence, no adjustments have been made to the zakat and income tax provisions for the year.

(All amounts in Saudi Riyals unless otherwise stated)

Basis of preparation (continued)

2.3 Intercompany transactions and balances

There were no material inter-company transactions and balances between UCIC and the Acquirees' that should have been eliminated for the purpose of the unaudited pro forma condensed consolidated financial information in accordance with IFRS 10 "Consolidated Financial Statements". The users of the unaudited pro forma condensed consolidated financial information are advised to read the unaudited pro forma condensed consolidated financial information in conjunction with UCIC and the Acquirees' financial statements as of December 31, 2021 for a comprehensive understanding.

2.4 Foreign currency translation

For the purpose of comparability, the exchange rate as at December 31, 2023 has been used to convert the financial information of UPIC from United Arab Emirates Dirham (AED) to Saudi Riyals (SAR) for the translation of their audited statement of financial position and statement of profit or loss and other comprehensive income. The rates applied are as follows:

Statement of financial position (spot rate)	1 AED	=1.0259 SAR
Statement of profit or loss and other comprehensive income (average rate)	1 AED	=1.0259 SAR

2.5 Accounting policies

The significant accounting policies applied for the Company in preparation of this unaudited pro forma condensed consolidated financial information are aligned with those disclosed in UCIC financial statements.

The unaudited pro forma condensed consolidated financial information does not take into consideration the effects of any expected benefits or costs incurred to achieve these benefits as a result of the Acquisitions. The unaudited pro forma condensed consolidated financial information gives no indication of the financial results and future financial situation of the activities of the Company on a consolidated basis.

To ensure consistency of accounting policies applied and presentation and classification of line items between UCIC financial statements, IPIC financial statements and UPIC financial statements, changes are made in presentation and classification of UPIC financial statements.

Based on the assumptions set out above, the adjustments incorporated in the unaudited pro forma condensed consolidated financial information are disclosed in Note 3.

(All amounts in Saudi Riyals unless otherwise stated)

3 Reconciliation of the unaudited pro forma condensed consolidated financial information

3.1 Reconciliation of the unaudited pro forma consolidated statement of financial position as at December 31, 2021:

	As at December 31, 2021			Proforma Adjustments	As at December 31, 2021
	UCIC	IPIC	UPIC	(Note 3.3 A)	
Assets					
Non-current assets					
Property, plant and equipment	318,427,733	59,772,230	43,611,740	-	421,811,703
Goodwill	38,228,526	-	-	24,728,909	62,957,435
Right of use assets	12,474,390	-	15,522,343	-	27,996,733
Intangible assets	1,984,199	-	-	-	1,984,199
Advance for investment in subsidiary	10,000,000	-	-	(10,000,000)	-
Deferred Tax	4,712,690	-	-	-	4,712,690
Total non-current assets	385,827,538	59,772,230	59,134,083	14,728,909	519,462,760
Current assets					
Inventories	165,425,271	13,626,107	9,279,684	-	188,331,062
Trade Receivables	186,884,347	17,694,778	55,399,792	-	259,978,917
Advances, prepayments and other receivables	24,051,299	4,217,654	1,687,586	-	29,956,539
Cash and bank balances	12,801,519	729,940	946,804	-	14,478,263
Total current assets	389,162,436	36,268,479	67,313,866	-	492,744,781
Total assets	774,989,974	96,040,709	126,447,949	14,728,909	1,012,207,541
Equity and liabilities					
Equity					
Share capital	200,000,000	26,250,000	33,854,700	(60,104,700)	200,000,000
Statutory reserve	60,000,000	459,392	11,152,125	(11,611,517)	60,000,000
Retained earnings	116,455,669	23,462,669	34,185,185	(57,069,922)	117,033,601
Other reserve	-	(532,562)	820,720	(288,158)	-
Total equity	376,455,669	49,639,499	80,012,730	(129,074,297)	377,033,601

(All amounts in Saudi Riyals unless otherwise stated)

3 Reconciliation of the unaudited pro forma condensed consolidated financial information (continued)

3.1 Reconciliation of the unaudited pro forma consolidated statement of financial position as at December 31, 2021 (continued)

	As at December 31, 2021			Pro forma adjustments	As at December 31, 2021
	UCIC	IPIC	UPIC	Note (3.3 A)	
Non-current liabilities					
Lease liabilities	8,645,215	-	14,886,170	-	23,531,385
Term loan	-	17,683,762	-	-	17,683,762
Employee's terminal benefits	49,924,820	8,397,983	4,531,248	-	62,854,051
Total non-current liabilities	58,570,035	26,081,745	19,417,418	-	104,069,198
Current liabilities					
Trade payables	211,779,022	12,085,605	16,977,239		240,841,866
Accrued and other liabilities	49,557,604	7,404,885	8,914,856	143,803,206	209,680,551
Short term borrowings	70,000,000	-	-	-	70,000,000
Due to related parties	-	828,975	-	-	828,975
Lease liabilities - current portion	7,164,124	-	1,125,706	-	8,289,830
Zakat and tax payable	1,463,520	-	-	-	1,463,520
Total current liabilities	339,964,270	20,319,465	27,017,801	143,803,206	531,104,742
Total liabilities	398,534,305	46,401,210	46,435,219	143,803,206	635,173,940
Total equity and liabilities	774,989,974	96,040,709	126,447,949	14,728,909	1,012,207,541

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Notes to the unaudited pro forma condensed consolidated financial information
For the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

3 Reconciliation of the unaudited pro forma condensed consolidated financial information (continued)

3.2 Reconciliation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2021:

	For the year ended December 31, 2021			Pro forma adjustments	Reclassification	For the year ended December 31, 2021
	UCIC	IPIC	UPIC	Note 3.3 (A)	Note 3.3 (B)	
Sales - net	1,049,571,818	90,160,761	141,795,316	-	-	1,281,527,895
Cost of sales	(941,602,973)	(81,767,293)	(126,137,209)	-	-	(1,149,507,475)
Gross profit	107,968,845	8,393,468	15,658,107	-	-	132,020,420
Selling and distribution	(43,076,600)	(4,534,277)	(4,642,572)	-	-	(52,253,449)
General and administration	(60,302,123)	(8,651,739)	(6,471,527)	-	-	(75,425,389)
Profit/ (loss) from operations	4,590,122	(4,792,548)	4,544,008	-	-	4,341,582
Other income-net	4,302,388	1,797,807	199,543	577,932	(8,581)	6,869,089
Foreign exchange loss	-	-	(8,581)	-	8,581	-
Financial charges	(2,322,148)	(1,553,637)	(1,094,424)	-	-	(4,970,209)
Profit / (loss) before zakat and tax	6,570,362	(4,548,378)	3,640,546	577,932	-	6,240,462
Zakat charge for the year	(1,588,506)	-	-	-	-	(1,588,506)
Income tax	2,065,848	-	-	-	-	2,065,848
Profit/ (loss) during the year	7,047,704	(4,548,378)	3,640,546	577,932	-	6,717,804
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Re-measurements gain/ (loss) on employee benefit obligations	2,723,060	(445,366)	-	-	-	2,277,694
Deferred tax relating to re-measurement gain	(163,384)	-	-	-	-	(163,384)
Total other comprehensive income / (loss)	2,559,676	(445,366)	-	-	-	2,114,310
Total comprehensive income / (loss) for the year	9,607,380	(4,993,744)	3,640,546	577,932	-	8,832,114

UNITED CARTON INDUSTRIES COMPANY
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Notes to the unaudited pro forma condensed consolidated financial information
For the year ended December 31, 2021
(All amounts in Saudi Riyals unless otherwise stated)

3 Reconciliation of the unaudited pro forma condensed consolidated financial information (continued)

3.3 Description of the pro forma adjustments included in the unaudited pro forma condensed consolidated financial information is as follows:

A. This adjustment relates to the elimination of the equity of UPIC and IPIC. The assets and liabilities of UPIC and IPIC are consolidated with the Company at their book values as at December 31, 2021 and an amount of Saudi Riyals 143,803,206 as payable to the shareholders of UPIC and IPIC has been recorded, in accrued and other liabilities, representing the actual consideration that was subsequently paid. The difference between the book value of the equity of IPIC and UPIC and the total purchase consideration paid to the shareholders of IPIC and UPIC has been recorded as bargain purchase gain and goodwill as follows;

i. An amount of Saudi Riyal 49,639,499 representing the equity balance of IPIC as of December 31, 2021, has been offset against the purchase consideration payable for IPIC amounting to Saudi Riyal 49,061,567 and resultant bargain purchase gain amounting to Saudi Riyals 577,932 has been recognized in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income.

ii. An amount of Saudi Riyal 80,012,730 representing the equity balance of UPIC as of December 31, 2021, has been offset against the purchase consideration payable amounting to Saudi Riyal 104,741,639 for UPIC and resultant goodwill amounting to Saudi Riyal 24,728,909 has been recognized in the unaudited pro forma consolidated statement of financial position.

The pro forma consolidated retained earnings and other equity balances as of 31 December 2021 represent UCIC’s pre-acquisition equity balances.

B. ‘Foreign exchange loss’ was presented in UPIC Financial Statements as a separate line item in the statement of profit or loss and other comprehensive income. However, in line with UCIC Financial Statements, ‘Foreign exchange gain loss’ has now been presented within ‘Other income - net’ in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2022 and DECEMBER 31, 2023

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2022 and DECEMBER 31, 2023

Independent practitioner's assurance report on the compilation of the unaudited pro forma consolidated financial information included in the prospectus

To the Board of Directors of United Carton Industries Company

Report on the compilation of the unaudited pro forma consolidated financial information

We have completed our assurance engagement to report on the compilation of the unaudited pro forma consolidated financial information of United Carton Industries Company (the "Company") by the Company's management. The unaudited pro forma consolidated financial information consists of the unaudited pro forma consolidated statement of financial position as at December 31, 2022 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2022 and December 31, 2023 and the related notes (the "unaudited pro forma consolidated financial information"). The applicable criteria on the basis of which management has compiled the unaudited pro forma consolidated financial information are specified in Annex 12, Annex 19 and Article 46 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia and described in Note 2 to the accompanying unaudited pro forma consolidated financial information (the "applicable criteria").

The unaudited pro forma consolidated financial information has been compiled by management to illustrate the impact of the acquisition of Integrated Packaging Industries Company ("IPIC") and United Paper Industries Company ("UPIC") by the Company (the "Transactions"), as set out in Note 2 to the unaudited pro forma consolidated financial information, on the Company's financial position as at December 31, 2022 as if the Transactions had taken place as at that date and its financial performance for the years ended December 31, 2022 and December 31, 2023 as if the Transactions had taken place on January 1, 2022.

As part of this process, information about the Company's financial position as at December 31, 2022 and its financial performance for the year then ended has been extracted by management from the audited consolidated financial statements for the year ended December 31, 2022 on which an unqualified audit report dated February 10, 2023 was issued. Information about the Company's financial performance for the year ended December 31, 2023 has been extracted by management from the audited consolidated financial statements for the year ended December 31, 2023, on which an unqualified audit report dated April 4, 2024 was issued.

Information about IPIC's financial position as at December 31, 2022 and its financial performance for the year then ended has been extracted by management from the audited financial statements of IPIC for the year ended December 31, 2022, on which an unqualified audit report dated February 10, 2023 was issued.

Information about UPIC's financial performance has been extracted by management from the audited financial statements of UPIC for the year ended December 31, 2023, on which an unqualified audit report dated April 4, 2024 was issued. Information about UPIC's financial position as at December 31, 2022 and financial performance for the year then ended has been extracted from the audited financial statements for the year ended December 31, 2023 that sets out UPIC's comparative information as at and for the year ended December 31, 2022.

PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

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Independent practitioner's assurance report on the compilation of the unaudited pro forma consolidated financial information included in the prospectus (continued)

Management's responsibility for the unaudited pro forma consolidated financial information

Management is responsible for compiling the unaudited pro forma consolidated financial information on the basis of the applicable criteria described in Note 2 to the unaudited pro forma consolidated financial information and in accordance with the requirements of Annex 12, Annex 19 and Article 46 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia.

Our independence and quality management

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our reasonable assurance engagement and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our firm applies the International Standard on Quality Management (ISQM) 1, as endorsed in the Kingdom of Saudi Arabia, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibilities

Our responsibility is to express an opinion, as required by Annex 12, Annex 19 and Article 46 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia about whether the unaudited pro forma consolidated financial information has been compiled, in all material respects, by management on the basis of the applicable criteria described in Note 2 to the unaudited pro forma consolidated financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information included in a Prospectus", as endorsed in the Kingdom of Saudi Arabia. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the unaudited pro forma consolidated financial information on the basis of the applicable criteria described in Note 2 to the unaudited pro forma consolidated financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma consolidated financial information.

The purpose of unaudited pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at December 31, 2022 and for the years ended December 31, 2022 and December 31, 2023 would have been as presented.

Independent practitioner's assurance report on the compilation of the unaudited pro forma consolidated financial information included in the prospectus (continued)

Practitioner's responsibilities (continued)

A reasonable assurance engagement to report on whether the unaudited pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the unaudited pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the unaudited pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the unaudited pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable criteria set out in Note 2 to the unaudited pro forma consolidated financial information.

Intended users and purpose

This unaudited pro forma consolidated financial information has been prepared solely for inclusion in the initial public offering application of the Company to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia in connection with the Company's listing of its shares on Tadawul, the main market in the Kingdom of Saudi Arabia, and may therefore not be appropriate for another purpose.

PricewaterhouseCoopers

Ali A. Alotaibi
License Number 379

October 27, 2024

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C.R. 4030289002

4

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Introduction to the unaudited pro forma consolidated financial information

The accompanying unaudited pro forma consolidated financial information for the years ended December 31, 2022 and December 31, 2023 and related notes (the "unaudited pro forma consolidated financial information") has been prepared pursuant to, and for the purpose of illustrating the effects of the following acquisitions made by United Carton Industries Company ("UCIC" or the "Company") (the "Transactions") on the consolidated financial position as at December 31, 2022 and the consolidated financial performance of UCIC for the years ended December 31, 2022 and December 31, 2023:

a) Acquisition of Integrated Packaging Industries Company ("IPIC") through share purchase agreement dated October 6, 2021. The control over IPIC was transferred to the Company on March 30, 2022 ("IPIC Acquisition Date") when the conditions precedent relating to the sale and purchase of shares in IPIC were completed; and
b) Acquisition of United Paper Industries Company ("UPIC") through share purchase agreement dated March 2, 2023. The control over UPIC was transferred to the Company on July 28, 2023 ("UPIC Acquisition Date", and together with IPIC Acquisition Date, referred to as "Acquisition Dates"), when the legal formalities relating to the sale and purchase of shares in UPIC was completed.

This unaudited pro forma consolidated financial information has been prepared solely for inclusion in the initial public offering application of the Company to be filed with the Capital Market Authority of the Kingdom of Saudi Arabia in connection with the Company's listing of its shares on Tadawul, the main market in the Kingdom of Saudi Arabia and may therefore not be appropriate for another purpose.

The unaudited pro forma consolidated financial information consists of the unaudited pro forma consolidated statement of financial position as at December 31, 2022 of UCIC as if the Transactions had taken place on that date and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2022 and December 31, 2023 of UCIC giving effect to the Transactions, as if the Transactions had taken place on January 1, 2022 and the related notes to the unaudited pro forma consolidated financial information. An illustration of the unaudited pro forma consolidated statement of financial position as at December 31, 2023 is not presented as the Company has prepared consolidated financial statements for the year ended December 31, 2023, wherein the financial position of IPIC and UPIC as at December 31, 2023 are consolidated.

The purpose of the unaudited pro forma consolidated financial information is set out in the preceding paragraphs above and to reflect the material effects that the Transactions would have had on the historical consolidated statement of financial position as at December 31, 2022 and the historical consolidated statement of profit or loss and other comprehensive income of UCIC for the years ended December 31, 2022 and December 31, 2023, as if UCIC had already made the Transactions as at the specified dates mentioned above.

The unaudited pro forma consolidated financial information has been prepared in accordance with the applicable requirements of Annex 12, Annex 19 and Article 46 of the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority of the Kingdom of Saudi Arabia. The unaudited pro forma consolidated financial information has been compiled by management and is the ultimate responsibility of UCIC's Board of Directors.

The preparation and presentation of the unaudited pro forma consolidated financial information is based on certain pro forma assumptions (detailed in the "Basis of preparation" note below) and has been prepared for illustrative purposes only. Moreover, because of its nature, the unaudited pro forma consolidated financial information addresses a hypothetical situation and, therefore, does not represent UCIC's actual consolidated financial position and consolidated financial performance, and may not give a true picture of the consolidated financial position and consolidated financial performance of UCIC after the Transactions. In addition, the unaudited pro forma consolidated financial information is neither representative of the consolidated financial position and consolidated financial performance that could have been observed if the Transactions had been undertaken at an earlier date nor is the unaudited pro forma consolidated financial information indicative of the future operating results or consolidated financial position and consolidated financial performance of UCIC after the Transactions.

The unaudited pro forma consolidated financial information was authorized for issue by the Company's Board of Directors on October 22, 2024.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Unaudited pro forma consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Adjusted pro forma as at December 31, 2022 (Note 3)
Assets	
Non-current assets	
Property, plant and equipment	379,062,314
Goodwill	60,395,238
Intangible assets	345,387
Right-of-use assets	27,379,478
Deferred tax assets	5,966,419
Total non-current assets	473,148,836
Current assets	
Inventories	250,996,681
Trade receivables	255,876,106
Advances, prepayments and other receivables	28,778,427
Cash and cash equivalents	14,908,711
Total current assets	550,559,925
Total assets	1,023,708,761
Equity and liabilities	
Equity	
Share capital	200,000,000
Statutory reserve	60,000,000
Retained earnings	157,975,446
Total equity	417,975,446
Liabilities	
Non-current liabilities	
Lease liabilities	23,514,887
Employee benefit obligations	59,193,930
Total non-current liabilities	82,708,817
Current liabilities	
Trade payables	187,741,844
Accrued and other liabilities	180,704,658
Short-term borrowings	140,114,958
Current portion of lease liabilities	7,974,254
Zakat and income tax payable	6,488,784
Total current liabilities	523,024,498
Total liabilities	605,733,315
Total equity and liabilities	1,023,708,761

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
Unaudited pro forma consolidated statement of profit or loss and other comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Adjusted pro forma for the year ended December 31, (Note 3)	
	2023	**2022**
Revenue	1,420,368,328	1,585,614,892
Cost of revenue	(1,132,916,314)	(1,406,425,837)
Gross profit	287,452,014	179,189,055
Selling and distribution expenses	(25,090,562)	(23,722,913)
General and administrative expenses	(88,008,329)	(74,156,304)
Allowance for impairment of trade receivables	(750,000)	(5,607,281)
Bargain purchase gain on acquisition of a subsidiary	-	2,400,179
Fair value losses on financial assets	(2,844,333)	(1,930,030)
Other income - net	3,137,712	2,194,127
Operating profit	173,896,502	78,366,833
Finance costs	(8,218,013)	(4,823,126)
Profit before zakat and income tax	165,678,489	73,543,707
Zakat expense	(3,833,795)	(2,366,729)
Income tax	(6,399,152)	(2,637,781)
Net profit for the year	155,445,542	68,539,197
Discontinued operations		
Loss from discontinued operations	-	(2,629,656)
Profit for the year	155,445,542	65,909,541
Other comprehensive income		
Items that will be reclassified to profit or loss:		
Re-measurement (loss) / gain on employee benefit obligations	(2,012,725)	6,784,666
Deferred tax relating to re-measurement (loss) / gain on employee benefit obligations	126,475	(407,080)
Total other comprehensive (loss) / income	(1,886,250)	6,377,586
Total comprehensive income for the year	153,559,292	72,287,127

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

United Carton Industries Company is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration ("CR") number 4030065231 dated Ramadan 18, 1409H (corresponding April 23, 1989). The Company's registered office is located at Industrial Area- Phase No. 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia. The Company is engaged in the manufacturing and sale of corrugated carton containers and plates.

UCIC has the following branches, registered under the specified registration numbers, and engaged in similar activities as UCIC:

Serial number	Location of branch	CR number
1	Jeddah	4030-198716
2	Jeddah	4030-201068
3	Jeddah	4030-125875
4	Riyadh	1010-268185
5	Dammam	2050-075036
6	Al-Kharj	1011-023950
7	Riyadh	1010-053015
8	Riyadh	1010-585737

2 Basis of preparation

The unaudited pro forma consolidated financial information of UCIC has been presented for the purpose as set out in the Introduction section above and has been prepared based on, and in accordance with, the basis of preparation as set out in this note.

On March 30, 2022, the Company acquired 100% shareholding in IPIC from the previous shareholders. IPIC (previously known as "Al Kifah Paper Products Company"), is a Limited Liability Company registered in Al Ahsa, Kingdom of Saudi Arabia under CR No. 2257024095 dated Rabi' II 23, 1416H (corresponding to September 20, 2008). IPIC's registered office is Al-Oyun Industrial Area P.O. Box 13, Al Ahsa, 31982 Kingdom of Saudi Arabia. The principal activities of IPIC are manufacturing of paper pulp from fibers, drawing paper, printing, paper, corrugated cardboard, carton, boxes, folded or single bags of corrugated paper board, paper filing boxes and paper products for household purposes including dishes, cups and allied products. On October 6, 2021, the Company entered into a share purchase agreement (SPA) to acquire 100% shares of IPIC for a total consideration of Saudi Riyals 49.1 million. On March 30, 2022, the conditions precedent relating to the sale and purchase of shares in IPIC were completed, at which point the Company was contractually provided with control over the IPIC business.

On July 28, 2023, the Company acquired 100% effective shareholding in UPIC from the previous shareholders. UPIC (previously known as "Gulf Paper Manufacturing FZCO") is incorporated in the Jebel Ali Free Zone and is licensed to manufacture paper, packing and packaging materials. The registered address of the Company is P.O. Box 18075, Jebel Ali, Dubai, United Arab Emirates. UPIC was incorporated on June 29, 2003 and was issued a trade license to operate on July 1, 2003. The main activities of UPIC are manufacturing and selling of paper, packing and packaging material. On March 2, 2023, the Company entered into a SPA to acquire 100% of the shares of UPIC for a total consideration of Saudi Riyals 104.7 million. The control was transferred to the Company on July 28, 2023. The Company acquired UPIC to expand its operations in the Middle East market and as a first step towards backward integration. The management believes that this acquisition will partially mitigate supply risk of brown paper due to the cyclical impact of paper prices. On July 28, 2023, the legal formalities relating to the sale and purchase of shares in UPIC was completed, at which point the Company was contractually provided with control over the UPIC business.

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For the preparation of the unaudited pro forma consolidated financial information, management has extracted the historical financial information as follows:

a) UCIC

From the following financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"):

i) the Company's audited consolidated financial statements for the year ended December 31, 2023 ("UCIC FY23 Financial Statements"), on which an unqualified audit report dated April 4, 2024 has been issued; and
ii) the Company's audited consolidated financial statements for the year ended December 31, 2022 ("UCIC FY22 Financial Statements", and together with UCIC FY23 Financial Statements, referred to as "UCIC Financial Statements"), on which an unqualified audit report dated February 10, 2023 has been issued.

b) UPIC

From the following financial statements, prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB):

i) UPIC audited financial statements for the year ended December 31, 2023, that also includes the comparative financial information as at and for the year ended December 31, 2022 ("UPIC Financial Statements"), on which an unqualified audit report dated April 4, 2024 has been issued.

c) IPIC

From the following financial statements, prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities ("IFRS for SMEs"), that is endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the SOCPA:

i) IPIC audited financial statements for the year ended December 31, 2022 ("IPIC Financial Statements"), on which an unqualified audit report dated February 10, 2023 has been issued.

Certain disclosures that may be required by IFRS, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA have not been included in this unaudited pro forma consolidated financial information.

The unaudited pro forma consolidated financial information does not take into consideration the effects of any expected synergies or costs incurred to achieve these synergies as a result of the Transactions. The unaudited pro forma consolidated financial information gives no indication of the operating results and future financial situation of the activities of the Company on a consolidated basis.

The unaudited pro forma consolidated financial information is impacted by the following assumptions:

2.1 *Basis of accounting*

The Transactions have been accounted for in the respective consolidated financial statements in accordance with IFRS 3 "Business Combinations", which requires an acquirer to be identified in a business combination and to apply the acquisition method of accounting principles. In accounting for these Transactions, UCIC applied the "acquisition method" of accounting and fair valued the assets acquired and liabilities assumed at the date of acquisition, with the difference between these fair values and the purchase consideration recorded as goodwill or bargain purchase gain, as applicable. For the purpose of the pro forma illustration the actual consideration paid to the shareholders of UPIC, when the actual acquisition had taken place, is presented as a payable to the shareholders of UPIC as at December 31, 2022.

For the purpose of illustrating the unaudited consolidated pro forma statement of financial position as at December 31, 2022, no Purchase Price Allocation (PPA) exercise has been performed as at December 31, 2022. Accordingly, the acquired assets and liabilities of UPIC and IPIC have been reflected in the unaudited pro forma consolidated financial information on the following basis:

- For UPIC, the book values of the assets and liabilities as at December 31, 2022 as reported in the comparatives of the UPIC Financial Statements have been adjusted with the consolidated statement of financial position of UCIC as at that date without reflecting any PPA adjustments which were subsequently finalised in the UCIC FY23 Financial Statements. In addition, it is noted that the assets and liabilities as reported in the statement of financial position of UPIC as at December 31, 2022 do not fully represent the assets and liabilities acquired on the UPIC Acquisition Date, and hence not representative of the assets and liabilities consolidated by UCIC on the acquisition date as reflected in the UCIC FY23 Financial Statements.

- In respect of IPIC, the statement of financial position as at December 31, 2023 and the financial performance for the year then ended of IPIC was already consolidated in UCIC FY23 Financial Statements. Furthermore, the statement of financial position as at December 31, 2022 was already consolidated in the UCIC FY22 Financial Statements. However, no adjustments have been recorded in the unaudited pro forma consolidated statement of financial position as at December 31, 2022 to reflect the PPA adjustments reflected in the UCIC FY23 Financial Statements.

An illustration of the unaudited pro forma consolidated statement of financial position as at December 31, 2023 is not presented as the Company has prepared consolidated financial statements, wherein the financial position of IPIC and UPIC as at December 31, 2023, respectively, are consolidated. However, since the acquisitions of IPIC and UPIC were undertaken on the Acquisition Dates, their financial performance results were only consolidated for the period from the Acquisition Dates until December 31, 2022 and December 31, 2023, in the respective UCIC FY22 Financial Statements and UCIC FY23 Financial Statements. Such financial performance results of IPIC and UPIC for the period after the Acquisition Dates until December 31, 2022 and December 31, 2023, respectively, have been eliminated in the compilation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the years ended December 31, 2022 and December 31, 2023, respectively, of UCIC, as they are already included in the Company's consolidated statement of profit or loss and other comprehensive income in the UCIC FY22 Financial Statements and UCIC FY23 Financial Statements.

2.2 Zakat and income tax liability

It is assumed that there is no impact on the zakat and income tax liability of the Company as a result of the Transactions. Hence, no adjustments have been made to the zakat and income tax provisions for the respective years.

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2.3 Intercompany transactions and balances

Intercompany transactions consist of sale and purchase of paper products between the Company, IPIC and UPIC. For the purpose of this unaudited pro forma consolidated financial information, similar to the requirements of IFRS 10 "Consolidated Financial Statements", that is endorsed in the Kingdom of Saudi Arabia, such revenue and cost of sales have been eliminated. Intercompany balances relate to trade payable balance recorded in UCIC's books of accounts and corresponding trade receivable balance recorded in UPIC's books of account. Such intercompany balances are also eliminated.

2.4 Foreign currency translation

For the purpose of comparability, the exchange rate as at December 31, 2023 has been used to convert the financial information of UPIC from United Arab Emirates Dirham (AED) to Saudi Riyals (SAR) for the translation of their audited statement of financial position and statement of profit or loss and other comprehensive income. The rates applied are as follows:

Statement of financial position (spot rate)	1 AED	=	1.0259 SAR
Statement of profit or loss and other comprehensive income (average rate)	1 AED	=	1.0259 SAR

2.5 Accounting policies

The significant accounting policies applied by the Company in the preparation of this unaudited pro forma consolidated financial information are aligned with the accounting policies in UCIC's audited consolidated financial statements for the years ended December 31, 2022 and December 31, 2023.

IPIC financial statements are prepared in accordance with the IFRS for SMEs, that is endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA. Therefore, certain adjustments are made in the unaudited pro forma consolidated financial information to ensure consistency with the accounting policies of UCIC, since UCIC prepares its financial statements based on IFRS that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by SOCPA.

To ensure consistency of accounting policies applied and presentation and classification of line items between UCIC financial statements, IPIC financial statements and UPIC financial statements, changes are made in presentation and classification of UPIC financial statements.

2.6 Restatements – correction of prior period errors

Certain balances and transactions in the UCIC FY22 Financial Statements have been reassessed to accurately reflect the nature of these transactions. As a result, the balances have been adjusted to incorporate the effects of these restatements identified in 2023 which were not incorporated in UCIC FY22 Financial Statements.

Based on the assumptions set out above, the adjustments incorporated in the unaudited pro forma consolidated financial information are disclosed in Note 3 (D) below.

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3 Reconciliation of the unaudited pro forma consolidated financial information

3.1 Reconciliation of the unaudited pro forma consolidated statement of financial position as at December 31, 2022:

	Note	As at December 31, 2022		Pro forma adjustments	Elimination of intercompany balances	Restatement adjustments	Adjusted pro forma as at December 31, 2022
		UCIC	UPIC	A	C	D	
Assets							
Non-current assets							
Property, plant and equipment		337,381,414	41,680,900	-	-	-	379,062,314
Goodwill		38,228,526	-	22,166,712	-	-	60,395,238
Intangible assets		345,387	-	-	-	-	345,387
Right-of-use assets	D (i)	11,486,336	14,925,330	-	-	967,812	27,379,478
Deferred tax assets		5,966,419	-	-	-	-	5,966,419
Total non-current assets		393,408,082	56,606,230	22,166,712	-	967,812	473,148,836
Current assets							
Inventories		240,552,420	10,444,261	-	-	-	250,996,681
Trade receivables		210,705,865	45,257,480	-	(87,239)	-	255,876,106
Advances, prepayments and other receivables	D (i)	26,733,739	2,167,240	-	-	(122,552)	28,778,427
Cash and cash equivalents		10,075,518	4,833,193	-	-	-	14,908,711
Total current assets		488,067,542	62,702,174	-	(87,239)	(122,552)	550,559,925
Total assets		881,475,624	119,308,404	22,166,712	(87,239)	845,260	1,023,708,761
Equity and liabilities							
Equity							
Share capital		200,000,000	33,854,700	(33,854,700)	-	-	200,000,000
Statutory reserve		60,000,000	11,814,601	(11,814,601)	-	-	60,000,000
General reserve		-	820,720	(820,720)	-	-	-
Retained earnings	D (i)	158,170,597	36,084,906	(36,084,906)	-	(195,151)	157,975,446
Total equity		418,170,597	82,574,927	(82,574,927)	-	(195,151)	417,975,446

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3 Reconciliation of the unaudited pro forma consolidated financial information (continued)

3.1 Reconciliation of the unaudited pro forma consolidated statement of financial position as at December 31, 2022 (continued)

	Note	As at December 31, 2022		Pro forma adjustments	Elimination of intercompany balances	Restatement adjustments	Adjusted pro forma as at December 31, 2022
		UCIC	UPIC	A	C	D	
Non-current liabilities							
Lease liabilities	D (i)	8,103,630	14,565,997	-	-	845,260	23,514,887
Employee benefit obligations		54,225,449	4,968,481	-	-	-	59,193,930
Total non-current liabilities		62,329,079	19,534,478	-	-	845,260	82,708,817
Current liabilities							
Trade payables		176,080,041	11,749,042	-	(87,239)	-	187,741,844
Accrued and other liabilities		72,035,631	3,927,388	104,741,639	-	-	180,704,658
Short-term borrowings		139,718,094	396,864	-	-	-	140,114,958
Current portion of lease liabilities	D (i)	6,653,398	1,125,705	-	-	195,151	7,974,254
Zakat and income tax payable		6,488,784	-	-	-	-	6,488,784
Total current liabilities		400,975,948	17,198,999	104,741,639	(87,239)	195,151	523,024,498
Total liabilities		463,305,027	36,733,477	104,741,639	(87,239)	1,040,411	605,733,315
Total equity and liabilities		881,475,624	119,308,404	22,166,712	(87,239)	845,260	1,023,708,761

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3 Reconciliation of the unaudited pro forma consolidated financial information (continued)

3.2 Reconciliation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022:

	Note	For the year ended December 31, 2022			Pro forma adjustments	Elimination of intercompany transactions	Restatement adjustments and alignment of accounting policies	Reclassifi-cations	Adjusted pro forma for the year ended December 31, 2022
		UCIC	IPIC	UPIC	B	C	D	E	
Revenue		1,414,673,208	113,572,883	145,492,442	(83,528,895)	(4,594,746)	-	-	1,585,614,892
Cost of revenue	D (ii), (iv), (v)	(1,227,283,899)	(98,674,769)	(125,504,199)	72,307,457	4,594,746	(31,865,173)	-	(1,406,425,837)
Gross profit / (loss)		187,389,309	14,898,114	19,988,243	(11,221,438)	-	(31,865,173)	-	179,189,055
Selling and distribution expenses	D (ii)	(50,539,920)	(4,749,026)	(3,775,234)	3,439,379	-	31,901,888	-	(23,722,913)
General and administrative expenses	D (iv)	(68,655,800)	(6,031,443)	(4,481,362)	3,847,931	-	1,164,370	-	(74,156,304)
Allowance for impairment of trade receivables		(1,450,000)	-	(4,257,281)	100,000	-	-	-	(5,607,281)
Bargain purchase gain on acquisition of a subsidiary	D (vi)	-	-	-	-	-	2,400,179	-	2,400,179
Fair value losses on financial assets	D (iii)	-	-	-	-	-	(1,930,030)	-	(1,930,030)
Other income - net	D (iii), (v), (vi), E (ii)	3,506,130	1,096,880	257,833	621,380	-	(3,317,202)	29,106	2,194,127
Operating profit / (loss)		70,249,719	5,214,525	7,732,199	(3,212,748)		(1,645,968)	29,106	78,366,833
Finance costs	D (iii)	(5,015,485)	(566,950)	(1,136,545)	445,037	-	1,450,817	-	(4,823,126)
Foreign exchange gain	E (ii)	-	-	29,106	-	-	-	(29,106)	-
Profit / (loss) before zakat and income tax		65,234,234	4,647,575	6,624,760	(2,767,711)	-	(195,151)	-	73,543,707
Zakat expense		(2,259,111)	(120,000)	-	12,382	-	-	-	(2,366,729)
Income tax		(2,637,781)	540,032	-	(540,032)	-	-	-	(2,637,781)
Net profit / (loss) for the year from continuing operations		60,337,342	5,067,607	6,624,760	(3,295,361)	-	(195,151)	-	68,539,197
Discontinued operations									
Loss from discontinued operations		-	(2,629,656)	-	-	-	-	-	(2,629,656)
Profit / (loss) for the year		60,337,342	2,437,951	6,624,760	(3,295,361)	-	(195,151)	-	65,909,541

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3 Reconciliation of the unaudited pro forma consolidated financial information (continued)

3.2 Reconciliation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2022 (continued):

	For the year ended December 31, 2022			Pro forma adjustments	Elimination of intercompany transactions	Restatement adjustments and alignment of accounting policies	Adjusted pro forma for the year ended December 31, 2022
	UCIC	IPIC	UPIC	B	C	D	
Other comprehensive income							
Items that will not be reclassified to profit or loss							
Re-measurements gain on employee benefit obligations	6,784,666	1,101,794	-	(1,101,794)	-	-	6,784,666
Deferred tax relating to re-measurement gain / (loss)	(407,080)	(66,108)	-	66,108	-	-	(407,080)
Total other comprehensive income / (loss)	6,377,586	1,035,686	-	(1,035,686)	-	-	6,377,586
Total comprehensive income / (loss) for the year	66,714,928	3,473,637	6,624,760	(4,331,047)	-	(195,151)	72,287,127

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3 Reconciliation of the unaudited pro forma consolidated financial information (continued)

3.3 Reconciliation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2023:

	For the year ended December 31, 2023		Pro forma adjustments	Elimination of intercompany transactions	Reclassifi-cations	Adjusted pro forma for the year ended December 31, 2023
	UCIC	UPIC	B	C	E	
Revenue	1,361,796,751	101,204,832	(42,142,624)	(490,631)	-	1,420,368,328
Cost of revenue	(1,077,458,925)	(95,748,603)	39,800,583	490,631	-	(1,132,916,314)
Gross profit / (loss)	284,337,826	5,456,229	(2,342,041)	-	-	287,452,014
Selling and distribution expenses	(23,359,632)	(2,952,472)	1,221,542	-	-	(25,090,562)
General and administrative expenses	(85,726,727)	(3,447,694)	1,166,092	-	-	(88,008,329)
Allowance for impairment of trade receivables	(750,000)	-	-	-	-	(750,000)
Fair value losses on financial assets	(2,844,333)	-	-	-	-	(2,844,333)
Other income - net	3,009,630	484,635	(332,859)	-	(23,694)	3,137,712
Operating profit / (loss)	174,666,764	(459,302)	(287,266)	-	(23,694)	173,896,502
Finance costs	(7,736,053)	(981,790)	499,830	-	-	(8,218,013)
Foreign exchange loss	-	(23,694)	-	-	23,694	-
Profit / (loss) before zakat and income tax	166,930,711	(1,464,786)	212,564	-	-	165,678,489
Zakat expense	(3,833,795)	-	-	-	-	(3,833,795)
Income tax	(6,399,152)	-	-	-	-	(6,399,152)
Net profit / (loss) for the year	156,697,764	(1,464,786)	212,564	-	-	155,445,542
Other comprehensive income						
Items that will be reclassified to profit or loss:						
Exchange differences on translation of foreign operation	(546,329)	-	546,329	-	-	-
Items that will not be reclassified to profit or loss						
Re-measurements (loss) / gain on employee benefit obligations	(2,012,725)	95,200	(95,200)	-	-	(2,012,725)
Deferred tax relating to re-measurement gain on employee benefit obligations	126,475	-	-	-	-	126,475
Total other comprehensive (loss) / income	(2,432,579)	95,200	451,129	-	-	(1,886,250)
Total comprehensive income / (loss) for the year	154,265,185	(1,369,586)	663,693	-	-	153,559,292

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3 Reconciliation of the unaudited pro forma consolidated financial information (continued)

3.4 Description of the pro forma adjustments included in the unaudited pro forma consolidated financial information is as follows:

A. This adjustment relates to the elimination of the equity of UPIC. The assets and liabilities of UPIC are consolidated with the Company at their book values as at December 31, 2022 and a payable to the shareholders of UPIC has been recorded representing the actual consideration that was subsequently paid to the shareholders of UPIC. The difference between the book value of the equity and the purchase consideration payable to the shareholders of UPIC has been recorded as goodwill.

B. For the year ended December 31, 2022, IPIC's total comprehensive income for the period after the acquisition date (March 30, 2022) until December 31, 2022 is already consolidated in the UCIC FY22 Financial Statements. For the year ended December 31, 2023, UPIC's total comprehensive income for the period after the acquisition date (July 28, 2023) until December 31, 2023 is already consolidated in the UCIC FY23 Financial Statements. This adjustment relates to elimination of the IPIC's and UPIC's total comprehensive income for the period after the acquisition dates until December 31, 2022 and December 31, 2023, respectively, as included in the Company's audited consolidated financial statements for the years ended December 31, 2022 and December 31, 2023, respectively, as IPIC's and UPIC's financial results are separately included for the full year in the columns marked "IPIC" and "UPIC", respectively. Furthermore, since consistent exchange rates have been used for the translation of the UPIC's statement of financial position as at December 31, 2022 and the statement of profit or loss and other comprehensive income for the years ended December 31, 2022 and December 31, 2023, the foreign exchange loss recorded in other comprehensive income in UCIC FY23 Financial Statements has been eliminated.

C. This adjustment relates to the elimination of intercompany balances comprising trade payable balance recorded in UCIC's books of accounts and corresponding trade receivable balance recorded in UPIC's books of account. This adjustment also relates to elimination of intercompany transactions comprising sale and purchase of paper products between the Company, IPIC and UPIC.

D. The comparative period included in the UCIC FY23 Financial Statements has been restated. Consequently, the historical financial information of UCIC as at and for the year ended December 31, 2022 included in this unaudited consolidated pro forma financial information, which was extracted from the UCIC FY22 Financial Statements, does not reflect these restatements. Therefore, the following adjustments have been taken from the UCIC FY23 Financial Statements to incorporate the effects of these restatements on certain balances and transactions of UCIC as at and for the year ended December 31, 2022:

(i) UCIC did not recognise the right-of-use assets and the related lease liabilities on leased buildings related to its subsidiary, IPIC, in UCIC FY22 Financial Statements (from the date of acquisition) as per the requirements of IFRS 16 – Leases. The error has been corrected by restating the UCIC FY22 Financial Statements, by recognising the right-of-use assets and related lease liabilities. The impact of this adjustment on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income represents the alignment of accounting policies between IPIC and UCIC.

(ii) In UCIC FY22 Financial Statements, UCIC and IPIC did not consider transportation costs associated with the delivery of goods to customers as separate performance obligations, and instead recognized the amount in selling and distribution expenses. Under the terms of the contracts and considering the requirements of IFRS 15 'Revenue from contracts with customers', there are two performance obligations i.e., sale of goods and rendering of services associated with delivery of goods. There was no impact on the total amount of revenue recognised in the year. The costs associated with the transportation performance obligation, amounting to Saudi Riyals 31.9 million, have been reclassified to cost of sales.

3 Reconciliation of the unaudited pro forma consolidated financial information (continued)

3.4 Description of the pro forma adjustments included in the unaudited pro forma consolidated financial information is as follows (continued):

(iii) In 2022, UCIC reported losses arising on sale of financial assets of Saudi Riyals 1.9 million partially as part of finance cost (Saudi Riyals 1.5 million) and partially aggregated with other income (Saudi Riyals 0.4 million). However, UCIC has reassessed these receivables and concluded that the intention to sell them means that they are subsequently measured at fair value through profit or loss. Consequently, UCIC has represented these fair value losses separately as a single line on the face of the statement of profit or loss and other comprehensive income.

(iv) During 2023, UCIC discovered that a 2022 expense incurred as cost of production amounting to Saudi Riyals 1.2 million was erroneously allocated to general and administrative expenses. This amount has been reclassified from general and administrative expenses to cost of sales.

(v) In 2012, one of the production facilities was partially impaired. Subsequently, UCIC continued to charge the same amount of depreciation, notwithstanding the impairment loss already recorded, but to offset this excess depreciation, recorded an impairment reversal within other income. This had no impact on profit for any of the previous years but did represent an inappropriate gross up across different lines of the statement of profit or loss and other comprehensive income. In the UCIC FY22 Financial Statements Saudi Riyals 1.3 million was reported as an impairment reversal within other income. This has now been corrected to present the correct amount of depreciation expenses related to the partially impaired assets in the cost of sales.

(vi) The amount of provisional bargain purchase gain of Saudi Riyals 2.4 million reported in 2022 arising on the acquisition of IPIC, was previously presented in 'Other income - net' and has now been presented separately on the face of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income.

E. To ensure consistency of accounting policies applied and presentation and classification of line items between UCIC Financial Statements, IPIC Financial Statements and UPIC Financial Statements, changes are made in presentation and classification of UPIC financial statements, as outlined below:

(i) 'Other income - net' was presented in UCIC FY22 Financial Statements and UPIC Financial Statements after the 'operating profit' subtotal. However, in line with UCIC FY23 Financial Statements, 'Other income - net' has now been presented as part of 'operating profit' subtotal.

(ii) 'Foreign exchange gain / (loss)' was presented in UPIC Financial Statements as a separate line item in the statement of profit or loss and other comprehensive income. However, in line with UCIC Financial Statements, 'Foreign exchange gain / (loss)' has now been presented within 'Other income - net' in the unaudited pro forma consolidated statement of profit or loss and other comprehensive income.

UCIC