

**UNITED CARTON INDUSTRIES COMPANY  
(A Saudi Joint Stock Company)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025  
AND INDEPENDENT AUDITOR'S REPORT**

**UNITED CARTON INDUSTRIES COMPANY  
(A Saudi Joint Stock Company)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2025**

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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, 2025, 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, 2025;
- 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"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code's requirements.

### Our audit approach

#### Overview

Key audit matter	Revenue recognition
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Branch of PricewaterhouseCoopers Public Accountants (professional limited liability company), Jameel square, floor 5  
T: +966 (12) 610-4400, F: +966 (12) 610-4411

[www.pwc.com](http://www.pwc.com)

CR. 4030289002, UN No. 7003482481, capital of 500,000 SAR, (main CR. 1010371622, main UN No. 7000928734), national address: 2091 Prince Mohammed Bin Abdulaziz Street, Al Andalus Dist., postal code 23326, secondary number 8909, Jeddah, Kingdom of Saudi Arabia



## Independent auditor's report to the shareholders of United Carton Industries Company (continued)

### Our audit approach

#### Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
<p><b>Revenue recognition</b></p> <p>During the year ended December 31, 2025, the Group recognized total revenue of Saudi Riyals 1,406.4 million.</p> <p>Management identified different performance obligations arising out of its contracts with customers.</p> <p>Revenue from the sale of goods is recognized either over-time or at a point-in-time, when control of the goods is transferred to the customer. Revenue from transportation services is recognized over-time. In addition, revenue is recognized net of rebates and discounts, which require management to make certain estimates and assumptions around this variable consideration.</p> <p>Revenue recognition is considered a key audit matter due to the element of estimation of rebates and discounts and the magnitude of the revenue financial statement line item within the context of the overall consolidated financial statements taken as a whole.</p> <p>Refer to Note 2.20 for the revenue recognition accounting policy, Note 3 for the accounting estimate disclosure and Note 18 for the relevant revenue disclosures.</p>	<p>Our audit procedures included the following amongst other audit procedures:</p> <ul style="list-style-type: none"><li>• Updated our understanding and evaluated the revenue process followed for each of the Group's performance obligation, including the design and implementation of the relevant controls related to revenue recognition;</li><li>• Assessed the appropriateness of the accounting policy for revenue recognition as per the requirements of International Financial Reporting Standard 15 – Revenue from Contracts with Customers, as endorsed in the Kingdom of Saudi Arabia;</li><li>• Tested management's identification of performance obligations arising from contracts with customers through inspection of a sample of contracts;</li><li>• Tested a sample of revenue transactions for different performance obligations and traced them to underlying source documents to obtain evidence of the fulfillment of the Group's performance obligations;</li><li>• Tested, on a sample basis, rebates by recomputing the rebate amount as set out in selected contracts with customers;</li><li>• Traced a sample of discounts to underlying source documents;</li><li>• Assessed the adequacy and appropriateness of the related disclosures made in the accompanying consolidated financial statements.</li></ul>



## *Independent auditor's report to the shareholders of United Carton Industries Company (continued)*

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### *Other information*

Management is responsible for the other information. The other information comprises information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### *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.

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### *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.

## Independent auditor's report to the shareholders of United Carton Industries Company (continued)

### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- 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.

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

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

### PricewaterhouseCoopers



Ali A. Alotaibi  
License No. 379



March 9, 2026


**UNITED CARTON INDUSTRIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated statement of financial position**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31,	
		2025	2024
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	397,852,759	393,497,885
Goodwill	5	38,228,526	38,228,526
Intangible assets	6	6,188,397	6,923,638
Right-of-use assets	7	53,738,337	53,207,833
Deferred tax assets	17	5,620,402	5,620,498
<b>Total non-current assets</b>		<b>501,628,421</b>	<b>497,478,380</b>
<b>Current assets</b>			
Inventories	9	200,782,993	187,505,614
Trade receivables	10	260,710,823	235,014,452
Advances, prepayments and other receivables	11	29,556,941	39,676,231
Cash and cash equivalents	12	85,159,556	38,005,164
<b>Total current assets</b>		<b>576,210,313</b>	<b>500,201,461</b>
<b>Total assets</b>		<b>1,077,838,734</b>	<b>997,679,841</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	400,000,000	400,000,000
Retained earnings		188,835,558	146,069,391
Foreign currency translation reserve		(520,497)	(544,932)
<b>Total equity</b>		<b>588,315,061</b>	<b>545,524,459</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	162,322	1,021,204
Lease liabilities	7	48,184,086	47,906,447
Employee benefit obligations	15	67,574,859	61,060,599
<b>Total non-current liabilities</b>		<b>115,921,267</b>	<b>109,988,250</b>
<b>Current liabilities</b>			
Trade payables		262,582,809	199,386,283
Accrued and other liabilities	16	69,166,152	74,630,050
Short-term borrowings	14	30,096,073	53,656,310
Current portion of lease liabilities	7	9,473,741	7,353,554
Zakat and income tax payable	17	2,283,631	7,140,935
<b>Total current liabilities</b>		<b>373,602,406</b>	<b>342,167,132</b>
<b>Total liabilities</b>		<b>489,523,673</b>	<b>452,155,382</b>
<b>Total equity and liabilities</b>		<b>1,077,838,734</b>	<b>997,679,841</b>

The accompanying notes form an integral part of these consolidated financial statements.

  
**Adib Abdullah AlZamil**  
Chairman, Board of Directors


  
**Mohmish Rikhy**  
Chief Executive Officer


  
**Abdul Ghani**  
Chief Financial Officer


**UNITED CARTON INDUSTRIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated statement of profit or loss and other comprehensive income**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	<u>For the year ended December 31,</u>	
		2025	2024
Revenue	18	1,406,376,399	1,344,476,419
Cost of revenue	19	(1,208,666,311)	(1,104,413,687)
<b>Gross profit</b>		<b>197,710,088</b>	<b>240,062,732</b>
Selling and distribution expenses	20	(29,554,806)	(25,791,449)
General and administrative expenses	21	(92,365,283)	(95,653,567)
Impairment (loss)/reversal on financial assets	10	(167,105)	859,065
Fair value losses on financial assets		(2,787,645)	(2,659,518)
Bargain purchase gain on acquisition of a subsidiary	8	-	11,240,415
Other income	22	17,012,641	17,812,076
Other expenses	22	(892,305)	-
<b>Operating profit</b>		<b>88,955,585</b>	<b>145,869,754</b>
Finance income	12	3,242,677	-
Finance costs	23	(5,529,429)	(5,959,688)
<b>Profit before zakat and income tax</b>		<b>86,668,833</b>	<b>139,910,066</b>
Zakat expense	17	(3,208,097)	(3,330,081)
Income tax expense	17	(4,336,071)	(11,883,774)
<b>Net profit for the year</b>		<b>79,124,665</b>	<b>124,696,211</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		24,435	1,397
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement (loss)/gain on employee benefit obligations	15	(3,867,326)	3,989,255
Deferred tax relating to re-measurement on employee benefit obligations	17	138,700	(232,284)
<b>Other comprehensive (loss)/income for the year</b>		<b>(3,704,191)</b>	<b>3,758,368</b>
<b>Total comprehensive income for the year</b>		<b>75,420,474</b>	<b>128,454,579</b>
<b>Earnings per share attributable to the shareholders of the Company</b>			
Basic and diluted	28	1.98	3.12

The accompanying notes form an integral part of these consolidated financial statements.

  
**Adib Abdullah AlZamil**  
Chairman, Board of Directors

  
**Mohnish Rikhy**  
Chief Executive Officer

  
**Abdul Ghani**  
Chief Financial Officer

**UNITED CARTON INDUSTRIES COMPANY**  
**(A Saudi Joint 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
<b>At January 1, 2024</b>	200,000,000	60,000,000	222,616,209	(546,329)	<b>482,069,880</b>
Profit for the year	-	-	124,696,211	-	<b>124,696,211</b>
Other comprehensive income for the year	-	-	3,756,971	1,397	<b>3,758,368</b>
Total comprehensive income for the year	-	-	128,453,182	1,397	<b>128,454,579</b>
<b>Transactions with shareholders in their capacity as shareholders:</b>					
Transfers to share capital (Note 13)	200,000,000	(60,000,000)	(140,000,000)	-	-
Dividends (Note 30)	-	-	(65,000,000)	-	<b>(65,000,000)</b>
	200,000,000	(60,000,000)	(205,000,000)	-	<b>(65,000,000)</b>
<b>At December 31, 2024</b>	<b>400,000,000</b>	-	<b>146,069,391</b>	<b>(544,932)</b>	<b>545,524,459</b>
Profit for the year	-	-	79,124,665	-	<b>79,124,665</b>
Other comprehensive (loss)/income for the year	-	-	(3,728,626)	24,435	<b>(3,704,191)</b>
Total comprehensive income for the year	-	-	75,396,039	24,435	<b>75,420,474</b>
<b>Transactions with shareholders in their capacity as shareholders:</b>					
Reimbursement of income tax expense from a founding shareholder (Note 24.3)	-	-	7,370,128	-	<b>7,370,128</b>
Dividends (Note 30)	-	-	(40,000,000)	-	<b>(40,000,000)</b>
	-	-	(32,629,872)	-	<b>(32,629,872)</b>
<b>At December 31, 2025</b>	<b>400,000,000</b>	-	<b>188,835,558</b>	<b>(520,497)</b>	<b>588,315,061</b>

The accompanying notes form an integral part of these consolidated financial statements.

  
**Adib Abdullah AlZamil**  
Chairman, Board of Directors

  
**Mounish Rikhy**  
Chief Executive Officer

  
**Abdul Ghani**  
Chief Financial Officer

**UNITED CARTON INDUSTRIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**Consolidated statement of cash flows**  
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31,	
		2025	2024
<b>Cash flows from operating activities</b>			
Profit before zakat and income tax		86,668,833	139,910,066
<u>Adjustments for:</u>			
Depreciation of property, plant and equipment	4	67,181,528	64,046,508
Depreciation of right-of-use assets	7	9,462,093	7,815,783
Impairment loss on property, plant and equipment	4	-	771,908
Provision for slow-moving and damaged inventories	9	401,927	2,822,197
Amortisation of intangible assets	6	2,056,033	1,741,036
Provision for employee benefits obligations	15	8,701,164	7,973,697
Insurance claim compensation	22	(12,356,907)	(12,726,847)
Gain on termination of leases	7	(2,097)	(547,363)
Loss on disposal of property, plant and equipment	22	879,930	46,855
Gain on disposal of assets classified as held for sale	22	(54,130)	-
Finance costs on short-term borrowings and others	23	1,884,162	3,217,002
Finance costs on lease liabilities	23	3,645,267	2,742,686
Exchange losses	22	12,375	19,778
Impairment loss/(reversal) on financial assets	10	167,105	(859,065)
Bargain purchase gain on acquisition of a subsidiary	8	-	(11,240,415)
Finance income		(3,242,677)	-
<i>Changes in working capital:</i>			
Inventories		(13,679,306)	(16,834,238)
Trade receivables		(25,863,476)	(1,724,613)
Advances, prepayments and other receivables		5,291,184	(7,339,110)
Trade payables		63,196,526	16,904,330
Accrued and other liabilities		481,026	(791,668)
<b>Cash generated from operations</b>		<b>194,830,560</b>	<b>195,948,527</b>
Zakat and income tax paid	17	(14,252,568)	(16,637,755)
Employee benefit obligations paid	15	(6,054,230)	(7,210,352)
Finance costs paid		(5,529,429)	(5,959,688)
<b>Net cash generated from operating activities</b>		<b>168,994,333</b>	<b>166,140,732</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(72,841,207)	(55,504,988)
Purchases of assets classified as held for sale		(4,119,783)	-
Proceeds from disposal of property, plant and equipment		482,887	79,667
Proceeds from disposal of assets classified as held for sale		4,173,913	-
Purchase of intangible assets	6	(1,354,369)	(1,468,584)
Proceeds from insurance claim compensation		12,445,406	4,454,396
Payment for acquisition of subsidiaries, net of cash acquired	8	-	(52,442,550)
Finance income received		3,155,995	-
<b>Net cash used in investing activities</b>		<b>(58,057,158)</b>	<b>(104,882,059)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	30	(40,000,000)	(65,000,000)
Changes in short-term borrowings		(23,560,237)	23,487,778
Repayment of borrowing of acquiree	8	-	(5,016,244)
Repayment of principal portion of lease liabilities	7	(7,592,674)	(7,314,297)
Reimbursement of income tax from a founding shareholder	24	7,370,128	-
<b>Net cash used in financing activities</b>		<b>(63,782,783)</b>	<b>(53,842,763)</b>
<b>Net increase in cash and cash equivalents</b>		<b>47,154,392</b>	<b>7,415,910</b>
Effect of exchange rate change on cash and cash equivalents		-	3,057
Cash and cash equivalents at the beginning of the year	12	38,005,164	30,586,197
<b>Cash and cash equivalents at the end of the year</b>	12	<b>85,159,556</b>	<b>38,005,164</b>
<b>Supplemental information for non-cash transactions</b>			
Additions to right-of-use assets and lease liabilities	7	10,143,655	13,097,754
Transfer from retained earnings to share capital	13	-	140,000,000
Transfer from statutory reserve to share capital	13	-	60,000,000

The accompanying notes form an integral part of these consolidated financial statements.

  
**Adib Abdullah AlZamil**  
Chairman, Board of Directors

  
**Mohd Rizky**  
Chief Executive Officer

  
**Abdul Ghani**  
Chief Financial Officer

## UNITED CARTON INDUSTRIES COMPANY

### (A Saudi Joint Stock Company)

#### Notes to the consolidated financial statements for the year ended December 31, 2025

(All amounts in Saudi Riyals unless otherwise stated)

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## 1 General information

United Carton Industries Company (the “Company”) is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030065231 dated Ramadan 18, 1409H (corresponding April 24, 1989) and the unified number 7014502426. 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. The components of the Group are defined in Note 8.

As of May 27, 2025, the Company's shares started trading on Saudi Exchange, pursuant to Capital Market Authority approval dated December 16, 2024. During the year ended December 31, 2025, the Company completed the legal formalities to convert from a Closed Joint Stock Company to a Saudi Joint Stock Company.

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

## 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, unless stated otherwise, and on a going concern basis.

The Group has elected to present a single statement of profit or loss and comprehensive income and present its expenses by function. The Group reports cash flow from operating activities using the indirect method.

**UNITED CARTON INDUSTRIES COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2025**

(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 any impact on the consolidated financial statements of the Group and accordingly, the Group did not have to change its accounting policies or make any retrospective adjustments.

<b>Title</b>	<b>Key requirements</b>	<b>Effective date</b>
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

**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, 2025 reporting period 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.

<b>Title</b>	<b>Key requirements</b>	<b>Effective date</b>
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments: <ul style="list-style-type: none"> <li>• 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;</li> <li>• clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;</li> <li>• 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</li> <li>• make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).</li> </ul>	January 1, 2026
Annual improvements to IFRS – Volume 11	Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards: <ul style="list-style-type: none"> <li>• IFRS 1 First-time Adoption of International Financial Reporting Standards;</li> <li>• IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7;</li> <li>• IFRS 9 Financial Instruments;</li> <li>• IFRS 10 Consolidated Financial Statements; and</li> <li>• IAS 7 Statement of Cash Flows.</li> </ul>	January 1, 2026

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<b>Title</b>	<b>Key requirements</b>	<b>Effective date</b>
Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity	These change the 'own use' and hedge accounting requirements of IFRS 9 and include targeted disclosure requirements to IFRS 7. The amendments (a) clarify the application of the 'own-use' criteria to nature-dependent electricity contracts; (b) permit hedge accounting if these contracts are used as hedging instruments; and (c) add new disclosure requirements to enable users of financial statements to better understand the effect of these contracts on an entity's financial performance and cash flows.	January 1, 2026
Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency	These narrow-scope amendments specify the translation procedures for an entity whose presentation currency is that of a hyperinflationary economy. The entity applies the amendments if: <ul style="list-style-type: none"> <li>• Its functional currency is that of a non-hyperinflationary economy and it is translating its results and financial position into the currency of a hyperinflationary economy; or</li> <li>• It is translating into the currency of a hyperinflationary economy the results and financial position of a foreign operation whose functional currency is that of a non-hyperinflationary economy.</li> </ul> <p>The amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.</p>	January 1, 2027
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: <ul style="list-style-type: none"> <li>- the structure of the statement of profit or loss;</li> <li>- 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</li> <li>- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.</li> </ul>	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.

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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.

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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.

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#### *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 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, non-refundable purchase taxes, 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.

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#### 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 Assets classified as held for sale**

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

#### **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 relations	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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#### 2.9 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.

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#### *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.

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 spare parts***

Raw materials and spare parts 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.

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#### 2.12 Trade 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

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; 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 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 comprehensive income.

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#### (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.

#### **2.15.2 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 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.

#### **2.16 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.

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#### **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

#### **2.17 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 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 United Arab Emirates (“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.

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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.

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.

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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-time.

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, finance income, income taxes and zakat.

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### **2.25 Dividends**

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Company. Interim dividends are recorded when approved by the Board of Directors (“BoD”) in accordance with the Company’s By-laws.

### **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 6.7 million (2024: Saudi Riyals 6.4 million).

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***Estimation expected for variable consideration for volume rebates***

The Group estimates expected variable consideration to be included in the transaction price for the sale of goods with volume rebates. Determining whether a customer will be likely entitled to rebate will depend on the customer's rebates entitlement and accumulated purchases. The Group applied the 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 rebates estimated by the Group.

The Group updates its assessment of expected volume rebates annually and, accordingly, the accrued liabilities are adjusted. Estimates of volume rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements and may not be representative of customers' actual rebate entitlements in the future. The management has assessed that the impact of change in assumption will not result in a material impact in the consolidated statement of profit or loss and other comprehensive income.

***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.

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**4 Property, plant and equipment**

	<b>For the year ended December 31, 2025</b>						
	<b>Land</b>	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Machinery and equipment</b>	<b>Furniture, fixtures and office equipment</b>	<b>Capital work-in-progress ("CWIP")</b>	<b>Total</b>
<b>Cost:</b>							
At January 1, 2025	<b>5,427,488</b>	<b>323,774,950</b>	<b>5,135,494</b>	<b>1,052,922,694</b>	<b>99,545,522</b>	<b>5,470,926</b>	<b>1,492,277,074</b>
Additions	-	<b>2,266,034</b>	<b>188,000</b>	<b>14,975,805</b>	<b>2,581,543</b>	<b>52,829,825</b>	<b>72,841,207</b>
Disposals	-	<b>(324,213)</b>	<b>(2,758,388)</b>	<b>(22,330,673)</b>	<b>(1,324,927)</b>	-	<b>(26,738,201)</b>
Transfers from CWIP	-	<b>1,205,501</b>	<b>123,000</b>	<b>12,965,893</b>	<b>437,994</b>	<b>(14,732,388)</b>	-
Write-offs *	-	-	-	<b>(3,466,166)</b>	-	-	<b>(3,466,166)</b>
Translation adjustment	-	-	-	<b>58,012</b>	-	-	<b>58,012</b>
At December 31, 2025	<b>5,427,488</b>	<b>326,922,272</b>	<b>2,688,106</b>	<b>1,055,125,565</b>	<b>101,240,132</b>	<b>43,568,363</b>	<b>1,534,971,926</b>
<b>Accumulated depreciation and impairment loss:</b>							
At January 1, 2025	-	<b>(164,306,974)</b>	<b>(3,822,212)</b>	<b>(837,263,075)</b>	<b>(93,386,928)</b>	-	<b>(1,098,779,189)</b>
Charge for the year	-	<b>(17,747,072)</b>	<b>(767,284)</b>	<b>(45,492,682)</b>	<b>(3,174,490)</b>	-	<b>(67,181,528)</b>
Disposals	-	<b>278,036</b>	<b>2,758,387</b>	<b>21,014,506</b>	<b>1,324,455</b>	-	<b>25,375,384</b>
Write-offs *	-	-	-	<b>3,466,166</b>	-	-	<b>3,466,166</b>
At December 31, 2025	-	<b>(181,776,010)</b>	<b>(1,831,109)</b>	<b>(858,275,085)</b>	<b>(95,236,963)</b>	-	<b>(1,137,119,167)</b>
<b>Net book value:</b>							
At December 31, 2025	<b>5,427,488</b>	<b>145,146,262</b>	<b>856,997</b>	<b>196,850,480</b>	<b>6,003,169</b>	<b>43,568,363</b>	<b>397,852,759</b>

\* Relates to assets damaged in the fire incident (also see Note 22).

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	<b>For the year ended December 31, 2024</b>						
	<b>Land</b>	<b>Buildings</b>	<b>Motor vehicles</b>	<b>Machinery and equipment</b>	<b>Furniture, fixtures and office equipment</b>	<b>Capital work- in-progress ("CWIP")</b>	<b>Total</b>
<b>Cost:</b>							
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 CWIP	-	343,334	-	3,060,673	121,299	(3,525,306)	-
Acquisition of a subsidiary	-	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	<u>5,427,488</u>	<u>323,774,950</u>	<u>5,135,494</u>	<u>1,052,922,694</u>	<u>99,545,522</u>	<u>5,470,926</u>	<u>1,492,277,074</u>
<b>Accumulated depreciation and impairment loss:</b>							
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	-	-	-	(771,908)	-	-	(771,908)
Translation adjustment	-	(11,185)	(2,334)	(24,675)	(470)	-	(38,664)
At December 31, 2024	<u>-</u>	<u>(164,306,974)</u>	<u>(3,822,212)</u>	<u>(837,263,075)</u>	<u>(93,386,928)</u>	<u>-</u>	<u>(1,098,779,189)</u>
<b>Net book value:</b>							
At December 31, 2024	<u>5,427,488</u>	<u>159,467,976</u>	<u>1,313,282</u>	<u>215,659,619</u>	<u>6,158,594</u>	<u>5,470,926</u>	<u>393,497,885</u>

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- 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 until 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 the 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 years ended December 31, 2025 and 2024 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, 2025 and 2024.
- c) CWIP mainly represents work in progress in respect of the acquisition and installation of property, plant and equipment and the renovation of a staff accommodation building.
- d) Depreciation charge for the year has been allocated as follows:

	Note	2025	2024
Cost of revenue	19	<b>62,892,255</b>	58,752,184
Selling and distribution expenses	20	<b>156,440</b>	165,399
General and administrative expenses	21	<b>4,132,833</b>	5,128,925
		<b>67,181,528</b>	64,046,508

**5 Goodwill**

	2025	2024
Cost	<b>82,460,430</b>	82,460,430
Accumulated impairment	<b>(44,231,904)</b>	(44,231,904)
<b>Net book value</b>	<b>38,228,526</b>	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, 2025, 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 69.3 million, and the recoverable amount.

These calculations use cash flow projections, which are based on financial budgets approved by management covering a five-year period, as well as the following key assumptions.

	2025	2024
Revenue growth rate (average)	<b>2.50%</b>	2.50%
Discount rate	<b>11.41%</b>	11.84%
Terminal growth rate	<b>2.00%</b>	2.00%

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Sensitivity to the changes in assumptions is as follows:

	December 31, 2025		December 31, 2024	
	CGU recoverable amount	% change in CGU recoverable amount	CGU recoverable amount	% change in CGU recoverable amount
+100 basis points Sales growth rate	356,597,897	10%	464,982,912	7%
-100 basis points Sales growth rate	291,856,294	(10%)	404,143,621	(7%)
+100 basis points Discount rate	293,806,249	(9%)	394,854,422	(9%)
-100 basis points Discount rate	361,899,932	12%	482,338,527	11%
+100 basis points Terminal growth rate	350,774,816	8%	467,485,813	8%
-100 basis points Terminal growth rate	302,781,173	(7%)	406,971,371	(6%)

**6 Intangible assets**

Cost	Computer software	Customer relations	Total
<b>At January 1, 2025</b>	<b>6,087,726</b>	<b>4,145,544</b>	<b>10,233,270</b>
Additions during the year	1,354,369	-	1,354,369
Write-off	(250,118)	-	(250,118)
Translation adjustment	-	(33,577)	(33,577)
<b>At December 31, 2025</b>	<b>7,191,977</b>	<b>4,111,967</b>	<b>11,303,944</b>

**Accumulated amortization**

<b>At January 1, 2025</b>	<b>(2,581,529)</b>	<b>(728,103)</b>	<b>(3,309,632)</b>
Charge for the year	(1,542,028)	(514,005)	(2,056,033)
Write-off	250,118	-	250,118
<b>At December 31, 2025</b>	<b>(3,873,439)</b>	<b>(1,242,108)</b>	<b>(5,115,547)</b>

**Net book value**

<b>At December 31, 2025</b>	<b>3,318,538</b>	<b>2,869,859</b>	<b>6,188,397</b>
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Cost	Computer software	Customer relations	Total
<b>At January 1, 2024</b>	627,544	4,145,544	4,773,088
Transfer from property, plant and equipment	3,944,966	-	3,944,966
Acquisition of a subsidiary	46,632	-	46,632
Additions during the year	1,468,584	-	1,468,584
<b>At December 31, 2024</b>	<b>6,087,726</b>	<b>4,145,544</b>	<b>10,233,270</b>

**Accumulated amortization**

<b>At January 1, 2024</b>	(148,513)	(214,148)	(362,661)
Transfer from property, plant and equipment	(1,159,303)	-	(1,159,303)
Acquisition of a subsidiary	(46,632)	-	(46,632)
Charge for the year	(1,227,081)	(513,955)	(1,741,036)
<b>At December 31, 2024</b>	<b>(2,581,529)</b>	<b>(728,103)</b>	<b>(3,309,632)</b>

**Net book value**

<b>At December 31, 2024</b>	<b>3,506,197</b>	<b>3,417,441</b>	<b>6,923,638</b>
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**7 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:

	<b>Leasehold lands</b>	<b>Warehouses and accommodations</b>	<b>Motor vehicles</b>	<b>Total</b>
At January 1, 2025	<b>28,055,624</b>	<b>22,429,377</b>	<b>2,722,832</b>	<b>53,207,833</b>
Additions during the year	<b>1,656,285</b>	<b>7,356,057</b>	<b>1,131,313</b>	<b>10,143,655</b>
Charge for the year	<b>(1,755,372)</b>	<b>(6,392,462)</b>	<b>(1,314,259)</b>	<b>(9,462,093)</b>
Terminations during the year	-	<b>(151,058)</b>	-	<b>(151,058)</b>
At December 31, 2025	<b>27,956,537</b>	<b>23,241,914</b>	<b>2,539,886</b>	<b>53,738,337</b>
	<b>Leasehold lands</b>	<b>Warehouses and accommodations</b>	<b>Motor vehicles</b>	<b>Total</b>
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

Below are the carrying amounts of lease liabilities and the movements during the year:

	<b>2025</b>	<b>2024</b>
At January 1,	<b>55,260,001</b>	50,129,989
Additions during the year	<b>10,143,655</b>	13,097,754
Terminations during the year	<b>(153,155)</b>	(671,327)
Accretion of finance cost	<b>3,645,267</b>	2,742,686
Payments	<b>(11,237,941)</b>	(10,056,983)
Translation adjustment	-	17,882
At December 31,	<b>57,657,827</b>	55,260,001
	<b>2025</b>	<b>2024</b>
<b>Lease liabilities</b>		
Non-current	<b>48,184,086</b>	47,906,447
Current	<b>9,473,741</b>	7,353,554
	<b>57,657,827</b>	55,260,001

Maturity profile of lease liabilities is disclosed in Note 29.3.

During the year ended December 31, 2025, the Group had total cash outflows for leases of Saudi Riyals 11.5 million (2024: Saudi Riyals 11.0 million).

Payments associated with short-term leases of equipment and vehicles amounting to Saudi Riyals 0.3 million (2024: Saudi Riyals 1 million) are recognized as an expense in the consolidated statement of profit or loss and other comprehensive income, which has been fully paid. Short-term leases are leases with a lease term of 12 months or less without a renewal option.

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The depreciation charge related to right-of-use assets for the year was allocated as follows:

	Note	2025	2024
Cost of revenue	19	8,479,114	6,252,782
Selling and distribution expenses	20	61,258	88,464
General and administrative expenses	21	921,721	1,474,537
		<b>9,462,093</b>	<b>7,815,783</b>

**8 Interests in subsidiaries**

The Group's subsidiaries at December 31, 2025 and 2024 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	
			2025	2024
Integrated Packaging Industries Company	Kingdom of Saudi Arabia ("KSA")	Manufacturing of folding cartons and pulp products.	100%	100%
United Paper Industries Company FZCO	United Arab Emirates ("UAE")	Manufacturing of paper, packing and packaging material.	100%	100%
Ras Al Khaimah Packaging Ltd. Co. LLC (Note 8.1)	United Arab Emirates	Manufacturing of corrugated cartons and sheets	100%	100%
Integrated Paper Industry Company (Note 8.2)	Kingdom of Saudi Arabia	Manufacturing of paper and paper based containers	100%	100%

**8.1 Acquisition of Ras Al Khaimah Packaging Ltd. Co. LLC ("RAK")**

During 2024, the Company acquired 100% of the equity shareholding in RAK, a corrugated packaging company based in the UAE, for a total purchase consideration of Saudi Riyals 13.75 million (equivalent to United Arab Emirates 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 to acquire a debt instrument issued by RAK, which was novated to the Company and effectively settled from a Group perspective. The Group considers this transaction as a strategic opportunity to expand in the corrugated packaging industry in the UAE.

The fair value of the net identifiable assets of RAK at the acquisition date amounted to Saudi Riyals 24.99 million, resulting in a bargain purchase gain of Saudi Riyals 11.24 million, which was recognized in the consolidated statement of profit or loss and other comprehensive income. The valuation was finalized in December 2024, and the acquisition date fair value of property, plant and equipment was Saudi Riyals 26.9 million, resulting in a fair value adjustment of Saudi Riyals 17.2 million against provisional values and deferred taxes were also adjusted accordingly. RAK had no contingent liabilities as at December 31, 2024. Capital commitments as at December 31, 2024 amounted to Saudi Riyals 0.18 million.

**8.2 Incorporation of Integrated Paper Industry Company ("IPC")**

On September 1, 2024, the parent Company incorporated Integrated Paper Industry Company (a single shareholder limited liability company), a wholly owned subsidiary registered in the Kingdom of Saudi Arabia, under CR number 4030575596 dated Safar 28, 1446H (corresponding September 1, 2024). 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.

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**9 Inventories**

	Note	2025	2024
Raw materials		128,382,454	155,595,705
Spare parts		58,820,911	54,294,306
Work in progress		2,638,864	1,235,003
Finished goods		1,275,733	675,249
Goods in transit		56,680,219	22,318,612
		<u>247,798,181</u>	234,118,875
Less: provision for slow-moving and damaged inventories	9.1	<u>(47,015,188)</u>	(46,613,261)
		<u>200,782,993</u>	187,505,614

**9.1** Movement in the provision for slow-moving and damaged inventories is as follows:

	2025	2024
At January 1	46,613,261	43,791,064
Provision for the year	401,927	2,822,197
At December 31	<u>47,015,188</u>	46,613,261

The cost of inventories charged as an expense during the year was Saudi Riyals 850.7 million (2024: Saudi Riyals 772.4 million).

**10 Trade receivables**

	Note	2025	2024
<b>At amortised cost</b>			
Trade receivables - third parties		253,269,918	224,566,059
Trade receivables - related parties	24.2	12,388,845	12,313,601
		<u>265,658,763</u>	236,879,660
Less: allowance for impairment of trade receivables		<u>(9,508,929)</u>	(9,341,824)
		256,149,834	227,537,836
<b>At fair value</b>			
Trade receivables - third parties*		4,560,989	7,476,616
		<u>260,710,823</u>	235,014,452

\*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.

The movement in the allowance for impairment of trade receivables is as follows:

	2025	2024
At January 1	9,341,824	10,200,889
Impairment loss/(reversal) allowance for the year	167,105	(859,065)
At December 31	<u>9,508,929</u>	9,341,824

As at December 31, 2025, the top 30 customer balances accounted for approximately 44% (2024: 44%) of the Group's total outstanding trade receivables. Information about credit risk is disclosed in Note 29.

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**11 Advances, prepayments and other receivables**

	Note	2025	2024
Prepayments		8,048,777	5,131,219
Contract assets	18	5,319,027	4,883,166
Advances to suppliers		4,568,004	9,255,562
Employee loans		4,132,832	4,065,940
Insurance claim receivable	22	4,031,990	8,272,451
VAT receivable		2,364,203	2,350,949
Margin on letters of guarantee		466,830	654,455
Other receivables *		625,278	5,062,489
		<b>29,556,941</b>	<b>39,676,231</b>

\* As at December 31, 2024, other receivables included a balance relating to Al Kifah Holding Company (previous shareholder of IPIC). Payable of an equivalent amount was included in other payables (note 16). During the year ended December 31, 2025, the balance was no longer receivable by IPIC. Accordingly, the receivable and corresponding payable were derecognized.

**12 Cash and cash equivalents**

	2025	2024
Cash at banks (Note 12.1)	8,307,417	30,619,753
Bank deposits (Note 12.2)	76,670,079	7,182,000
Cash in hand	182,060	203,411
	<b>85,159,556</b>	<b>38,005,164</b>

**12.1** 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.

**12.2** The bank deposits represents shariah-compliant Murabaha and conventional deposits placed with commercial banks, with a maturity period of three months or less from date of placement. These deposits yield finance income at prevailing market rates.

**13 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 as of December 31, 2025 and 2024 consisted of 40 million authorised, issued and fully paid-up shares stated at Saudi Riyals 10 each.

**14 Short-term borrowings**

Short-term borrowings are obtained, under Islamic financing arrangements from local banks and under conventional financing arrangements from foreign banks, to finance the working capital of the Group. These are denominated in Saudi Riyals and AED, bear financial charges based on the prevailing market rates based on Saudi Interbank Offer Rate (SAIBOR) in the Kingdom of Saudi Arabia and Emirates Interbank Offer Rate ("EIBOR") in the UAE and are collateralised by demand promissory notes and corporate guarantees from the Company. The unused funded balance of the Group's facilities as at December 31, 2025 amounted to Saudi Riyals 264.4 million (2024: Saudi Riyals 244.6 million). The facilities agreements contained covenants to maintain certain financial ratios and non-financial metrics. As at December 31, 2025, the Group was in compliance with such covenants.

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 months to six months and financial charges 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.

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**15 Employee benefit obligations**

The Group operates a defined benefit plan in line with the labour law requirements in the KSA 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, 2025 and 2024.

**15.1 Movement in the present value of employee benefit obligations**

	<b>2025</b>	<b>2024</b>
At January 1,	<b>61,060,599</b>	63,830,022
Acquisition of a subsidiary	-	455,885
<u>Included in profit or loss</u>		
Current service cost	<b>5,517,222</b>	5,303,431
Interest cost	<b>3,183,942</b>	2,670,266
	<b>8,701,164</b>	7,973,697
<u>Included in other comprehensive income</u>		
Financial assumptions	<b>2,363,074</b>	(3,686,402)
Experience adjustments	<b>1,359,934</b>	(302,853)
Demographic assumptions	<b>144,318</b>	-
	<b>3,867,326</b>	(3,989,255)
Benefits paid	<b>(6,054,230)</b>	(7,210,352)
Translation adjustment	-	602
At December 31,	<b>67,574,859</b>	61,060,599

**15.2 Key actuarial assumptions**

	<b>2025</b>	<b>2024</b>
Discount rate	<b>3.60% - 4.75%</b>	4.80% - 5.25%
Future salary growth	<b>4.00%</b>	4.00%

**15.3 Sensitivity analysis**

The quantitative sensitivity analysis for the principal assumptions is as follows:

	Change in assumption		Impact on employee benefit obligations			
			Increase in assumption		Decrease in assumption	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Discount rate	<b>0.5%</b>	0.5%	<b>(2,298,027)</b>	(2,047,126)	<b>2,458,085</b>	2,184,955
Salary growth rate	<b>0.5%</b>	0.5%	<b>2,532,295</b>	1,771,939	<b>(2,390,376)</b>	(1,677,338)

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 6.1 years - 10.7 years (2024: 5.7 years - 10.3 years).

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**15.4 Expected maturity profile**

The expected maturity analysis of undiscounted employee benefit obligations is as follows:

	<b>2025</b>	<b>2024</b>
Up to 1 year	<b>7,520,154</b>	5,631,180
2 - 5 years	<b>33,970,027</b>	33,701,926
Over 5 years	<b>40,386,840</b>	38,651,848
	<b>81,877,021</b>	77,984,954

**16 Accrued and other liabilities**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Accrued expenses		<b>46,065,365</b>	43,549,453
Advances from customers	18	<b>9,134,200</b>	7,890,290
Advances from founding shareholders for reimbursement of IPO expenses *	24.1	-	7,846,614
VAT payable		<b>8,727,811</b>	4,925,831
Accruals for rebates and discounts		<b>4,324,477</b>	4,819,053
Others **		<b>914,299</b>	5,598,809
		<b>69,166,152</b>	74,630,050

\* In 2024 this represented the balance received from the shareholders, which was subsequently offset against the Initial Public Offering (“IPO”) related expenses incurred in 2025.

\*\* Refer Note 11 for the decrease in the balance.

**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, including foreign subsidiaries where applicable. 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 net book value of the deductible assets.

**17.2 Provision for zakat and income tax**

	<b>Zakat</b>	<b>Income tax</b>	<b>Total</b>
<b>January 1, 2024</b>	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)
<b>December 31, 2024</b>	<b>3,531,721</b>	<b>3,609,214</b>	<b>7,140,935</b>
Provision for the			
- Current year	<b>3,519,676</b>	<b>5,204,753</b>	<b>8,724,429</b>
- Prior periods	<b>(311,579)</b>	<b>(148,596)</b>	<b>(460,175)</b>
	<b>3,208,097</b>	<b>5,056,157</b>	<b>8,264,254</b>
Transfer from accrued and other liabilities*	<b>1,131,010</b>	-	<b>1,131,010</b>
Payments **	<b>(4,351,132)</b>	<b>(9,901,436)</b>	<b>(14,252,568)</b>
<b>December 31, 2025</b>	<b>3,519,696</b>	<b>(1,236,065)</b>	<b>2,283,631</b>

\* This represents amount in relation to assessments of the Company for the years ended December 31, 2013 and 2014.

\*\* This includes advance income tax amounting to Saudi Riyals 6.4 million (2024: Saudi Riyals 5.21 million) and Saudi Riyals 1.1 million paid in relation to the zakat assessments for the years ended December 31, 2013 and 2014.

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### **17.3 Status of zakat and income tax assessments**

#### **17.3.1 United Carton Industries Company -**

##### **i) Up to years ended December 31, 2012 and 2015 to 2017:**

The zakat assessments for these years are considered as final.

##### **ii) 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. During the year ended December 31, 2025, the GSTC scheduled a closed hearing session wherein TVDAC ruled the final reconsideration in favor of ZATCA who demanded an immediate payment of Saudi Riyal 1.13 million which was paid by the Company.

##### **iii) Years ended December 31, 2018 to 2024:**

The Company submitted zakat and income tax returns for the above-mentioned years to ZATCA and has a certificate valid up to April 30, 2026. Zakat and income tax assessments for these years have not yet raised by ZATCA.

#### **17.3.2 Integrated Packaging Industries Company**

Zakat assessments of IPIC have been finalized up to the period ended September 30, 2013. Zakat returns for IPIC have been filed up to the year ended December 31, 2021 with ZATCA as part of consolidated returns by the previous shareholders. 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.

During the year ZATCA raised an assessment for the year 2022 demanding an amount of Saudi Riyal 0.03 million which was paid by IPIC. The assessments for the years 2023 and 2024 have not yet been raised by ZATCA.

IPIC submitted zakat and tax returns for the year ended December 31, 2024 to ZATCA and has a certificate valid up to April 30, 2026.

#### **17.3.3 Integrated Paper Industry Company**

IPC was incorporated on September 1, 2024. IPC submitted zakat and income tax returns for the year ended December 31, 2024 to ZATCA and has a certificate valid up to April 30, 2026.

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**17.3.4 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. The foreign subsidiaries have filed their tax returns for the year ended December 31, 2024.

**17.4 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	2025	2024
Current income tax	17.2	5,056,157	9,085,363
Deferred income tax	17.5	(720,086)	2,798,411
<b>Total income tax charged to profit or loss</b>		<b>4,336,071</b>	<b>11,883,774</b>
<b>Deferred tax (income)/charge to other comprehensive income</b>	17.5	<b>(138,700)</b>	<b>232,284</b>

**17.5 Deferred tax movement**

The movement comprises temporary differences attributable to:

	<u>(Charged) / income to</u>				
	At		Profit or	Other	At
	January 1,	Business	loss	comprehe	December
	2025	combination		nsive	31, 2025
				income	
Property, plant and equipment	(2,434,538)	-	2,022,870	-	(411,668)
Provisions	6,674,192	-	(1,775,212)	138,700	5,037,680
Carried forward losses	359,640	-	472,428	-	832,068
<b>Net deferred tax</b>	<b>4,599,294</b>	<b>-</b>	<b>720,086</b>	<b>138,700</b>	<b>5,458,080</b>
Deferred tax assets	5,620,498	-	(138,796)	138,700	5,620,402
Deferred tax liabilities	(1,021,204)	-	858,882	-	(162,322)
	<u>(Charged) / income to</u>				
	At		Profit or	Other	At
	January 1,	Business	loss	comprehe	December
	2024	combination		nsive	31, 2024
				income	
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
<b>Net deferred tax</b>	<b>9,176,906</b>	<b>(1,546,917)</b>	<b>(2,798,411)</b>	<b>(232,284)</b>	<b>4,599,294</b>
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)

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**17.6 Reconciliation of income tax expense**

The relationship between income tax expense and the effective tax expense is as follows for the years ended December 31:

	<b>2025</b>	<b>2024</b>
Profit before zakat and income tax	<b>86,668,833</b>	139,910,066
Less: profit subject to zakat	<b>(64,127,983)</b>	(96,876,146)
Profit subject to income tax	<b>22,540,850</b>	43,033,920
Income tax rate (%)	<b>20%</b>	20%
Income tax at domestic rate	<b>4,508,170</b>	8,606,784
<u>Tax effects of:</u>		
Permanent differences	<b>(43,875)</b>	212,167
Effect of shareholding	<b>464,840</b>	-
Effect of prior year - tax expense differential upon filing of tax return	<b>(148,596)</b>	361,545
Difference in overseas tax rate	<b>(115,483)</b>	(96,358)
Other	<b>(328,985)</b>	2,799,636
	<b>4,336,071</b>	11,883,774

**18 Revenue**

The Group derives revenue from the following streams:

	<b>2025</b>	<b>2024</b>
Revenue from:		
- Corrugated cartons and plates	<b>1,147,584,612</b>	1,103,863,842
- Duplex cartons	<b>93,673,019</b>	84,487,324
- Paper and packaging material	<b>109,208,006</b>	109,745,395
- Transportation services	<b>55,910,762</b>	46,379,858
	<b>1,406,376,399</b>	1,344,476,419

For the year ended December 31, 2025, the revenue recognised is net of rebates and discounts, which amount to Saudi Riyals 6.8 million (2024: Saudi Riyals 6.0 million).

The revenue for the Group by geographical region is as follows:

	<b>2025</b>	<b>2024</b>
Kingdom of Saudi Arabia	<b>1,241,663,665</b>	1,196,949,985
United Arab Emirates	<b>144,956,685</b>	123,223,875
Others	<b>19,756,049</b>	24,302,559
	<b>1,406,376,399</b>	1,344,476,419

Timing of revenue recognition

	<b>2025</b>	<b>2024</b>
Over time	<b>1,297,168,393</b>	1,234,731,024
Point in time	<b>109,208,006</b>	109,745,395
	<b>1,406,376,399</b>	1,344,476,419

At December 31, 2025 and 2024, the Group has recognised the contract liabilities related to contract with customers:

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Advances from customers	16	<b>9,134,200</b>	7,890,290

Revenue recognised that was included in the advances from customers balance at the beginning of the year was Saudi Riyals 7.9 million (2024: Saudi Riyals 13.2 million).

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As at December 31, 2025 and 2024, the Group has recognised the contract assets related to the performance obligation satisfied, but not yet billed to the customers.

	<b>2025</b>	<b>2024</b>
Contract assets	<u>5,319,027</u>	4,883,166

**19 Cost of revenue**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Material cost		<b>850,660,567</b>	772,447,132
Employee cost		<b>110,001,219</b>	103,414,943
Utilities		<b>67,025,100</b>	64,698,184
Depreciation of property, plant and equipment	4	<b>62,892,255</b>	58,752,184
Delivery cost		<b>53,877,735</b>	44,163,928
Depreciation of right-of-use assets	7	<b>8,479,114</b>	6,252,782
Insurance		<b>6,674,002</b>	5,017,644
Amortization of intangible assets		<b>1,336,736</b>	1,061,480
Others		<b>47,719,583</b>	48,605,410
		<u><b>1,208,666,311</b></u>	<u>1,104,413,687</u>

**20 Selling and distribution expenses**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Employee cost		<b>22,264,873</b>	19,190,138
Traveling and conveyance		<b>2,734,627</b>	2,610,275
Delivery cost		<b>1,770,835</b>	1,802,799
Sales commission		<b>770,926</b>	803,514
Insurance		<b>243,014</b>	261,012
Depreciation of property, plant and equipment	4	<b>156,440</b>	165,399
Depreciation of right-of-use assets	7	<b>61,258</b>	88,464
Amortization of intangible assets		<b>30,975</b>	-
Others		<b>1,521,858</b>	869,848
		<u><b>29,554,806</b></u>	<u>25,791,449</u>

**21 General and administrative expenses**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Employee cost		<b>54,524,898</b>	52,947,383
Staff relations		<b>6,143,345</b>	7,319,650
License and software maintenance		<b>6,146,757</b>	7,910,985
Professional fees		<b>5,578,537</b>	4,579,200
Depreciation of property, plant and equipment	4	<b>4,132,833</b>	5,128,925
Board of Directors' and committees' remuneration	24	<b>3,641,000</b>	3,800,000
Repairs and maintenance		<b>2,318,354</b>	1,603,244
Communications		<b>1,904,184</b>	1,634,591
Depreciation of right-of-use assets	7	<b>921,721</b>	1,474,537
Amortisation of intangible assets		<b>688,322</b>	679,556
Traveling and conveyance		<b>664,331</b>	660,885
Insurance		<b>619,255</b>	544,318
Others		<b>5,081,746</b>	7,370,293
		<u><b>92,365,283</b></u>	<u>95,653,567</u>

Auditor's remuneration for the statutory audits and review services for the year ended December 31, 2025 amounted to Saudi Riyals 1.9 million (2024: Saudi Riyals 2.1 million). Auditor's fees for other statutory services in their capacity as the auditors of the Group, amounted to Saudi Riyals 0.8 million (2024: Saudi Riyals 2.7 million).

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**22 Other income and other expenses**

	<b>2025</b>	<b>2024</b>
<b>Other income</b>		
Income from insurance claim *	<b>12,356,907</b>	12,726,847
Staff and accommodation expense reimbursement	<b>3,317,174</b>	3,580,654
Gain on disposal of assets classified as held for sale **	<b>54,130</b>	-
Sale of scrap items	-	502,434
Others	<b>1,284,430</b>	1,002,141
	<b>17,012,641</b>	17,812,076
<b>Other expenses</b>		
Loss on disposal of property, plant and equipment	<b>(879,930)</b>	-
Exchange loss	<b>(12,375)</b>	-
	<b>(892,305)</b>	-

\* During the year ended December 31, 2025, IPIC finalized its insurance claim in respect of the fire incident that occurred during 2024, for an aggregate amount of Saudi Riyals 25.08 million. A partial claim amount of Saudi Riyals 12.72 million was approved by the insurance company during 2024 and the balance claim amount of Saudi Riyals 12.36 million was approved during the year ended December 31, 2025. Accordingly, these were recorded as income from insurance claim in the consolidated statement of profit or loss and other comprehensive income. Out of the balance amount of Saudi Riyals 12.36 million, the Group has received a sum of Saudi Riyals 8.33 million prior to the year-end and Saudi Riyals 4.03 million was collected subsequent to the year-end (Note 11).

\*\* In 2024, IPC had entered into an agreement for purchase of certain items of property, plant and equipment amounting to Saudi Riyals 10.4 million, out of which Saudi Riyals 2.1 million was paid in advance. During the year ended December 31, 2025, the ownership of these assets was transferred to IPC and the balance amount was paid. Certain machinery and equipment assets amounting to Saudi Riyals 4.1 million were classified as assets held for sale, on the date of acquisition. Thereafter, during the year, IPC sold these assets held for sale to a third party for Saudi Riyals 4.2 million, which has been received in full. There are no outstanding liabilities related to assets held for sale.

**23 Finance costs**

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Finance cost on short-term borrowings	14	<b>1,433,695</b>	2,767,328
Finance cost on lease liabilities	7	<b>3,645,267</b>	2,742,686
Others		<b>450,467</b>	449,674
		<b>5,529,429</b>	5,959,688

**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:

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<b>Related party</b>	<b>Relationship</b>	<b>Nature of transaction</b>	<b>2025</b>	<b>2024</b>
National Food Industries Company	Other related party	Sale of goods	<b>11,739,933</b>	11,608,311
		Purchase of goods	<b>31,375</b>	-
		Staff and accommodation expenses reimbursement	<b>1,632,355</b>	1,793,884
National Biscuits and Confectionary Company	Other related party	Sale of goods	<b>33,812,497</b>	28,809,048
		Staff and accommodation expenses reimbursement	<b>1,611,903</b>	1,786,770
Zamil Air Conditioner and Home Appliances	Other related party	Sale of goods	<b>1,918,396</b>	2,830,702
		Purchase of goods	-	99,800
Zamil Plastic Industries Company	Other related party	Sale of goods	<b>2,180,676</b>	1,284,453
Modern Plastics Industry Company	Other related party	Sale of goods	<b>1,444,524</b>	1,584,566
Zamil Central and Air Conditioner Company	Other related party	Sale of goods	<b>97,925</b>	208,279
		Purchase of goods	<b>60,000</b>	-
Zamil Food Industries Limited	Other related party	Sale of goods	<b>5,266,168</b>	4,137,109
Zamil Group Company for Trading and Services	Other related party	Purchase of goods	<b>59,400</b>	-
Techno Val Information System	Other related party	IT services	<b>1,345,710</b>	1,236,441
United Warehouse Company	Other related party	Sale of goods	<b>32,652</b>	-
		Purchase of goods	<b>339,620</b>	-
Frimex International Investment Limited	Other related party	Expenses incurred on behalf of the Company	<b>211,998</b>	-
Founding shareholders of the Company *	Shareholders	IPO related expenses	<b>10,216,749</b>	11,153,386

\* The founding shareholders of the Company have reimbursed the Company for IPO related expenses. (refer to Note 16).

During the year ended December 31, 2025, the Company completed its IPO and collected the proceeds on behalf of the founding shareholders. The proceeds were remitted to the founding shareholders, at face value, after adjusting related deductions pre-approved by the founding shareholders.

**24.2 Related party balances**

(i) Due from related parties – classified within trade receivables

	<b>2025</b>	<b>2024</b>
National Biscuits and Confectionary Company	<b>9,431,969</b>	8,531,919
National Food Industries Company	<b>2,075,913</b>	1,908,194
Zamil Plastic Industries Company	<b>711,843</b>	345,653
Zamil Food Industries Limited	<b>126,740</b>	425,924
Zamil Central and Air Conditioner Company	<b>41,430</b>	40,275
Modern Plastics Industry Company	<b>950</b>	356,376
Zamil Air Conditioner and Home Appliances	-	705,260
	<b>12,388,845</b>	12,313,601

Sales and purchases (including services) carried out to/from related parties during the year are based on the prices 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.

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#### 24.3 Related party commitment

During 2024, the Company and its founding shareholders entered into an agreement wherein the foreign founding shareholder committed to reimburse the Company for the increased income tax burden due to the foreign shareholding, effective from January 1, 2024 onwards. During the year ended December 31, 2025, such foreign founding shareholder has reimbursed an amount of Saudi Riyals 7.4 million relating to the year ended December 31, 2024.

#### 24.4 Key management personnel and Board of Directors' 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 other employee benefits.

	2025	2024
Short-term employee benefits (salaries and other allowances)	11,089,183	10,582,002
Post-employment benefits (end-of-service benefits)	656,069	678,390
	<u>11,745,252</u>	<u>11,260,392</u>
Board of Directors' ("BoD") remuneration	3,438,000	3,800,000
BoDs' reimbursement of expenses	36,259	33,633
	<u>3,474,259</u>	<u>3,833,633</u>

As at December 31, 2025, the outstanding balance due from key management personnels amount to Saudi Riyals 1.56 million (2024: Saudi Riyals 1.59 million) and is secured by the end of service benefits. Also see Note 11.

#### 25 Commitments

The capital expenditure contracted by the Group but not incurred until December 31, 2025 was Saudi Riyals 15.6 million (2024: Saudi Riyals 29.9 million).

#### 26 Contingencies

At December 31, 2025, the Group has outstanding letters of guarantees amounting to Saudi Riyals 3.6 million (2024: Saudi Riyals 3.8 million) and bills of exchange amounting to Saudi Riyals 3.1 million (2024: Nil) issued in the normal course of business.

#### 27 Segment information

An operating segment is a component of an entity:

- 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),
- 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
- 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 ("CODM"). 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.

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**Paper and packaging material**

Paper segment involves manufacturing of paper, packing and packaging material.

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 management has identified that revenue from transportation services is not an operating segment, and such revenue has been allocated to corrugated and duplex segments.

The Group's consolidated financial information by business segments, were as follows:

	<b>Corrugated</b>	<b>Duplex</b>	<b>Paper and packaging material</b>	<b>Total</b>
<b>December 31, 2025</b>				
Property, plant and equipment	260,254,010	72,637,520	64,961,229	397,852,759
Right-of-use assets	34,656,232	816,521	18,265,584	53,738,337
Trade receivables	210,464,077	20,589,728	39,165,947	270,219,752
Allowance for impairment of trade receivables	(9,044,370)	(361,959)	(102,600)	(9,508,929)
Trade receivables - net	201,419,707	20,227,769	39,063,347	260,710,823
<b>December 31, 2025</b>				
<b>Total assets</b>	<b>804,745,336</b>	<b>121,348,671</b>	<b>151,744,727</b>	<b>1,077,838,734</b>
<b>Total liabilities</b>	<b>382,227,458</b>	<b>65,590,344</b>	<b>41,705,871</b>	<b>489,523,673</b>

	<b>Corrugated</b>	<b>Duplex</b>	<b>Paper and packaging material</b>	<b>Total</b>
<b>December 31, 2024</b>				
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
<b>December 31, 2024</b>				
<b>Total assets</b>	<b>736,610,671</b>	<b>127,542,387</b>	<b>133,526,783</b>	<b>997,679,841</b>
<b>Total liabilities</b>	<b>328,771,909</b>	<b>84,622,243</b>	<b>38,761,230</b>	<b>452,155,382</b>

	<b>Corrugated</b>	<b>Duplex</b>	<b>Paper and packaging material</b>	<b>Total</b>
<b>For the year ended</b>				
<b>December 31, 2025</b>				
Segment revenue	1,205,316,522	96,847,176	112,454,779	1,414,618,477
Inter-segment revenue	(4,995,305)	-	(3,246,773)	(8,242,078)
Revenue from external customers	1,200,321,217	96,847,176	109,208,006	1,406,376,399
Gross profit	177,818,760	12,551,710	7,339,618	197,710,088
Depreciation and amortization	59,933,773	12,875,495	5,890,386	78,699,654
Finance income	2,934,371	-	308,306	3,242,677
Finance costs	2,736,097	1,620,911	1,172,421	5,529,429
Profit / (loss) before zakat and income tax	76,745,076	11,875,912	(1,952,155)	86,668,833
Additions to property, plant and equipment	42,020,484	19,228,876	11,591,847	72,841,207

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	<b>Corrugated</b>	<b>Duplex</b>	<b>Paper and packaging material</b>	<b>Total</b>
<b>For the year ended December 31,</b>				
<b><u>2024</u></b>				
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/ (loss) 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
		<b>Kingdom of Saudi Arabia</b>	<b>United Arab Emirates</b>	<b>Total</b>
<b><u>2025</u></b>				
<b>Non-current assets</b>		<b>381,061,507</b>	<b>120,566,914</b>	<b>501,628,421</b>
<b><u>2024</u></b>				
Non-current assets		385,402,385	112,075,995	497,478,380

Refer to Note 18 for the geographical analysis of revenue.

## 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:

	<b>2025</b>	<b>2024</b>
Profit for the year	<b>79,124,665</b>	124,696,211
Weighted average number of ordinary shares*	<b>40,000,000</b>	40,000,000
Basic and diluted earnings per share	<b>1.98</b>	3.12

## 29 Financial instruments

### 29.1 Financial assets

#### 29.1.1 Financial assets at amortised cost

	<b>Note</b>	<b>2025</b>	<b>2024</b>
Trade receivables	10	<b>256,149,834</b>	227,537,836
Cash and cash equivalents	12	<b>85,159,556</b>	38,005,164
Employee loans	11	<b>4,132,832</b>	4,065,940
Insurance claim receivable	11	<b>4,031,990</b>	8,272,451
Other receivables	11	<b>625,278</b>	5,062,489
Margin on letters of guarantee	11	<b>466,830</b>	654,455
		<b>350,566,320</b>	283,598,335

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#### 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	2025	2024
Trade receivables (Level 3)	10	<u>4,560,989</u>	7,476,616

#### 29.2 Financial liabilities

	Note	2025	2024
<b>Financial liabilities at amortised cost</b>			
Trade payables		<b>262,582,809</b>	199,386,283
Lease liabilities	7	<b>57,657,827</b>	55,260,001
Short-term borrowings	14	<b>30,096,073</b>	53,656,310
Accrued expenses	16	<b>46,065,365</b>	43,549,453
Accruals for rebates and discounts	16	<b>4,324,477</b>	4,819,053
Other payables	16	<b>914,299</b>	5,598,809
<b>Total financial liabilities</b>		<b><u>401,640,850</u></b>	<b>362,269,909</b>

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)

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**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 10 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 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 profit or loss.

**i. Impairment of financial assets**

The Group's gross exposure to credit risk at the reporting date is as follows:

	<b>2025</b>	<b>2024</b>
Trade receivables	<b>265,658,763</b>	236,879,660
Cash and cash equivalents	<b>84,977,496</b>	38,005,164
Insurance claim receivable	<b>4,031,990</b>	8,272,451
Other receivables	<b>625,278</b>	5,062,489
Employee loans	<b>4,132,832</b>	4,065,940
Margin on letters of guarantee	<b>466,830</b>	654,455
	<b>359,893,189</b>	292,940,159

**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:

	<b>2025</b>	<b>2024</b>
A1	<b>65,384,392</b>	22,333,928
A3	<b>41,082</b>	64,181
Aa3	<b>19,552,022</b>	13,010,502
Baa1	-	134,586
Baa3	-	2,258,556
	<b>84,977,496</b>	37,801,753

**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.

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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:

	<b>2025</b>	<b>2024</b>
Impairment loss/(reversal) on financial assets	<u><b>167,105</b></u>	<u><b>(859,065)</b></u>

The following table provides information about the exposure to credit risk and ECLs for trade receivables from customers:

<b>Ageing</b>	<b>Gross carrying amount</b>	<b>Expected credit loss rate (%)</b>	<b>Loss allowance</b>
Not due	<b>203,548,179</b>	<b>0.31%</b>	<b>633,634</b>
1 – 90 days	<b>50,337,245</b>	<b>1.31%</b>	<b>657,213</b>
91 – 180 days	<b>2,494,056</b>	<b>8.42%</b>	<b>209,915</b>
181 – 270 days	<b>1,891,678</b>	<b>32.81%</b>	<b>620,645</b>
271 – 365 days	<b>138,940</b>	<b>99.94%</b>	<b>138,857</b>
Greater than 365 days	<u><b>7,248,665</b></u>	<b>100.00%</b>	<u><b>7,248,665</b></u>
December 31, 2025	<u><b>265,658,763</b></u>		<u><b>9,508,929</b></u>

<b>Ageing</b>	<b>Gross carrying amount</b>	<b>Expected credit loss rate (%)</b>	<b>Loss allowance</b>
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	<u>5,614,274</u>	100.00%	<u>5,614,274</u>
December 31, 2024	<u><b>236,879,660</b></u>		<u><b>9,341,824</b></u>

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(All amounts in Saudi Riyals unless otherwise stated)

**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, 2025 and 2024 are:

	<b>Less than 1 year</b>	<b>Between 1 – 2 years</b>	<b>Between 2 – 5 years</b>	<b>Above 5 years</b>	<b>Total</b>
Trade payables	<b>262,582,809</b>	-	-	-	<b>262,582,809</b>
Short-term borrowings	<b>30,096,073</b>	-	-	-	<b>30,096,073</b>
Accrued and other liabilities	<b>51,304,141</b>	-	-	-	<b>51,304,141</b>
Lease liabilities	<b>10,572,088</b>	<b>10,474,823</b>	<b>17,097,196</b>	<b>46,471,751</b>	<b>84,615,858</b>
<b>December 31, 2025</b>	<b>354,555,111</b>	<b>10,474,823</b>	<b>17,097,196</b>	<b>46,471,751</b>	<b>428,598,881</b>
	<b>Less than 1 year</b>	<b>Between 1 – 2 years</b>	<b>Between 2 – 5 years</b>	<b>Above 5 years</b>	<b>Total</b>
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
December 31, 2024	315,625,359	6,795,754	24,102,427	50,025,274	396,548,814

Refer to Note 14 for unused borrowing facilities and Note 11 for closing cash position of the Group.

**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.

**UNITED CARTON INDUSTRIES COMPANY****(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2025**

(All amounts in Saudi Riyals unless otherwise stated)

*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 variable 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:

	<b>2025</b>	<b>2024</b>
Financial liabilities, principally borrowings	<u><b>30,096,073</b></u>	<u>53,656,310</u>

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 and income tax has been disclosed as follows:

	<b>2025</b>	<b>2024</b>
Interest rate-increases by 100 basis points	<b>300,961</b>	(536,563)
Interest rate-decreases by 100 basis points	<b>(300,961)</b>	536,563

*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 its 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 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 and 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 consolidated statement of financial position plus net debt.

The Group's strategy, which remained unchanged from previous year, is to maintain total gearing ratio less than 100%.

	<b>2025</b>	<b>2024</b>
Borrowings	<b>30,096,073</b>	53,656,310
Lease liabilities	<b>57,657,827</b>	55,260,001
Less: cash and cash equivalents	<b>(85,159,556)</b>	(38,005,164)
Net debt (A)	<b>2,594,344</b>	70,911,147
Shareholders' equity (B)	<b>588,315,061</b>	545,524,459
Total capital (A+B)	<b>590,909,405</b>	616,435,606
Gearing ratio (A / (A+B))	<b>0.44%</b>	11.50%

**UNITED CARTON INDUSTRIES COMPANY**

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**Notes to the consolidated financial statements for the year ended December 31, 2025**

(All amounts in Saudi Riyals unless otherwise stated)

**30 Dividends**

During the year ended December 31, 2025, the Board of Directors approved an interim dividend of Saudi Riyals 1.00 per share (2024: Saudi Riyals 1.625 per share) amounting to Saudi Riyals 40 million (2024: Saudi Riyals 65 million), which has been fully paid.

**31 Cash flow information**

**(a) Net debt**

	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	<b>85,159,556</b>	38,005,164
Short-term borrowings	<b>(30,096,073)</b>	(53,656,310)
Lease liabilities	<b>(57,657,827)</b>	(55,260,001)
Net debt	<b>(2,594,344)</b>	(70,911,147)

**(b) Net debt reconciliation**

	<b>Cash and cash equivalents</b>	<b>Short-term borrowings</b>	<b>Leases</b>	<b>Total</b>
January 1, 2024	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
<b>December 31, 2024</b>	<b>38,005,164</b>	<b>(53,656,310)</b>	<b>(55,260,001)</b>	<b>(70,911,147)</b>
Movement in cash and cash equivalents	47,154,392	-	-	47,154,392
Financing cash flows	-	23,560,237	7,592,674	31,152,911
New leases	-	-	(10,143,655)	(10,143,655)
Termination of leases	-	-	153,155	153,155
Interest expense	-	(1,433,695)	(3,645,267)	(5,078,962)
Interest payment	-	1,433,695	3,645,267	5,078,962
<b>December 31, 2025</b>	<b>85,159,556</b>	<b>(30,096,073)</b>	<b>(57,657,827)</b>	<b>(2,594,344)</b>

**32 Subsequent events**

Subsequent to the year ended December 31, 2025, the Group's Board of Directors approved an expansion project for the plant related to RAK, a wholly owned subsidiary. The project has an estimated cost of Saudi Riyals 75.9 million (AED 74 million). The project financing is through a combination of Group's operating cashflows and external borrowings. The project is expected to commence during the second quarter of 2026.

**33 Approval of the consolidated financial statements**

These consolidated financial statements were authorised for issue by the Group's Board of Directors on March 4, 2026.