

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
AND INDEPENDENT AUDITOR'S REPORT

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024

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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, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2024;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes 1 to 33 to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers



Ali A. Alotaibi
License Number 379



March 17, 2025

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

	Note	As at December 31,	
		2024	2023
Assets			
Non-current assets			
Property, plant and equipment	4	393,497,885	378,805,743
Goodwill	5	38,228,526	38,228,526
Intangible assets		6,923,638	4,410,427
Right-of-use assets	6	53,207,833	48,032,188
Deferred tax assets	17	5,620,498	9,176,906
Total non-current assets		497,478,380	478,653,790
Current assets			
Inventories	8	187,505,614	170,184,757
Trade receivables	9	235,014,452	223,005,431
Advances, prepayments and other receivables	10	39,676,231	23,324,282
Cash and cash equivalents	11	38,005,164	30,586,197
Total current assets		500,201,461	447,100,667
Total assets		997,679,841	925,754,457
Equity and liabilities			
Equity			
Share capital	12	400,000,000	200,000,000
Statutory reserve	13	-	60,000,000
Retained earnings		146,069,391	222,616,209
Foreign currency translation reserve		(544,932)	(546,329)
Total equity		545,524,459	482,069,880
Liabilities			
Non-current liabilities			
Deferred tax liabilities	17	1,021,204	-
Lease liabilities	6	47,906,447	42,517,345
Employee benefit obligations	15	61,060,599	63,830,022
Total non-current liabilities		109,988,250	106,347,367
Current liabilities			
Trade payables		199,386,283	173,355,541
Accrued and other liabilities	16	74,630,050	114,837,247
Short-term borrowings	14	53,656,310	30,168,532
Current portion of lease liabilities	6	7,353,554	7,612,644
Zakat and income tax payable	17	7,140,935	11,363,246
Total current liabilities		342,167,132	337,337,210
Total liabilities		452,155,382	443,684,577
Total equity and liabilities		997,679,841	925,754,457

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

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

		For the year ended December	
	Note	31,	
		2024	2023
Revenue	18	1,344,476,419	1,361,796,751
Cost of revenue	19	(1,104,413,687)	(1,077,458,925)
Gross profit		240,062,732	284,337,826
Selling and distribution expenses	20	(25,791,449)	(23,359,632)
General and administrative expenses	21	(95,653,567)	(85,726,727)
Reversal / (impairment) loss on financial assets	9	859,065	(750,000)
Fair value losses on financial assets		(2,659,518)	(2,844,333)
Bargain purchase gain on acquisition of a subsidiary	7	11,240,415	-
Other income - net	22	17,812,076	3,009,630
Operating profit		145,869,754	174,666,764
Finance costs	23	(5,959,688)	(7,736,053)
Profit before zakat and income tax		139,910,066	166,930,711
Zakat expense	17	(3,330,081)	(3,833,795)
Income tax expense	17	(11,883,774)	(6,399,152)
Net profit for the year		124,696,211	156,697,764
Other comprehensive income			
<i>Items that will be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		1,397	(546,329)
<i>Items that will not be reclassified to profit or loss:</i>			
Re-measurement gain/(loss) on employee benefit obligations	15	3,989,255	(2,012,725)
Deferred tax relating to re-measurement gain / (loss) on employee benefit obligations	17	(232,284)	126,475
Other comprehensive income/(loss) for the year		3,758,368	(2,432,579)
Total comprehensive income for the year		128,454,579	154,265,185
Earnings per share attributable to the shareholders of the Company			
Basic and diluted	28	3.12	3.92

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY
(A Closed Joints Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

				Foreign currency translation reserve	
Note	Share capital	Statutory reserve	Retained earnings		Total
At January 1, 2023	200,000,000	60,000,000	167,351,695	-	427,351,695
Profit for the year	-	-	156,697,764	-	156,697,764
Other comprehensive loss for the year	-	-	(1,886,250)	(546,329)	(2,432,579)
Total comprehensive income for the year	-	-	154,811,514	(546,329)	154,265,185
Transaction with shareholders in their capacity as shareholders:					
Dividends	30	-	(99,547,000)	-	(99,547,000)
At December 31, 2023	200,000,000	60,000,000	222,616,209	(546,329)	482,069,880
Profit for the year	-	-	124,696,211	-	124,696,211
Other comprehensive income for the year	-	-	3,756,971	1,397	3,758,368
Total comprehensive income for the year	-	-	128,453,182	1,397	128,454,579
Transactions with shareholders in their capacity as shareholders:					
Transfers to share capital	12	200,000,000	(60,000,000)	(140,000,000)	-
Dividends	30	-	-	(65,000,000)	-
		200,000,000	(60,000,000)	(205,000,000)	(65,000,000)
At December 31, 2024	400,000,000	-	146,069,391	(544,932)	545,524,459

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

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

	Note	For the year ended December 31,	
		2024	2023
Cash flows from operating activities			
Profit before zakat and income tax		139,910,066	166,930,711
<u>Adjustments for:</u>			
Depreciation on property, plant and equipment	4	64,046,508	62,396,764
Depreciation on right-of-use assets	6	7,815,783	7,925,918
Impairment loss on property, plant and equipment	4	771,908	-
Provision for slow-moving and damaged inventories	8	2,822,197	-
Amortisation of intangible assets		1,741,036	368,568
Provision for employee benefits obligations	15	7,973,697	8,386,715
Insurance claim compensation	22	(12,726,847)	-
Gain on termination of leases	6	(547,363)	-
Loss/(gain) on disposal of property, plant and equipment	22	46,855	(941,160)
Finance costs on short-term borrowings and others	23	3,217,002	5,512,708
Finance costs on lease liabilities	23	2,742,686	1,701,065
Exchange losses/(gains)	22	19,778	(436,038)
(Reversal) / impairment losses on financial assets	9	(859,065)	750,000
Bargain purchase gain on acquisition of a subsidiary	7	(11,240,415)	-
<i>Changes in working capital:</i>			
Inventories		(16,834,238)	78,554,587
Trade receivables		(1,724,613)	23,346,794
Advances, prepayments and other receivables		(7,339,110)	5,219,149
Trade payables		16,904,330	(12,188,607)
Accrued and other liabilities		(791,668)	(1,289,735)
Cash generated from operations		195,948,527	346,237,439
Zakat and income tax paid	17	(16,637,755)	(9,367,772)
Employee benefit obligations paid	15	(7,210,352)	(5,988,599)
Finance costs paid		(5,959,688)	(7,115,504)
Net cash generated from operating activities		166,140,732	323,765,564
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(55,504,988)	(34,838,007)
Proceeds from disposal of property, plant and equipment		79,667	1,439,551
Purchase of intangible assets		(1,468,584)	(278,907)
Proceeds from insurance claim compensation		4,454,396	-
Payment for acquisition of subsidiaries	7	(52,442,550)	(50,668,653)
Net cash used in investing activities		(104,882,059)	(84,346,016)
Cash flows from financing activities			
Dividends paid	30	(65,000,000)	(99,547,000)
Changes in short-term borrowings	31 (b)	23,487,778	(109,549,562)
Repayment of borrowing of acquiree	7.1	(5,016,244)	-
Repayment of principal portion of lease liabilities	31	(7,314,297)	(9,704,484)
Net cash used in financing activities		(53,842,763)	(218,801,046)
Net increase in cash and cash equivalents		7,415,910	20,618,502
Effect of exchange rate change on cash and cash equivalent		3,057	(107,823)
Cash and cash equivalents at the beginning of the year	11	30,586,197	10,075,518
Cash and cash equivalents at the end of the year	11	38,005,164	30,586,197
Supplemental information for non-cash transactions			
Additions to right-of-use assets and lease liabilities	6	13,097,754	43,500,362
Transfer from retained earnings to share capital	12	140,000,000	-
Transfer from statutory reserve to share capital	13	60,000,000	-

The accompanying notes from 1 to 33 form an integral part of these consolidated financial statements.

UNITED CARTON INDUSTRIES COMPANY

(A Closed Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2024

(All amounts in Saudi Riyals unless otherwise stated)

1 General information

United Carton Industries Company (the "Company") is a Closed Joint Stock Company registered in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration number 4030065231 dated Ramadan 18, 1409H (corresponding April 24, 1989). The Company's registered office is located at Industrial Area- Phase No. 5, P.O. Box 31503, Jeddah 21418, Kingdom of Saudi Arabia.

The Company and its subsidiaries (together referred to as the "Group") are primarily engaged in the manufacturing and sale of corrugated carton containers and plates, folding carton (duplex) and pulp products, paper and packaging material.

These consolidated financial statements include the results of the following branches of the Group, which are registered under the following registration numbers.

Sr. No.	Location of Branch	Commercial Registration Number
1	Jeddah	4030-198716
2	Jeddah	4030-201068
3	Jeddah	4030-125875
4	Riyadh	1010-268185
5	Dammam	2050-075036
6	Al-Kharj	1011-023950
7	Riyadh	1010-053015
8	Riyadh	1010-585737
9	Al Ahsa	2252-011935

a) Initial Public Offering ("IPO")

During 2024, the shareholders of the Company resolved to file an IPO application with the Capital Market Authority of the Kingdom of Saudi Arabia (the "CMA") to list the Company's shares on Tadawul, the main market in the Kingdom of Saudi Arabia.

The Company filed the application with the CMA for the IPO of its shares on Tadawul, in accordance with the Rules on the Offer of Securities and Continuing Obligations issued by the CMA, which was approved on December 16, 2024. The CMA's approval is valid for a period of six months from the date of such approval and will be deemed as cancelled if the offering and listing of the Company's shares are not completed within this six-month period. The Company is in the process of completing the procedures for the offering and listing of Company's shares.

2 Material accounting policies

2.1 Basis of preparation

The material accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

(b) Historical cost convention

These consolidated financial statements have been prepared on the historical cost convention, and on going concern basis, unless stated otherwise. The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

UNITED CARTON INDUSTRIES COMPANY**(A Closed Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2024**

(All amounts in Saudi Riyals unless otherwise stated)

2.2 Application of new and amended standards and interpretations**a) New and amended standards adopted by the Group**

Certain amendments to existing standards became applicable for the current reporting period. The amendments did not have an impact on the financial statements of the Group and accordingly, the Group did not have to change its accounting policies or make any retrospective adjustments.

Title	Key requirements	Effective date
Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1	The narrow-scope amendments to IAS 1 'Presentation of Financial Statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.	January 1, 2024
Leases on sale and leaseback - Amendments to IFRS 16	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	January 1, 2024
Supplier Finance arrangements - Amendments to IAS 7 and IFRS 7	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	January 1, 2024

b) Standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Group. The standards, interpretations and amendments issued that are relevant to the Group, but are not yet effective are disclosed below.

Title	Key requirements	Effective date
Amendments to IAS 21 - Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	January 1, 2025
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	These amendments: • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).	January 1, 2026

UNITED CARTON INDUSTRIES COMPANY**(A Closed Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2024**

(All amounts in Saudi Riyals unless otherwise stated)

Title	Key requirements	Effective date
IFRS 18 - Presentation and Disclosure in Financial Statements	The new standard on presentation and disclosure in financial statements, requires more focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: - the structure of the statement of profit or loss; - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	January 1, 2027
IFRS 19 - Subsidiaries without Public Accountability	This new standard applies to eligible subsidiaries that elect to adopt the standard in their consolidated, separate or individual financial statements. Eligible subsidiaries are those that are not publicly accountable and whose ultimate or intermediate parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.	January 1, 2027

Management is in the process of assessing the impact, if any, these pronouncements may have in future reporting periods.

2.3 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

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

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

UNITED CARTON INDUSTRIES COMPANY

(A Closed Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2024

(All amounts in Saudi Riyals unless otherwise stated)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combination and goodwill or bargain purchase

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised immediately in profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

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

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

UNITED CARTON INDUSTRIES COMPANY

(A Closed Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2024

(All amounts in Saudi Riyals unless otherwise stated)

2.4 Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entities operate (the “functional currency”). The consolidated financial statements are presented in Saudi Riyals.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group companies at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

iii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at the average exchange rates. The exchange differences arising on the translation of foreign operations are recognised in other comprehensive income. On partial or full disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.5 Current vs non-current classification

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

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

The Group classifies all other assets as non-current. A liability is current when:

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

The Group classifies all other liabilities as non-current.

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2.6 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the consolidated statement of profit and loss and other comprehensive income.

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated statement of profit or loss and other comprehensive income:

Category	Useful life
• Buildings	20 years
• Motor vehicles	4 years
• Machinery and equipment	4 – 10 years
• Furniture, fixtures and office equipment	4 – 10 years

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of CWIP comprises its purchase price, construction / development cost and any other costs directly attributable to the construction or acquisition of an item intended by management. CWIP is measured at cost less impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

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2.7 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Intangible assets acquired in a business combination are recognised at their fair value as at the date of acquisition.

Following initial recognition, intangible assets having a finite useful life are carried at cost less any accumulated amortisation and any accumulated impairment losses, if any.

Intangible assets are amortised using the straight-line method over their estimated useful lives as follows:

Category	Useful life
Computer software	4-10 years
Customer relationship	8 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.8 Leases

At the inception of the contract, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

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Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, initial direct costs and restoration costs, if any. They are subsequently measured at cost less accumulated depreciation and impairment losses, if any.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 “Impairment of Assets” to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. Refer Note 2.9 for detail.

2.9 Impairment of non-financial assets other than inventories

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

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

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

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2.10 Inventories

Finished goods

Inventories are carried at the lower of cost and net realizable value. Cost is determined on the weighted average method. The cost of finished products includes the cost of raw materials, direct labor and manufacturing overheads and all other costs necessary to bring the goods to their existing condition and location.

Raw materials and spares

Raw materials and spares are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis.

Work in progress

Work in progress is measured using estimated manufacturing cost including appropriate overheads based on normal level of activity.

Goods-in-transit

Goods-in-transit are valued at cost comprising invoice value plus other charges incurred thereon.

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

2.11 Trade and other receivables

Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. Other receivables are initially measured at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. The carrying amount of trade and other receivables is tested for impairment in accordance with the policy described in Note 2.14.1.

Other portfolios of trade receivables originated to be placed under factoring arrangements are initially measured at their transaction price, unless they contain a significant financing component in which case they are measured initially at fair value. These are subsequently measured at fair value through profit or loss as they are originated with a business model of selling to finance institutions therefore cannot be measured at amortized cost or fair value through other comprehensive income.

2.12 Prepayments

Prepayments are initially recognised at the transaction price.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits with original maturities of three-months or less, that are readily convertible to known amounts of cash with insignificant risk of changes in value if any.

2.14 Financial instruments

2.14.1 Financial assets

The Group classifies its financial assets under the following categories

- Amortised cost; and
- Fair value through profit or loss (FVTPL)

These classifications are on the basis of the business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures a financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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For assets measured at fair value, gains and losses will be recorded in profit or loss of the consolidated statement of profit or loss and other comprehensive income.

(i) Recognition and derecognition

The Group initially recognises financial assets on the date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

(ii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss and comprehensive income.

(iii) Subsequent measurement and gains and losses

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Impairment of financial assets

The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments and are measured at amortised cost. The Group follows the 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component. The application of the simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on the lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the ECL on financial assets to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix was developed considering the probability of default and loss given default, which are derived from historical data of the Group and are adjusted to reflect the expected future outcome. ECL impairment loss allowance (or reversal) recognised during the period is recognised in profit or loss.

2.14.2 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss of the consolidated statement of profit or loss and other comprehensive income.

2.14.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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2.15 Employee benefit obligations

Short-term employee benefits

Provision is made for benefits accruing to employees in respect of salaries and wages, vacation leaves, ticket and other benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, if any, are measured at an undiscounted amount using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Post-employment obligations

The Group operates a defined benefit scheme for its employees in accordance with the applicable labor regulations. The cost of providing the benefits under the defined benefits plan is determined using the projected unit credit method.

Actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

Interest expense is calculated by applying the discount rate to the net employees defined benefit liabilities. The Group recognises the following changes in the net defined benefit obligation under “Cost of revenue”, “General and administrative expenses” and “Selling and distribution expenses” in the consolidated statement of profit or loss and other comprehensive income (by function).

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

2.16 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in profit or loss, net of reimbursements.

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2.18 Zakat and taxes

(i) Zakat and current income tax

Zakat and income tax is provided for in accordance with Zakat, Tax and Customs Authority regulations. Income tax for the foreign entities in the UAE is provided for in accordance with the Federal corporate tax regime in UAE. Adjustments arising from final zakat and income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences arising from the initial recognition of assets and liabilities in a transaction that: (i) is not a business combination, (ii) affects neither the taxable profit nor accounting profit, and (iii) does not create equal and opposite deferred tax assets and liabilities. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Withholding tax

The Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value Added Tax ("VAT")

Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. The net amount of VAT recoverable from, or payable to, ZATCA is included as part of other receivables or other payables.

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2.19 Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

2.20 Revenue recognition

Revenue comprises sale of goods and services to its customers and is measured based on the considerations specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Certain customers are eligible for volume rebates once their purchases during the period exceeds a threshold specified in the respective contracts. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates and discounts.

The Group recognises revenues based on a five-step model as set out in IFRS 15 as follows:

IFRS 15 requires that revenue is recognised from contracts with customers based on a five-step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Group satisfies the performance obligation at a point in time or over time.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created; or
- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where any of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. A contract asset is recognised when a performance obligation has been satisfied and revenue has been recognised, but the payment is contingent on the Group's future performance. This typically indicates that the entity can only issue an invoice to the customer after satisfying additional performance obligations under the same contract.

In determining the transaction price for the sale of goods or services, the Group considers the effects of the existence of significant financing components, variable consideration, non-cash consideration and consideration payable to the customer (if any). The Group also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

The Group has identified the transportation service as a separate performance obligation for the sales of goods which the Group transfers control to the customer over-time and promised to deliver the goods to the customer destination.

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The Group does not have contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year, and as a result, the Group does not adjust transaction prices for the time value of money.

The following is a description of the principal activities, from which the Group generates its revenues,:

(i) Sale of corrugated carton, plates, duplex cartons and pulp products

Revenue from the sale of these products, that do not have an alternate use to the Group and that the Group has a legally enforceable right to payment for such goods, is recognised over a period of time.

(ii) Sale of paper packing and packaging materials.

Revenue is recognised when a customer obtains control of the goods or services (i.e. when it has the ability to direct the use of and obtain benefits from the goods or services). Customers obtain control when goods are delivered to and have been accepted by the customers as per the applicable delivery terms, and accordingly, revenue is recognised at that point-in-time.

(iii) Delivery and transportation service.

The Group recognises revenue from delivery and transportation services over the period of time when the goods are delivered to the customer destination.

Contract assets are recognized by the Group when revenue is recognized over time, in accordance with the satisfaction of performance obligations.

Variable consideration

The Group provides volume rebates to certain customers on the products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Group estimates the expected volume rebate using the “most likely amount” method. These estimates are reviewed on a regular basis and updated, if deemed necessary. These estimates are adjusted against revenue with the additional payable amount recorded under accrued and other liabilities. Such payable is de-recognized against a trade receivable at the point in time at which the actual final price is determined.

2.21 Cost of revenue

Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labor and other attributable overhead costs.

2.22 Selling and distribution expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group’s products and services. All other expenses are classified as general and administrative expenses.

2.23 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue or selling and distribution expenses. Allocations between general and administrative expenses, selling and distribution expenses and cost of revenue, when required, are made on a consistent basis.

2.24 Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes finance costs and income taxes.

2.25 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the shareholders of the Group.

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2.26 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

The Group's Chief Executive Officer ("CEO") and Board of Directors ("BoD") assesses the financial performance and position of the Group and makes strategic decisions. The CEO and BoD has been identified as being the CODM.

Segment results that are reported to the Group's CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

2.27 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amount of revenue and costs during the reporting period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve-month period are discussed below:

Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 10% against the current useful life with all other variables held constant, profit for the year would have been higher or lower by Saudi Riyals 5.9 million.

Key accounting judgements – Goodwill or bargain purchase gain

Acquisition of subsidiaries involves the exercise of judgement in determining the fair value of net assets and liabilities of acquired investees. Measurement of fair value is a significant estimate that involves the use of models and data inputs. The Group engages external consultants to perform fair value assessment of net identifiable assets of subsidiaries on the date of acquisition. The goodwill or bargain purchase gain on the acquisition transaction is initially determined using book value of net assets on the date of acquisition. The Group has an option to use measurement period exemption of 12 months to finalise the purchase price allocation when the fair value of identified assets including goodwill or bargain purchase gain is determined. Please refer to Note 7.1 for more details.

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4 Property, plant and equipment

	For the year ended December 31, 2024						Total
	Land	Buildings	Motor vehicles	Machinery and equipment	Furniture, fixtures and office equipment	Capital work-in-progress	
Cost:							
At January 1, 2024	5,427,488	295,455,234	5,592,310	1,042,713,664	93,945,201	2,366,748	1,445,500,645
Additions	-	8,377,007	505,800	38,210,500	1,782,311	6,629,370	55,504,988
Disposals	-	(668,413)	(683,602)	(28,611,100)	(1,776,897)	-	(31,740,012)
Reclassification *	-	(482,718)	(616,878)	(8,206,496)	9,306,092	-	-
Transfer to intangible assets **	-	-	-	-	(3,944,966)	-	(3,944,966)
Transfers from capital work-in-progress	-	343,334	-	3,060,673	121,299	(3,525,306)	-
Acquisition of a subsidiary (Note 7)	-	20,727,595	335,401	5,725,268	111,931	-	26,900,195
Translation adjustment	-	22,911	2,463	30,185	551	114	56,224
At December 31, 2024	5,427,488	323,774,950	5,135,494	1,052,922,694	99,545,522	5,470,926	1,492,277,074
Accumulated depreciation and impairment loss:							
At January 1, 2024	-	(149,632,810)	(3,929,452)	(822,960,108)	(90,172,532)	-	(1,066,694,902)
Charge for the year	-	(15,713,828)	(1,181,640)	(45,129,200)	(2,021,840)	-	(64,046,508)
Disposals	-	568,131	683,592	28,589,329	1,772,438	-	31,613,490
Reclassification *	-	482,718	607,622	3,033,487	(4,123,827)	-	-
Transfer to intangible assets **	-	-	-	-	1,159,303	-	1,159,303
Impairment (Note 22)	-	-	-	(771,908)	-	-	(771,908)
Translation adjustment	-	(11,185)	(2,334)	(24,675)	(470)	-	(38,664)
At December 31, 2024	-	(164,306,974)	(3,822,212)	(837,263,075)	(93,386,928)	-	(1,098,779,189)
Net book value:							
At December 31, 2024	5,427,488	159,467,976	1,313,282	215,659,619	6,158,594	5,470,926	393,497,885

* The management conducted a periodic review of the fixed assets register and enhanced the alignment of asset classifications with their intended use and economic benefits.

** During the year, management has reassessed the classification of assets and identified certain intangible assets that were previously categorized under property, plant and equipment. As a result, these assets have been disclosed under intangible assets to improve the clarity and accuracy of asset categorization and financial reporting practices.

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	For the year ended December 31, 2023						Total
	Land	Buildings	Motor vehicles	Machinery and equipment	Furniture, fixtures and office equipment	Capital work-in-progress	
Cost:							
At January 1, 2023	5,427,488	276,321,669	6,841,856	996,158,280	89,444,712	689,953	1,374,883,958
Additions	-	1,411,031	317,174	11,648,203	3,707,469	17,754,130	34,838,007
Disposals	-	(102,000)	(2,062,832)	(20,413,527)	(681,523)	-	(23,259,882)
Transfers from capital work-in-progress	-	7,401,999	-	7,352,211	1,323,125	(16,077,335)	-
Acquisition of a subsidiary	-	10,544,628	513,818	48,178,167	161,877	-	59,398,490
Translation adjustment	-	(122,093)	(17,706)	(209,670)	(10,459)	-	(359,928)
At December 31, 2023	5,427,488	295,455,234	5,592,310	1,042,713,664	93,945,201	2,366,748	1,445,500,645
Accumulated depreciation and impairment loss:							
At January 1, 2023	-	(137,925,167)	(4,644,869)	(798,930,389)	(85,700,595)	-	(1,027,201,020)
Charge for the year	-	(11,795,172)	(1,360,906)	(44,130,069)	(5,110,617)	-	(62,396,764)
Translation adjustment	-	35,849	13,503	82,904	9,135	-	141,391
Disposals	-	51,680	2,062,820	20,017,446	629,545	-	22,761,491
At December 31, 2023	-	(149,632,810)	(3,929,452)	(822,960,108)	(90,172,532)	-	(1,066,694,902)
Net book value:							
At December 31, 2023	5,427,488	145,822,424	1,662,858	219,753,556	3,772,669	2,366,748	378,805,743

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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 till March 2014.

Subsequently, based on request from the Group, the government authorities initiated actions to reassess the environmental impact of the factories operating in that zone. In this regard, the Group undertook an environmental impact assessment and was issued an environmental certificate, certifying its compliance with the environmental standards. Following the environmental certificate, the industrial license was issued to the Group, based on which, the Group is in process of seeking Municipality license which is currently under process. The underlying assets relating to this plant, except land, are fully impaired.

- b) No borrowing costs were capitalised during the year ended December 31, 2024 and 2023 considering that there were no qualifying assets which necessarily take a substantial period of time to get ready for intended use. There are no assets provided as a collateral to borrowings as at December 31, 2024 and 2023.
- c) During the year, the Company acquired Ras Al Khaimah Packaging Company LLC ("RAK") as a part of its expansion strategy. The plant of RAK and the related non-current assets have been considered as a separate CGU. During the year ended December 31, 2024, RAK incurred a loss and had negative operating cash flows. Management identified these as impairment indicators and, accordingly, performed an impairment assessment of its non-current assets and determined the recoverable amount based on the fair value less costs to sell. The fair value was determined through the cost approach. As a result of such assessment, as at December 31, 2024, the recoverable amount of the non-current assets was higher than the carrying amount.
- d) CWIP mainly represents advance payments made to the vendors for the acquisition of property, plant and equipment. Also refer Note 7.2 for further details.
- e) Depreciation charge for the year has been allocated as follows:

	Note	2024	2023
Cost of revenue	19	58,752,184	56,407,634
Selling and distribution expenses	20	165,399	194,287
General and administrative expenses	21	5,128,925	5,794,843
		64,046,508	62,396,764

5 Goodwill

	2024	2023
Cost	82,460,430	82,460,430
Accumulated impairment	(44,231,904)	(44,231,904)
Net book value	38,228,526	38,228,526

The goodwill recognized related to the acquisition of National Packing Products Company Limited ("NPPCL") which was acquired during 2015 with a resulting goodwill of Saudi Riyals 82.5 million which was subsequently impaired by an amount of Saudi Riyals 44.2 million and, hence, the remaining goodwill balance is Saudi Riyals 38.2 million. This plant has been considered as a separate CGU.

During the year ended December 31, 2024, management performed an impairment assessment. The results of the impairment test indicated no impairment charge as a result of sufficient headroom between the carrying amount of this CGU, amounting to Saudi Riyals 78.4 million, and the recoverable amount.

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These calculations use cash flow projections, which are based on financial budgets approved by management covering a five-year period as well as the factors used in computing terminal value.

	2024	2023
Revenue growth rate (average)	2.50%	2.50%
Discount rate	11.84%	11.76%
Terminal growth rate	2.00%	2.00%

Sensitivity to the changes in assumptions:

	December 31, 2024		December 31, 2023	
	CGU recoverable amount	% change in CGU recoverable amount	CGU recoverable amount	% change in CGU recoverable amount
+1% Sales growth rate	464,982,912	7%	368,430,948	8%
-1% Sales growth rate	404,143,621	(7%)	313,288,024	(8%)
+1% Discount rate	394,854,422	(9%)	309,981,488	(9%)
-1% Discount rate	482,338,527	11%	377,908,533	11%
+1% Terminal growth rate	467,485,813	8%	366,286,520	8%
-1% Terminal growth rate	406,971,371	(6%)	319,480,497	(6%)

6 Leases

The Group has lease contracts for various lands, warehouses, staff accommodations and motor vehicles used in its operations. Leases of land generally have lease terms between 10 and 20 years, warehouses and staff accommodation have lease terms of 3 to 5 years while motor vehicles generally have lease terms of up to 4 years. The Group also has certain leases of vehicles with lease terms of 12 months. The Group applies the 'short-term lease' recognition exemptions for these leases.

Below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Leasehold lands	Warehouses and accommodations	Motor vehicles	Total
At January 1, 2024	18,239,693	26,415,988	3,376,507	48,032,188
Additions during the year	11,175,411	1,037,763	884,580	13,097,754
Charge for the year	(1,376,273)	(5,025,219)	(1,414,291)	(7,815,783)
Terminations during the year	-	-	(123,964)	(123,964)
Translation adjustment	16,793	845	-	17,638
At December 31, 2024	28,055,624	22,429,377	2,722,832	53,207,833

	Leasehold lands	Warehouses and accommodations	Motor vehicles	Total
At January 1, 2023	6,583,423	1,887,049	3,983,676	12,454,148
Acquisition of a subsidiary	5,025,044	9,678,714	-	14,703,758
Additions during the year	7,535,127	19,561,999	1,699,478	28,796,604
Charge for the year	(905,864)	(4,713,407)	(2,306,647)	(7,925,918)
Translation adjustment	1,963	1,633	-	3,596
At December 31, 2023	18,239,693	26,415,988	3,376,507	48,032,188

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

	2024	2023
At January 1,	50,129,989	15,797,439
Acquisition of a subsidiary	-	15,142,160
Additions during the year	13,097,754	28,796,604
Terminations during the year	(671,327)	-
Accretion of finance cost	2,742,686	1,701,065
Payments	(10,056,983)	(11,405,549)
Translation adjustment	17,882	98,270
At December 31,	55,260,001	50,129,989

	2024	2023
Lease liabilities		
Non-current	47,906,447	42,517,345
Current	7,353,554	7,612,644
	55,260,001	50,129,989

The contractual maturities of lease liabilities (undiscounted basis) were as follows:

	2024	2023
Less than one year	8,615,451	9,568,434
Between 1 to 2 years	6,795,754	8,176,382
Between 3 to 5 years	24,102,427	20,870,062
More than five years	50,025,274	30,155,019
	89,538,906	68,769,897

The following are the amounts recognised in profit or loss:

	2024	2023
Depreciation expense of right-of-use assets – Leasehold lands	1,376,273	905,864
Depreciation expense of right-of-use assets – Warehouses and accommodation	5,025,219	4,713,407
Depreciation expense of right-of-use assets – Motor vehicles	1,414,291	2,306,647
	7,815,783	7,925,918
Finance cost on lease liabilities	2,742,686	1,701,065
Expense relating to short-term leases	980,840	451,799
Total amount recognised in the profit or loss	11,539,309	10,078,782

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

	Note	2024	2023
Cost of revenue	19	6,252,782	6,340,155
Selling and distribution expenses	20	88,464	85,701
General and administrative expenses	21	1,474,537	1,500,062
		7,815,783	7,925,918

The Group had total cash outflows for leases of Saudi Riyals 11.0 million (2023: Saudi Riyals 11.9 million).

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Payments associated with short-term leases of equipment and vehicles are recognized as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less without a renewal option. Lease rentals are recognized on a straight-line basis over the lease term, which may not always equal the actual cash payments made.

7 Interests in subsidiaries

The Group's subsidiaries at December 31, 2024 and 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business:

Subsidiary name	Country of incorporation	Principle business activity	Ownership interest percentage	
			2024	2023
Integrated Packaging Industries Company	Kingdom of Saudi Arabia ("KSA")	Manufacturing of paper from pulp, corrugated cardboard and paper products for household purposes.	100%	100%
United Paper Industries Company FZCO (Note 7.3)	United Arab Emirates ("UAE")	Manufacturing of paper, packing and packaging material.	100%	100%
Ras Al Khaimah Packaging Ltd. Co. LLC (Note 7.1)	United Arab Emirates	Manufacturing of corrugated paper, paper board containers and wholesale trading of paper.	100%	-
Integrated Paper Industry Company (Note 7.2)	Kingdom of Saudi Arabia	Production of pulp, paper, and cardboard, Production of corrugated paper, cardboard, and paper based containers.	100%	-

7.1 Acquisition of Ras Al Khaimah Packaging Company LLC ("RAK")

On July 10, 2024 (the "Acquisition Date"), the Company acquired 100% equity shareholding in RAK, a corrugated packaging company based in the UAE, for a purchase consideration of Saudi Riyals 13.75 million (equivalent to UAE Dirham "AED" 13.45 million). In addition, Saudi Riyals 5.02 million (equivalent to AED 4.89 million) was paid by the Company to one of the previous shareholders of RAK to also acquire a debt instrument issued by RAK, which is novated to the Company (effectively settled from a Group perspective). The Group considers this transaction as a strategic opportunity to expand in the corrugated packaging industry in UAE.

The fair value of net identifiable assets of RAK at the date of acquisition were as follows:

	Saudi Riyals
Property, plant and equipment	26,900,195
Inventories	3,308,816
Trade receivables	9,425,343
Advances, prepayments and other receivables	740,388
Cash and cash equivalents	1,763,954
Deferred tax liability	(1,546,917)
Employee benefit obligations	(455,885)
Trade payables	(9,126,412)
Accrued and other liabilities	(1,000,320)
Due to previous shareholder	(5,016,244)
Net identified assets acquired	24,992,918
Bargain purchase computation	
Fair value of identifiable net assets acquired	24,992,918
Less: purchase consideration	(13,752,503)
Bargain purchase arising on acquisition	11,240,415

UNITED CARTON INDUSTRIES COMPANY**(A Closed Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2024****(All amounts in Saudi Riyals unless otherwise stated)**

Previously, as at September 30, 2024, the Group reported goodwill amounting to Saudi Riyals 4.3 million, which was based on the provisional purchase price allocation. However, following the finalization of the purchase price allocation, the Group derecognized the goodwill as a result of the fair value of property, plant and equipment being determined to be significantly higher than provisional amounts. This resulted in a bargain purchase gain of Saudi Riyals 11.2 million which reflects the final determination of the purchase price and the fair value of acquired assets and liabilities.

The valuation was completed during December 2024, and the acquisition date fair value of the property, plant and equipment was Saudi Riyals 26.9 million. The difference between the final fair value of property, plant and equipment and the provisional value, amounts to Saudi Riyals 17.2 million and was recognised as a fair value adjustment to the property, plant and equipment. Deferred taxes were adjusted accordingly. The resulting bargain purchase gain from fair value of net assets and liabilities attributable to RAK is recognized as bargain purchase gain in the consolidated statement of profit or loss and other comprehensive income.

RAK was incurring losses and operated in a non-core sector for the sellers, with minimal willingness by the sellers to further invest in these operations. Accordingly, the sellers were keen to divest and the acquisition price was negotiated on the basis of the carrying value of the net assets of RAK. These factors were the main reasons for resultant bargain purchase gain. The Group also reassessed all aspects as required by IFRS 3 before concluding that this was indeed a bargain purchase gain and is satisfied that all aspects of the business combination have been appropriately identified and accounted for.

The summary of the statement of profit or loss and other comprehensive income for the acquired subsidiary since the Acquisition date to December 31, 2024 is as follows:

Revenue	15,399,045
Gross loss	(733,908)
Loss before income tax	(2,987,989)

If the acquisition had occurred on January 1, 2024, the pro-forma revenue and profit before zakat and income tax of the combined entity for the year ended December 31, 2024 would have been Saudi Riyals 1.36 billion and Saudi Riyals 136.6 million, respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in the accounting policies between the Group and the subsidiary, and
- The additional depreciation that would have been charged assuming the fair value adjustments to property, plant and equipment had applied from January 1, 2024, together with the consequential tax effects.

RAK has no contingent liabilities as at December 31, 2024. Capital commitments as at December 31, 2024 amounted to Saudi Riyals 0.18 million. The fair value and gross contractual amount of acquired trade receivables is Saudi Riyals 9.4 million, with no loss allowance recognized on acquisition.

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Purchase consideration

Provisional payment for RAK acquisition	16,828,619
Less: working capital adjustment as per SPA*	<u>(3,076,116)</u>
Purchase consideration	<u>13,752,503</u>

* This represents the working capital adjustment made to the purchase consideration arising from due to the difference between the reference accounts and completion accounts.

During the year ended December 31, 2024, the Group has paid Saudi Riyals 52.4 million to the previous shareholders of RAK and UPIC as disclosed below:

	2024
<u>Outflow of cash to acquire the subsidiary, net of cash acquired</u>	
Cash consideration paid	13,752,503
Less: Cash acquired	<u>(1,763,954)</u>
Deferred payment in relation to UPIC acquisition	<u>40,454,001</u>
Net cash outflow - investing activities	<u>52,442,550</u>

Acquisition-related costs

Acquisition-related costs of Saudi Riyals 0.6 million are included in general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income and in operating cash flows in the consolidated statement of cash flows.

7.2 Incorporation of Integrated Paper Industry Company ("IPC")

On September 1, 2024, the Company incorporated a wholly owned subsidiary registered in the Kingdom of Saudi Arabia, under CR number 4030575596 dated Safar 28, 1446H (corresponding September 1, 2024), named Integrated Paper Industry Company (a single shareholder limited liability company). The registered office of the subsidiary is situated in Jeddah, Kingdom of Saudi Arabia. The objectives of the subsidiary include manufacturing of corrugated paper, cardboard and containers made from paper and cardboard and other types of paper and paperboard.

On October 31, 2024, IPC entered into an agreement for the purchase of certain items of property, plant and equipment amounting to Saudi Riyals 10.4 million, out of which Saudi Riyals 2.1 million has been paid in advance. The balance contractual payment of Saudi Riyals 8.3 million will be paid once the control of these assets are transferred to IPC, which shall be upon the transfer of a lease contract with a third party to IPC.

7.3 Acquisition of United Paper Industries Company FZCO ("UPIC")

During 2023, the Company signed an agreement to acquire 100% of the shares of UPIC, United Arab Emirates ("UAE") for a total consideration of Saudi Riyals 104.7 million, with control transferred to the Group on July 28, 2023. The acquisition aims to expand the Group's operations in the Middle East market and serve as a first step towards backward integration, with management expecting it to partially mitigate supply risk of brown paper due to the cyclical impact of paper prices.

The net identifiable assets of UPIC at the acquisition date amounted to Saudi Riyals 104.7 million. The net cash outflow for the acquisition, net of cash acquired, was Saudi Riyals 50.7 million (cash consideration paid of Saudi Riyals 63.9 million, less cash acquired of Saudi Riyals 13.2 million). The fair value and gross contractual amount of acquired trade receivables was Saudi Riyals 36.4 million, with no loss allowance recognised on acquisition. UPIC had no contingent liabilities or capital commitments as at December 31, 2023. Deferred consideration for this acquisition, amounting to Saudi Riyals 40.5 million was paid in 2024.

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8 Inventories

	Note	2024	2023
Raw materials		155,595,705	129,382,140
Spare parts		54,294,306	55,857,559
Work in progress		1,235,003	1,060,149
Finished goods		675,249	4,443,301
Goods in transit		22,318,612	23,232,672
		234,118,875	213,975,821
Less: provision for slow-moving and damaged inventories	8.1	(46,613,261)	(43,791,064)
		187,505,614	170,184,757

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

	2024	2023
At January 1	43,791,064	43,791,064
Provision for the year *	2,822,197	-
At December 31	46,613,261	43,791,064

* This includes Saudi Riyals 2.3 million related to damaged inventory due to a fire incident at IPIC.

The cost of inventories charged as an expense during the year was Saudi Riyals 772.4 million (2023: Saudi Riyals 789.1 million).

9 Trade receivables

	Note	2024	2023
At amortised cost			
Trade receivables – third parties		224,566,059	218,519,339
Trade receivables - related parties	24.2	12,313,601	9,008,745
		236,879,660	227,528,084
Less: allowance for impairment of trade receivables		(9,341,824)	(10,200,889)
		227,537,836	217,327,195
At fair value			
Trade receivables at fair value*		7,476,616	5,678,236
		235,014,452	223,005,431

*This represents trade receivables which are subject to factoring arrangement with commercial banks but are not factored at the year end. The trade receivables portfolio subject to factoring is initially classified at fair value through profit or loss.

Due to the short-term nature of trade receivables at amortised cost, their carrying amount is considered to be the same as their fair value.

Movement in allowance for impairment of trade receivables is as follows:

	2024	2023
At January 1	10,200,889	9,450,889
(Reversal) of /impairment allowance for the year	(859,065)	750,000
At December 31	9,341,824	10,200,889

The Group had top 30 customer balances that accounted for approximately 44% (2023: 35%) of total outstanding trade receivables. Information about credit risk is disclosed in Note 29.

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10 Advances, prepayments and other receivables

	Note	2024	2023
Advances to suppliers		9,255,562	7,983,282
Insurance claim receivable	22	8,272,451	-
Prepayments		5,131,219	4,547,342
Contract assets	18	4,883,166	-
Employee loans		4,065,940	4,642,014
Margin on letters of guarantee		654,455	654,410
VAT receivable		2,350,949	1,055,302
Other receivables		5,062,489	4,441,932
		39,676,231	23,324,282

11 Cash and cash equivalents

	2024	2023
Cash at banks	30,619,753	18,085,327
Bank deposits *	7,182,000	12,310,800
Cash in hand	203,411	190,070
	38,005,164	30,586,197

The cash at banks is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The carrying value at each reporting date is estimated to be the same as the fair value.

* In the prior year, the Group held bank deposits (less than 3 months maturity) of Saudi Riyals 12.3 million, which were disclosed under cash at banks. During the current period, these were presented separately to provide more detailed financial information.

12 Share capital

On April 28, 2024, the shareholders of the Company approved to increase the share capital of the Company from Saudi Riyals 200 million to Saudi Riyals 400 million through transfer from retained earnings and statutory reserve amounting to Saudi Riyals 140 million and Saudi Riyals 60 million, respectively. The legal formalities for such increase in share capital were completed on June 26, 2024.

The share capital of the Company is divided into 40 million shares (2023: 20 million shares) of Saudi Riyals 10 each (2023: Saudi Riyals 10 each) and is held by the following shareholders:

Name of the shareholders	Country of incorporation	2024	2023
Zamil Group Holding Company	Kingdom of Saudi Arabia	120,000,000	60,000,000
Omar K. Alesayi & Company	Kingdom of Saudi Arabia	120,000,000	60,000,000
Frimex Investment L.L.C	United Arab Emirates	120,000,000	60,000,000
Zamil Group Investment Company	Kingdom of Saudi Arabia	20,000,000	10,000,000
Eastern Industrial Investment Company	Kingdom of Saudi Arabia	20,000,000	10,000,000
Total		400,000,000	200,000,000

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13 Statutory reserve

In accordance with the Regulations for Companies previously applicable in the Kingdom of Saudi Arabia, the Company was required to transfer 10% of the profit for the year to a statutory reserve until it equals to 30% of its share capital. As per the revised Regulations for Companies, maintaining a statutory reserve is no longer required. During the year, the Company has utilised the full balance of statutory reserve for increasing its share capital (Note 12).

14 Short-term borrowings

Short term borrowings are obtained from local and foreign commercial banks to finance the working capital of the Group.

These are denominated in Saudi Riyals and AED, bear financial charges based on prevailing market rates based on Saudi Interbank Offer Rate (SAIBOR) in the Kingdom of Saudi Arabia and Emirates Interbank Offer Rate ("EIBOR") in UAE and are collateralised by demand promissory notes from the Company. The unused funded balance of these facilities as at December 31, 2024 amounted to Saudi Riyals 244.6 million (2023: Saudi Riyals 240 million).

The Group's management assessed that the fair value of the borrowings is approximately equal to their carrying amounts due to the short-term maturities of three month to six month and interest payable on those borrowings being at current market rates. The finance costs recognised as expense on the above borrowings have been disclosed in Note 23.

15 Employee benefit obligations

The Group operates a defined benefit plan in line with the labour law requirements in the Kingdom of Saudi Arabia and UAE. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the jurisdictions that the Group companies operate in (KSA and UAE). The employees' end of service benefit plan is an unfunded plan, and the benefit payment obligations are met by the Group when they fall due upon termination of employment. An independent actuary carried out latest valuation of employee benefit obligations under the projected unit credit method as at December 31, 2024 and 2023.

15.1 Movement in the present value of employee benefit obligations

	2024	2023
At January 1,	63,830,022	54,225,449
Acquisition of a subsidiary	455,885	5,236,562
Current service cost	5,303,431	5,765,437
Interest cost	2,670,266	2,621,278
Benefits paid	(7,210,352)	(5,988,599)
Re-measurement (gain)/loss	(3,989,255)	2,012,725
Translation adjustment	602	(42,830)
At December 31,	61,060,599	63,830,022

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15.2 Amount recognised in the consolidated statement of profit or loss and other comprehensive income

	2024	2023
<u>Included in profit or loss</u>		
Current service cost	5,303,431	5,765,437
Interest cost	2,670,266	2,621,278
	7,973,697	8,386,715
<u>Included in other comprehensive income</u>		
Financial assumptions	(3,686,402)	320,283
Experience adjustment	(302,853)	(766,401)
Demographic assumptions	-	2,458,843
	(3,989,255)	2,012,725
	3,984,442	10,399,440

15.3 Key actuarial assumptions

	2024	2023
Discount rate	4.80% - 5.25%	4.05% - 4.60%
Future salary growth	4.00%	4.00% - 5.00%

15.4 Sensitivity analysis

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

	Change in assumption		Impact on employee benefit obligations			
			Increase in assumption		Decrease in assumption	
	2024	2023	2024	2023	2024	2023
Discount rate	0.5%	0.5%	(2,047,126)	(1,807,734)	2,184,955	2,090,814
Salary growth rate	0.5%	0.5%	1,771,939	1,642,914	(1,677,338)	(1,401,141)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another. The weighted average duration of the defined benefit obligation ranges between 5.7 years - 10.3 years (2023: 5.8 years – 8.5 years).

15.5 Expected maturity profile

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

	2024	2023
Up to 1 year	5,631,180	6,486,989
2 - 5 years	33,701,926	36,678,177
Over 5 years	38,651,848	36,199,267
	77,984,954	79,364,433

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16 Accrued and other liabilities

	Note	2024	2023
Accrued expenses		43,549,453	46,234,973
Advances from customers	18	7,890,290	13,234,840
Advances from shareholders for reimbursement of IPO expenses **	24.1	7,846,614	-
VAT payable		4,925,831	4,538,395
Accruals for rebates and discounts		4,819,053	5,459,517
Payable for acquisition of a subsidiary *		-	40,454,001
Others		5,598,809	4,915,521
		74,630,050	114,837,247

* During the year ended December 31, 2024, the balance consideration amounting to Saudi Riyals 40.45 million related to the acquisition of United Paper Industries Company FZCO has been paid.

** This represents Saudi Riyals 19 million received from the shareholders and off-set against the IPO related expenses incurred, during the year ended December 31, 2024 amounting to Saudi Riyals 11.2 million, which the shareholders have confirmed to reimburse the Company for (Note 24.1).

17 Zakat and income tax matters

17.1 Components of the zakat base

The Company and the subsidiaries file separate zakat and income tax declarations on an unconsolidated basis. The significant components of the zakat base of each company under the zakat and income tax regulations are principally comprised of shareholder's equity, provisions and other adjustments, less deductions for the book value of deductible assets.

17.2 Provision for zakat and income tax

	Zakat	Income tax	Total
January 1, 2023	2,276,251	4,212,533	6,488,784
Provisions for the year	3,833,795	10,408,439	14,242,234
Payments *	(2,232,326)	(7,135,446)	(9,367,772)
December 31, 2023	3,877,720	7,485,526	11,363,246
Provisions for the year	3,330,081	9,085,363	12,415,444
Payments *	(3,676,080)	(12,961,675)	(16,637,755)
December 31, 2024	3,531,721	3,609,214	7,140,935

* This includes advance income tax amounting to Saudi Riyals 5.21 million (2023: Saudi Riyals 3.02 million).

17.3 Deferred tax movement

The movement comprises temporary differences attributable to:

	(Charged) / credited to			
	At January 1, 2024	Business combination	Profit or loss	Other comprehensive income
				At December 31, 2024
Property, plant and equipment	2,423,846	(1,546,917)	(3,311,467)	-
Provisions	6,753,060	-	153,416	(232,284)
Carried forward losses	-	-	359,640	-
Net deferred tax	9,176,906	(1,546,917)	(2,798,411)	(232,284)
				4,599,294
Deferred tax assets	9,176,906	-	(3,355,912)	(200,496)
				5,620,498
Deferred tax liabilities	-	(1,546,917)	557,501	(31,788)
				(1,021,204)

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	(Charged) / credited to			
	At		Other	At December
	January 1,	Profit or loss	comprehensive	31, 2023
	2023		income	
Property, plant and equipment	(618,091)	3,041,937	-	2,423,846
Goodwill	(788,807)	788,807	-	-
Provisions	6,448,042	178,543	126,475	6,753,060
Net deferred tax	5,041,144	4,009,287	126,475	9,176,906
Deferred tax assets	5,041,144	4,009,287	126,475	9,176,906
Deferred tax liabilities	-	-	-	-

17.4 Status of zakat and income tax assessments**United Carton Industries Company - Company****Up to years ended December 31, 2012 and 2015 to 2017:**

The zakat assessments for these years are considered as final.

Years ended December 31, 2013 and 2014:

During 2019, the Company received assessments claiming additional zakat aggregating to Saudi Riyal 3.5 million for the years 2013 and 2014 due to certain additions to zakat base made by the ZATCA. The Company submitted an objection to ZATCA against the total amount of assessment for these years. Following the Company's objection, a revised assessment, reducing the additional zakat claim to Saudi Riyal 2.6 million, was issued by ZATCA after accepting the Company's contention on depreciation. The Company escalated the objection against the revised assessment issued by the ZATCA through the General Secretariat of Tax Committees ("GSTC").

During 2021, the GSTC scheduled a hearing on the Company's objection with the Tax Violations and Disputes Resolution Committee ("TVDRC") where TVDRC ruled partially in favor of the Company thereby reducing the assessment to Saudi Riyal 2 million. The Company subsequently escalated its objection to the Tax Violations and Disputes Appeal Committee ("TVDAC") through the GSTC.

During 2023, the GSTC scheduled a closed hearing session wherein TVDAC ruled partially in favor of the Company thereby reducing the assessment to Saudi Riyals 1.13 million. The Company being aggrieved filed a reconsideration request with the GSTC which is awaiting hearing.

Years ended December 31, 2018 to 2023:

The Company submitted zakat and income tax returns for the above-mentioned years to ZATCA and has a certificate valid up to April 30, 2025. Zakat and income tax assessments for these years have not yet raised by ZATCA.

Integrated Packaging Industries Company

Zakat assessments of the company have been finalized up to the period ended September 30, 2013. For the period up to December 31, 2021, the zakat return of the company was filed by the previous shareholders as part of their consolidated return. The assessments for the years 2014 to 2022 have not yet been raised by ZATCA. Any liability arising in respect of prior years up to the date of the control transfer shall be borne by the previous shareholders as per the terms agreed with them.

The company submitted zakat and income tax returns for the year ended December 31, 2023 to ZATCA and has a certificate valid up to April 30, 2025.

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Integrated Paper Industry Company

The Company was incorporated on September 1, 2024 and, accordingly, its zakat and income tax returns are not yet due.

Income tax - foreign subsidiaries

On December 9, 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax ("CT") regime in the UAE. The CT regime is effective for accounting periods beginning on or after June 1, 2023. The Group's foreign subsidiaries in the UAE are obliged to pay income tax as per applicable tax laws. Tax paying foreign subsidiaries determine their liabilities based on applicable corporate rates to the adjusted taxable income for the year. There are no open assessments currently outstanding for any of the foreign subsidiaries.

17.5 Income tax

The major components of income tax in the consolidated statement of profit or loss and other comprehensive income can be broken down as follows for the year ended:

	Note	2024	2023
Current income tax	17.2	9,085,363	10,408,439
Deferred income tax	17.3	2,798,411	(4,009,287)
Total income tax charged to profit or loss		11,883,774	6,399,152
Deferred tax charge/(credit) to other comprehensive income	17.3	232,284	(126,475)

18 Revenue

The Group derives revenue from the following streams:

	2024	2023
Revenue from:		
- Corrugated cartons and plates	1,103,863,842	1,177,433,624
- Duplex cartons	84,487,324	104,942,245
- Paper and packaging material	109,745,395	42,142,624
- Transportation services	46,379,858	37,278,258
	1,344,476,419	1,361,796,751

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

	2024	2023
Kingdom of Saudi Arabia	1,196,949,985	1,303,645,709
United Arab Emirates	123,223,875	43,109,656
Others	24,302,559	15,041,386
	1,344,476,419	1,361,796,751

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Timing of revenue recognition

	2024	2023
Point in time	109,745,395	42,142,624
Over time	1,234,731,024	1,319,654,127
	1,344,476,419	1,361,796,751

At December 31, 2024 and 2023, the Group has recognised the contract liabilities related to contract with customers:

	Note	2024	2023
Advances from customers	16	7,890,290	13,234,840

Revenue recognised that was included in the advances from customers balance at the beginning of the year was Saudi Riyals 13.2 million (2023: Saudi Riyals 9.3 million).

The Group has recognised the contract assets related to the performance obligation satisfied as at December 31, 2024, but not yet billed to the customers:

	2024	2023
Contract assets	4,883,166	-

19 Cost of revenue

	Note	2024	2023
Material cost		772,447,132	789,102,405
Employee cost		103,414,943	102,621,834
Utilities		64,698,184	39,060,315
Depreciation on property, plant and equipment	4	58,752,184	56,407,634
Delivery cost		44,163,928	35,844,479
Depreciation on right-of-use assets	6	6,252,782	6,340,155
Insurance		5,017,644	3,667,342
Others		49,666,890	44,414,761
		1,104,413,687	1,077,458,925

20 Selling and distribution expenses

	Note	2024	2023
Employee cost		19,190,138	17,719,351
Traveling and conveyance		2,610,275	2,578,343
Delivery cost		1,802,799	762,695
Insurance		261,012	214,178
Depreciation on property, plant and equipment	4	165,399	194,287
Depreciation on right-of-use assets	6	88,464	85,701
Sales commission		803,514	600,000
Others		869,848	1,205,077
		25,791,449	23,359,632

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21 General and administrative expenses

	Note	2024	2023
Employee cost		60,267,033	55,808,035
License and software maintenance		7,910,985	7,750,370
Professional fees		4,579,200	3,834,122
Depreciation on property, plant and equipment	4	5,128,925	5,794,843
Board of Directors' remuneration	24	3,800,000	2,200,000
Depreciation on right-of-use assets	6	1,474,537	1,500,062
Repairs and maintenance		1,603,244	1,445,090
Amortisation of intangible asset		679,556	359,412
Insurance		544,318	418,269
Communications		1,634,591	1,386,449
Others		8,031,178	5,230,075
		95,653,567	85,726,727

22 Other income - net

	2024	2023
Income from insurance claim *	12,726,847	-
Staff accommodation expense reimbursement	3,580,654	-
Sale of scrap items	502,434	1,051,639
(Loss)/gain on disposal of property, plant and equipment	(46,855)	941,160
Exchange (losses) / gains	(19,778)	436,038
Others	1,068,774	580,793
	17,812,076	3,009,630

* On February 15, 2024, one of the production halls of IPIC was partially damaged by fire. There were no injuries or loss of human life and the safety measures in place contained damage and fire. Operations in other parts of the plant resumed in ten days in addition to outsourcing of services relating to the affected area. The estimated carrying amount of assets affected by the fire, when it happened, amount to Saudi Riyals 3.1 million comprising of Saudi Riyals 2.3 million in inventories and Saudi Riyals 0.8 million, which have been fully provided for and impaired, respectively.

After completing the required administrative procedures, IPIC filed the claim with the insurance company amounting to Saudi Riyals 40 million. As of December 31, 2024, the insurance company has approved a partial amount amounting to Saudi Riyals 12.73 million out of which Saudi Riyal 4.46 million was collected by IPIC prior to the year-end and Saudi Riyals 8.27 million was collected subsequent to the year-end (Note 10). The Group has recorded this amount as income from insurance claim in the consolidated statement of profit or loss and other comprehensive income.

23 Finance costs

	Note	2024	2023
Finance cost on short-term borrowings	14	2,767,328	5,512,708
Finance cost on lease liabilities	6	2,742,686	1,701,065
Others		449,674	522,280
		5,959,688	7,736,053

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24 Related party transactions and balances

Related parties comprise the shareholders, directors and key management personnel of the Group and entities controlled or jointly controlled by the shareholders, who have significant influence on the Group (other related party). The following are the details of the major related parties during the year:

24.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the consolidated financial statements are summarised below:

Related party	Relationship	Nature of transaction	2024	2023
National Food Industries Company	Other related party	Sale of goods	11,608,311	11,243,977
		Staff accommodation expense		
		reimbursement	1,793,884	2,379,095
National Biscuits and Confectionary Company	Other related party	Sale of goods	28,809,048	28,801,195
		Staff accommodation expense		
		reimbursement	1,786,770	1,788,926
Zamil Air Conditioner and Home Appliances	Other related party	Sale of goods	2,830,702	2,115,465
Zamil Plastic Industries Company	Other related party	Purchase of goods	99,800	-
Modern Plastics Industry Company	Other related party	Sale of goods	1,284,453	887,314
Zamil Central and Air Conditioner Company	Other related party	Sale of goods	1,584,566	1,392,592
Zamil Food Industries Limited	Other related party	Sale of goods	208,279	136,241
Techno Val Information System	Other related party	Sale of goods	4,137,109	2,668,255
Shareholders of the Company*	Shareholders	IT services	1,236,441	2,053,057
		IPO related expenses	11,153,386	-

* The shareholders of the Company have agreed to reimburse the Company for IPO related expenses (refer to Note 16).

24.2 Related party balances

Significant year-end balances arising from transactions with related parties are as follows:

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

	2024	2023
National Biscuits and Confectionary Company	8,531,919	5,448,677
National Food Industries Company	1,908,194	1,853,573
Zamil Air Conditioner and Home Appliances	705,260	943,437
Modern Plastics Industry Company	356,376	476,290
Zamil Plastic Industries Company	345,653	241,521
Zamil Central and Air Conditioner Company	40,275	45,247
Zamil Food Industries Limited	425,924	-
	12,313,601	9,008,745

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Sales and purchases (including services) carried out to/from related parties during the year are based on the price lists in force and terms that would be available to third parties in the normal course of business. Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. The balances are payable/receivable within normal commercial terms up to 3 months.

24.3 Related party commitment

During the year ended December 31, 2024, the Company and its shareholders have entered into an agreement wherein the foreign founding shareholder has committed to reimburse the Company for the increased income tax burden due to the foreign shareholding, effective from January 1, 2024.

24.4 Key management personnel compensation

Key management personnel comprise chief executive officer, chief financial officer, vice presidents and certain head of departments. Compensation of the Group's key management personnel includes salaries and contributions to employee benefit obligations.

	2024	2023
Short-term employee benefits (salaries and other allowances) *	14,415,635	10,279,894
Post-employment benefit (end-of-service benefit)	678,390	1,036,234
	15,094,025	11,316,128

* Short-term employee benefits include Board of Directors' remuneration for the year ended December 31, 2024 amounting to Saudi Riyals 3.8 million (2023: Saudi Riyals 2.2 million).

25 Commitments

The capital expenditure contracted by the Group but not incurred until December 31, 2024 was Saudi Riyals 29.9 million (2023: Saudi Riyals 14.7 million).

26 Bank guarantees

At December 31, 2024, the Group has outstanding bank guarantees amounting to Saudi Riyals 3.8 million (2023: Saudi Riyals 0.65 million) issued in the normal course of business.

27 Segment information

An operating segment is a component of an entity:

- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. For management purposes, the Group is organised into business units based on their products and has the following reportable segments:

Corrugated

Corrugated segment which manufactures and sells corrugated boxes, digital printing products, retail boxes etc.

Duplex

Duplex segment involves manufacturing of folding cartons and pulp products.

Paper and packaging material

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

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The Group's CODM (CEO and BoD) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit/(loss) before zakat and tax for each segment.

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

	Corrugated	Duplex	Paper and packaging material	Total
<u>December 31, 2024</u>				
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
<u>December 31, 2024</u>				
Total assets	736,610,671	127,542,387	133,526,783	997,679,841
Total liabilities	328,771,909	84,622,243	38,761,230	452,155,382
	Corrugated	Duplex	Paper and packaging material	Total
<u>December 31, 2023</u>				
Property, plant and equipment	269,496,671	50,414,708	58,894,364	378,805,743
Right of use assets	28,125,845	1,296,243	18,610,100	48,032,188
Trade receivables	176,831,102	19,485,432	36,889,786	233,206,320
Allowance for impairment of trade receivables	(10,100,889)	(100,000)	-	(10,200,889)
Trade receivables – net	166,730,213	19,385,432	36,889,786	223,005,431
<u>December 31, 2023</u>				
Total assets	706,468,500	101,004,057	118,281,900	925,754,457
Total liabilities	344,630,640	60,777,439	38,276,498	443,684,577
	Corrugated	Duplex	Paper and packaging material	Total
<u>For the year ended December 31, 2024</u>				
Segment revenue	1,151,870,023	87,202,801	112,795,403	1,351,868,227
Inter-segment revenue	(3,986,900)	(354,900)	(3,050,008)	(7,391,808)
Revenue from external customers	1,147,883,123	86,847,901	109,745,395	1,344,476,419
Gross profit	228,068,657	7,025,335	4,968,740	240,062,732
Depreciation and amortization	(55,113,035)	(11,920,258)	(6,570,034)	(73,603,327)
Finance costs	(2,853,133)	(2,063,746)	(1,042,809)	(5,959,688)
Profit before zakat and income tax	137,032,290	5,535,262	(2,657,486)	139,910,066
Additions to property, plant and equipment	22,826,798	28,123,356	4,554,834	55,504,988

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	Corrugated	Duplex	Paper and packaging material	Total
For the year ended December 31, 2023				
Segment revenue	1,214,686,051	108,583,648	42,172,232	1,365,441,931
Inter-segment revenue	(2,153,328)	(1,462,244)	(29,608)	(3,645,180)
Revenue from external customers	1,212,532,723	107,121,404	42,142,624	1,361,796,751
Gross profit	303,245,553	(21,249,770)	2,342,043	284,337,826
Depreciation and amortization	(54,758,434)	(13,228,467)	(2,704,349)	(70,691,250)
Finance costs	(3,990,382)	(3,147,583)	(598,088)	(7,736,053)
Profit/ (loss) before zakat income and tax	168,932,983	(465,470)	(1,536,802)	166,930,711
Additions to property, plant and equipment	28,788,822	4,310,786	1,738,399	34,838,007

The Group's operations are conducted principally in Saudi Arabia and United Arab Emirates. Selected financial information as at and for the year ended December 31 by geographic area were as follows:

	Kingdom of Saudi Arabia	United Arab Emirates	Others	Total
2024				
Revenue	1,196,949,985	123,223,875	24,302,559	1,344,476,419
Non-current assets	385,402,385	112,075,995	-	497,478,380
2023				
Revenue	1,303,645,709	43,109,656	15,041,386	1,361,796,751
Non-current assets	419,966,240	58,687,550	-	478,653,790

28 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Company, by the weighted average number of ordinary shares outstanding during the financial year. As the Company does not have any diluting potential shares, the diluted earnings per share is the same as the basic earnings per share. The basic and diluted earnings per share is computed as follows:

	2024	2023
Profit for the year	124,696,211	156,697,764
Weighted average number of ordinary shares*	40,000,000	40,000,000
Basic and diluted earnings per share	3.12	3.92

* The number of ordinary shares have been adjusted retrospectively to reflect the change in the number of issued shares, as a result of the capitalization effect of retained earnings and statutory reserve (Note 12). Since this represents a change in the number of basic shares, without a corresponding change in resources, the weighted average number of ordinary shares outstanding during all reported periods has been adjusted retrospectively.

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The Company has a foreign shareholder and as such a portion of Company's profits are subject to income tax in the Kingdom of Saudi Arabia. Similarly, the Company currently pays zakat in proportion to its Saudi shareholding. However, once the Company's IPO is complete, there is a possibility of the Company being solely subject to zakat, provided certain conditions related to the foreign shareholding are met. The Company has prepared an alternative non-IFRS earnings per share measure disclosed below that adjusts for the effects of Saudi income tax and reports earnings per share as if the Company was only subject to zakat.

	Note	2024
<u>Alternative non-IFRS basic and diluted earnings per share</u>		
Net profit for the year		124,696,211
Add: Saudi income tax expense attributable to the foreign shareholder	17.5	9,085,363
Less: Additional zakat expense if the Company was only subject to zakat		(1,715,235)
Adjusted net profit for the year		132,066,339
Weighted average number of ordinary shares		40,000,000
Alternative non-IFRS basic and diluted earnings per share		3.30

29 Financial instruments**29.1 Financial assets****29.1.1 Financial assets at amortised cost**

	Note	2024	2023
Trade receivables	9	227,537,836	217,327,195
Cash and cash equivalents	11	38,005,164	30,586,197
Insurance claim receivable	10	8,272,451	-
Other receivables	10	5,062,489	4,441,932
Employee loans	10	4,065,940	4,642,014
Margin on letters of guarantee	10	654,455	654,410
		283,598,335	257,651,748

29.1.2 Financial assets at fair value through profit or loss

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of financial assets, that are classified as level 3 in the fair value hierarchy for financial instruments measured at fair value is as follows:

	Note	2024	2023
Trade receivables (Level 3)	9	7,476,616	5,678,236

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29.2 Financial liabilities

	Note	2024	2023
<i>Financial liabilities at amortised cost</i>			
Trade payables		199,386,283	173,355,541
Lease liabilities	6	55,260,001	50,129,989
Short-term borrowings	14	53,656,310	30,168,532
Accrued expenses	16	43,549,453	46,234,973
Payable for acquisition of a subsidiary	16	-	40,454,001
Accruals for rebates and discounts	16	4,819,053	5,459,517
Other payables	16	5,598,809	4,915,521
Total financial liabilities		362,269,909	350,718,074

The carrying amount of financial assets and financial liabilities approximates their fair value due to their short-term nature. For credit risk exposure refer to Note 29.3.

29.3 Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest rate risk and price risk)

a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to customers outstanding receivables from other parties.

For banks, only independently rated parties having sound credit ratings are accepted. For trade receivables, the Group assesses the credit quality of the customers, taking into account various factors such as their financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management. Refer to Note 9 for concentration of credit risk on trade receivables.

A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write-off when a debtor fails to make contractual payments greater than 365 days past due. Where receivables have been categorised as for write off, the Group continues to engage in enforcement activity to attempt to recover the receivable due unless the cost of such activity is expected to be higher than the benefit of doing so. Where recoveries are made, these are directly recognised in profit or loss.

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i. Impairment of financial assets

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

	2024	2023
Trade receivables	236,879,660	227,528,084
Cash and cash equivalents	38,005,164	30,586,197
Insurance claim receivable	8,272,451	-
Other receivables	5,062,489	4,441,932
Employee loans	4,065,940	4,642,014
Margin on letters of guarantee	654,455	654,410
	292,940,159	267,852,637

Cash at bank

For banks, only independently rated parties with sound credit ratings are accepted. The stated rating is as per the global bank ratings by Moody's Investors Service. Management does not expect any losses from non-performance by these counterparties. The identified risk of default arising on these balances is considered not to be material.

The credit rating of banks in which the Group holds cash are as follows:

	2024	2023
A1	22,333,928	16,763,202
A3	64,181	21,492
Aa3	13,010,502	13,611,433
Baa1	134,586	-
Baa3	2,258,556	-
	37,801,753	30,396,127

Trade and other receivables

The Group uses the forward-looking 'expected credit loss' (ECL) model to measure the impairment loss on financial assets. Cash at banks are placed with banks with sound credit ratings. Employee and other receivables are considered to have low credit risk therefore, 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group considers the gross domestic product as the most relevant macro-economic factor of forward-looking information that would impact the credit risk of the customers, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Impairment losses on financial assets recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2024	2023
Reversal of / (impairment) loss on financial assets	859,065	(750,000)

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

Ageing	Gross carrying amount	Expected credit loss rate (%)	Loss allowance
Not due	186,525,902	0.61%	1,140,676
1 – 90 days	40,890,138	2.07%	844,924
91 – 180 days	2,238,435	27.84%	623,099
181 – 270 days	905,289	47.75%	432,265
271 – 365 days	705,622	97.30%	686,586
Greater than 365 days	5,614,274	100.00%	5,614,274
December 31, 2024	236,879,660		9,341,824

The loss allowance as at December 31, 2023 was determined as follows:

Ageing	Gross carrying amount	Expected credit loss rate (%)	Loss allowance
Not due	173,266,158	0.71%	1,226,894
1 – 90 days	43,050,584	2.08%	895,452
91 – 180 days	3,251,721	27.83%	904,954
181 – 270 days	1,739,473	55.01%	956,884
271 – 365 days	906,132	99.62%	902,689
Greater than 365 days	5,314,016	100.00%	5,314,016
December 31, 2023	227,528,084		10,200,889

b) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentration of liquidity risk may arise from the repayment terms of financial liabilities, bank overdraft or reliance on a particular market in which to realise liquid assets. Contractual undiscounted cash flows as of December 31, 2024 and 2023 are:

	Less than 1 year	Between 1 – 2 years	Between 2 – 5 years	Above 5 years	Total
Trade payables	199,386,283	-	-	-	199,386,283
Short-term borrowings	53,656,310	-	-	-	53,656,310
Accrued and other liabilities	53,967,315	-	-	-	53,967,315
Lease liabilities	8,615,451	6,795,754	24,102,427	50,025,274	89,538,906
	315,625,359	6,795,754	24,102,427	50,025,274	396,548,814
	Less than 1 year	Between 1 – 2 years	Between 2 – 5 years	Above 5 years	Total
Trade payables	173,355,541	-	-	-	173,355,541
Accrued and other liabilities	97,064,012	-	-	-	97,064,012
Short-term borrowings	30,335,263	-	-	-	30,335,263
Lease liabilities	9,568,434	8,176,382	20,870,062	30,155,019	68,769,897
	310,323,250	8,176,382	20,870,062	30,155,019	369,524,713

Refer to Note 14 for unused borrowing facilities and Note 11 for closing cash position of the Group. The Group's terms of sales require amounts to be paid either on a cash on delivery or on terms basis.

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c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group's transactions are principally in Saudi Riyals, AED and United States Dollars ("USD"). Saudi Riyals and AED are pegged with USD. The Group also has operations in UAE where AED is pegged with USD. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant.

ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value risks to the Group are not significant. There are no interest-bearing financial assets at the end of reporting period.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2024	2023
Financial liabilities, principally borrowings	53,656,310	30,168,582

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. Based on average borrowings outstanding throughout the year, the sensitivity impact to a reasonable possible change in interest rate on the Group's profit before zakat has been disclosed as follows:

	2024	2023
Interest rate-increases by 100 basis points	(536,563)	(849,433)
Interest rate-decreases by 100 basis points	536,563	849,433

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Group does not have any financial instruments that are subject to price risk.

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d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings, lease liabilities as shown in the statement of financial position, less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

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

	2024	2023
Borrowings	53,656,310	30,168,532
Lease liabilities	55,260,001	50,129,989
Less: cash and cash equivalents	(38,005,164)	(30,586,197)
Net debt (A)	70,911,147	49,712,324
Shareholders' equity (B)	545,524,459	482,069,880
Total capital (A+B)	616,435,606	531,782,204
Gearing ratio (A / (A+B))	11.50%	9.35%

30 Dividends

During the year ended December 31, 2024, the Board of Directors approved an interim dividend of Saudi Riyals 1.625 per share (2023: Saudi Riyals 5 per share) amounting to Saudi Riyals 65 million (2023: Saudi Riyals 100 million), which has been fully paid.

31 Cash flow information**(a) Net debt**

	2024	2023
Cash and cash equivalents	38,005,164	30,586,197
Short-term borrowings	(53,656,310)	(30,168,532)
Lease liabilities	(55,260,001)	(50,129,989)
Net debt	(70,911,147)	(49,712,324)

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(b) Net debt reconciliation

	Cash and cash equivalents	Short-term borrowings	Leases	Total
January 1, 2023	10,075,518	(139,718,094)	(15,797,439)	(145,440,015)
Movement in cash and cash equivalents	20,618,502	-	-	20,618,502
Financing cash flows	-	109,549,562	9,704,484	119,254,046
New leases	-	-	(43,938,764)	(43,938,764)
Foreign exchange adjustment	(107,823)	-	-	(107,823)
Interest expense	-	(5,512,708)	(1,701,065)	(7,213,773)
Interest payment	-	5,512,708	1,602,795	7,115,503
December 31, 2023	30,586,197	(30,168,532)	(50,129,989)	(49,712,324)
Movement in cash and cash equivalents	7,422,026	-	-	7,422,026
Financing cash flows	-	(23,487,778)	7,314,297	(16,173,481)
New leases	-	-	(13,097,754)	(13,097,754)
Termination of leases	-	-	671,327	671,327
Foreign exchange adjustment	(3,059)	-	(17,882)	(20,941)
Interest expense	-	(2,767,328)	(2,742,686)	(5,510,014)
Interest payment	-	2,767,328	2,742,686	5,510,014
December 31, 2024	38,005,164	(53,656,310)	(55,260,001)	(70,911,147)

32 Subsequent events

No subsequent events occurred between December 31, 2024 and the date of authorisation of issuance of the accompanying consolidated financial statements by the Board of Directors, which may have an impact on the consolidated financial statements.

33 Approval of the consolidated financial statements

These consolidated financial statements were approved by the Group's Board of Directors on March 14, 2025.

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Supplementary information

During the preparation of the Group's consolidated financial statements for the year ended December 31, 2024, the management has identified an inconsistency in the unaudited segment information reported as at June 30, 2024, which has been adjusted as follows:

	Corrugated	Duplex	Paper and packaging material	Total
<u>Total assets (Unaudited)</u>				
As previously reported	848,336,601	68,478,542	40,427,951	957,243,094
Adjustment	<u>(134,529,862)</u>	<u>31,810,238</u>	<u>102,719,624</u>	<u>-</u>
As adjusted	<u>713,806,739</u>	<u>100,288,780</u>	<u>143,147,575</u>	<u>957,243,094</u>
<u>Total liabilities (Unaudited)</u>				
As previously reported	343,137,364	28,886,220	40,423,999	412,447,583
Adjustment	<u>(6,010,000)</u>	<u>6,010,000</u>	<u>-</u>	<u>-</u>
As adjusted	<u>337,127,364</u>	<u>34,896,220</u>	<u>40,423,999</u>	<u>412,447,583</u>