MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

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Building a better working world

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Middle East Company for Manufacturing and Producing Paper (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2023, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three month period ended 31 March 2023 and the related interim condensed consolidated statements of changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Board of Directors are responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review:

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

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 that are endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Abdullah Ali AlMakrami
Certified Public Accountant
License No. (476)

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Ernst & Young Professional Services (Professional LLC)

Jeddah: 02 Duh Al-Qi'dah 1444H
22 May 2023G

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

	Note	*31 March 2023 (Unaudited)*	*31 December 2022 (Audited)*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**853,858,320**	871,799,672
Capital work in progress	6	**311,862,076**	233,703,635
Right-of-use assets	7	**27,750,623**	28,660,645
Intangible assets		**55,998**	267,692
TOTAL NON-CURRENT ASSETS		**1,193,527,017**	1,134,431,644
CURRENT ASSETS			
Inventories		**180,124,104**	212,777,017
Trade receivables		**267,997,215**	297,736,735
Prepayments and other receivables		**11,997,743**	16,690,045
Capital project advances	8	**34,392,105**	47,715,916
Other current assets	9	**94,783,605**	91,911,302
Financial asset at fair value through profit or loss		**5,633**	5,633
Cash and cash equivalents	10	**185,961,561**	145,246,081
TOTAL CURRENT ASSETS		**775,261,966**	812,082,729
TOTAL ASSETS		**1,968,788,983**	1,946,514,373
EQUITY AND LIABILITIES			
EQUITY			
Share capital		**666,666,660**	666,666,660
Statutory reserve		**135,278,852**	135,278,852
Reserve for employees' share-based payments	15	**8,007,000**	7,860,000
Retained earnings		**364,685,084**	371,242,769
Equity attributable to equity holders of parent		**1,174,637,596**	1,181,048,281
Non- controlling interests		**695,196**	1,237,841
TOTAL EQUITY		**1,175,332,792**	1,182,286,122
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	11	**421,795,191**	411,327,423
Lease liabilities	12	**21,892,932**	21,999,430
Employee benefits		**48,970,841**	48,014,426
TOTAL NON-CURRENT LIABILITIES		**492,658,964**	481,341,279
CURRENT LIABILITIES			
Zakat payable	14	**17,129,988**	13,386,571
Long-term borrowings – current portion	11	**113,700,891**	99,828,007
Lease liabilities – current portion	12	**4,827,207**	7,430,410
Short-term borrowings	13	**30,011,456**	33,564,696
Trade and other payables		**129,054,049**	123,950,413
Other current liabilities		**6,073,636**	4,726,875
TOTAL CURRENT LIABILITIES		**300,797,227**	282,886,972
TOTAL LIABILITIES		**793,456,191**	764,228,251
TOTAL EQUITY AND LIABILITIES		**1,968,788,983**	1,946,514,373

Chief Financial Officer   Chief Executive Officer   Chairman of the Board

The attached notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements.

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month period ended 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

	Note	*31 March 2023 (Unaudited)*	*31 March 2022 (Unaudited)*
Revenue	4	**223,948,896**	305,017,138
Cost of revenue		**(188,654,501)**	(161,860,633)
GROSS PROFIT		**35,294,395**	143,156,505
Selling and distribution expenses		**(15,001,955)**	(18,394,443)
General and administrative expenses		**(19,987,924)**	(18,997,714)
Impairment losses on financial assets		**(2,712,555)**	(1,118,275)
Other income/(expenses), net	16	**4,702,137**	(3,352,473)
OPERATING PROFIT		**2,294,098**	101,293,600
Finance costs		**(6,008,696)**	(3,470,958)
(LOSS)/ PROFIT BEFORE ZAKAT		**(3,714,598)**	97,822,642
Zakat expense	14.2	**(3,385,732)**	(4,800,386)
(LOSS)/ PROFIT FOR THE PERIOD		**(7,100,330)**	93,022,256
Attributable to:			
Equity holders of the parent		**(6,557,685)**	92,385,929
Non-controlling interests		**(542,645)**	636,327
		(7,100,330)	93,022,256
OTHER COMPREHENSIVE INCOME:			
Items not to be reclassified to statement of profit or loss:			
Actuarial gain on re-measurement of employee benefit obligations		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(7,100,330)**	93,022,256
Attributable to:			
Equity holders of the parent		**(6,557,685)**	92,385,929
Non-controlling interests		**(542,645)**	636,327
		(7,100,330)	93,022,256
(LOSS) / EARNINGS PER SHARE:			
(Loss) / Earnings per share attributable to ordinary equity holders of the Parent (Saudi Riyals)			
-Basic and diluted	17	**(0.10)**	1.39

Chief Financial Officer | Chief Executive Officer | Chairman of the Board

The attached notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2023

(Expressed in Saudi Riyals unless otherwise stated)

	Attributable to equity holders of the Parent							
	Share capital	*Statutory reserve*	*Treasury shares*	*Reserve for employees' share-based payments*	*Retained earnings*	*Total*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2022 (Audited)	500,000,000	108,308,999	(1,136,135)	1,715,000	373,801,465	982,689,329	206,563	982,895,892
Profit for the period	-	-	-	-	92,385,929	92,385,929	636,327	93,022,256
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	92,385,929	92,385,929	636,327	93,022,256
Transfer from treasury shares	-	-	1,136,135	(1,136,135)	-	-	-	-
Gain on employee share-based payment plan	-	-	-	(578,865)	578,865	-	-	-
Transfer to statutory reserve	-	9,238,593	-	-	(9,238,593)	-	-	-
Balance as at 31 March 2022 (Unaudited)	500,000,000	117,547,592	-	-	457,527,666	1,075,075,258	842,890	1,075,918,148
Balance as at 1 January 2023 (Audited)	**666,666,660**	**135,278,852**	-	**7,860,000**	**371,242,769**	**1,181,048,281**	**1,237,841**	**1,182,286,122**
Loss for the period	-	-	-	-	**(6,557,685)**	**(6,557,685)**	**(542,645)**	**(7,100,330)**
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	**(6,557,685)**	**(6,557,685)**	**(542,645)**	**(7,100,330)**
Additions during the period	-	-	-	**147,000**	-	**147,000**	-	**147,000**
Balance as at 31 March 2023 (Unaudited)	**666,666,660**	**135,278,852**	-	**8,007,000**	**364,685,084**	**1,174,637,596**	**695,196**	**1,175,332,792**

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

The attached notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements.

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 31 March 2023
(Expressed in Saudi Riyals unless otherwise stated)

	Note	*31 March 2023 (Unaudited)*	*31 March 2022 (Unaudited)*
OPERATING ACTIVITIES			
(Loss) / profit before zakat		**(3,714,598)**	97,822,642
Adjustments to reconcile profit before zakat to net cash flows:			
Depreciation and amortization		**24,284,757**	24,544,846
Finance costs		**6,008,696**	3,470,958
Loss on disposal of property, plant and equipment		-	2,008,375
Allowance for impairment of trade receivables		**2,712,555**	1,118,275
Allowance for slow moving inventories		**750,000**	-
Employee benefits provision		**1,540,352**	1,365,647
Employee share-based payment cost		**147,000**	-
		31,728,762	130,330,743
Working capital changes:			
Increase in inventories		**31,902,913**	743,124
Increase/ (decrease) in trade receivables		**27,026,965**	(12,313,805)
Increase in prepayments and other receivables		**4,692,302**	208,986
Decrease/(increase) in other current assets		**(2,872,303)**	2,518,960
Increase in capital project advances		**13,323,811**	-
Increase in trade and other payables		**5,103,636**	3,857,046
Increase in other current liabilities		**1,346,761**	8,833,357
		112,252,847	134,178,411
Finance costs paid		**(9,765,696)**	(3,078,859)
Zakat refund/ (paid)	14.2	**357,685**	(357,686)
Employee benefits paid		**(583,937)**	(777,780)
Net cash flows from operating activities		**102,260,899**	129,964,086
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(4,248,237)**	(4,492,151)
Purchase of intangible assets		-	(38,000)
Additions to capital work in progress		**(76,191,357)**	(29,700,255)
Net cash flows used in investing activities		**(80,439,594)**	(34,230,406)
FINANCING ACTIVITIES			
Net change in short-term borrowings		**(3,905,731)**	(81,480,487)
Proceeds from long term borrowings		**45,000,000**	-
Repayments of long-term borrowings		**(18,447,813)**	(127,167,761)
Payment of principal portion of lease liabilities		**(3,752,281)**	(1,375,174)
Net cash flows from / (used in) financing activities		**18,894,175**	(210,023,422)
Net increase / (decrease) in cash and cash equivalents		**40,715,480**	(114,289,742)
Cash and cash equivalents at the beginning of the period		**145,246,081**	264,004,358
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**185,961,561**	149,714,616

MAJOR NON-CASH TRANSACTIONS
Major non-cash transactions are reflected in note 5, 6 and 7

Chief Financial Officer — Chief Executive Officer — Chairman of the Board

The attached notes from 1 to 21 form an integral part of these interim condensed consolidated financial statements.

(Expressed in Saudi Riyals unless otherwise stated)

1 CORPORATE INFORMATION

Middle East Company for Manufacturing and Producing Paper ("MEPCO" or the "Company") and its subsidiaries (collectively the "Group") are engaged in production and sale of container board and industrial paper. MEPCO is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia. The Company also uses the name Middle East Paper Company in its business operations, agreements and trademarks including places such as Saudi Stock Exchange.

The Company obtained its Commercial Registration No. 4030131516 on 3 Rajab 1421H (corresponding to 30 September 2000). During the year 2012, the legal status of the Company converted from a limited liability company into a Saudi Closed Joint Stock Company. The Ministry of Commerce approved the conversion of the Company to a Saudi Closed Joint Stock Company by Ministerial Decision No. 44 dated 14 Safar 1433H (corresponding to 8 January 2012). The Company's application for its initial public offering was accepted by the Capital Market Authority (CMA) on 25 Jumada I 1436H (corresponding to 16 March 2015). The Company was converted to Saudi Joint Stock Company on 14 Rajab 1436H (corresponding to 3 May 2015). The Company head office is located at Jeddah, P.O. Box 32913, Jeddah 21438 Kingdom of Saudi Arabia.

The Company had investments in the following subsidiaries (collectively referred to as "Group"):

Subsidiary name	*Country of incorporation*	*Principal business activity*	***31 March 2023*** Effective ownership interest	*31 December 2022*
Direct holdings				
Waste Collection and Recycling Company Limited ("WASCO")	Saudi Arabia	Whole and retail sales of paper, carton and plastic waste	**100%**	100%
Juthor Paper Manufacturing Company formerly known Roots Paper Manufacturing Company Limited ("Juthor")	Saudi Arabia	Production and sales of tissue paper rolls.	**100%**	100%
Indirect holdings				
Estidama Environmental Services Company LLC ("Estidama")	Saudi Arabia	Whole sales of wastes, scrap, and other unclassified product and waste management and treatment services	**50%**	50%
Saudi- Jordanian Waste Collection and Recycling Company ("Saudi- Jordanian WASCO")	Jordan	Recycle and collect carton waste, manufacture, import and export carton. Retail trade in paper and carton. Own movable and immovable funds to implement the company's objectives.	**50%**	50%

2 BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed consolidated financial statements for the three-month period ended 31 March 2023 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia as well as other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022 (see also note 2.4).

2 BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention, except investment at fair value through profit or loss which are measured at fair value.

2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), which is the Group's functional and presentation currency.

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, were disclosed in annual consolidated financial statements for the year ended 31 December 2022. Any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods.

2.5 Significant accounting policies

The accounting policies adopted by the Group for the preparation of these interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for accounting policies related to the new standard adopted by the Group effective as of 1 January 2023 (see Note 3).

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

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

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

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

The amendments had no impact on the Group's interim condensed consolidated financial statements, but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

4 SEGMENT INFORMATION

The Group has two operating and reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's top management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Manufacturing segment represents manufacturing of container board and industrial paper as well as tissue paper.
- Trading segment represents wholesale and retail sales of paper, carton and plastic waste.

Segment results that are reported to the Chairman Board of Directors and top management (Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues and profit (loss) before zakat, as included in the internal management reports that are reviewed by the top management.

(Expressed in Saudi Riyals unless otherwise stated)

4 SEGMENT INFORMATION (continued)

The following table presents segment information for the three-month period ended 31 March 2023:

	Manufacturing	*Trading*	*Elimination*	*Total*
Results for the three-month period ended 31 March 2023 (Unaudited)				
Revenues	**219,719,365**	**73,734,692**	**(69,505,161)**	**223,948,896**
External revenues	**219,719,365**	**4,229,531**	**-**	**223,948,896**
Segment (loss) / profit before zakat	**(5,436,846)**	**2,648,226**	**(925,978)**	**(3,714,598)**
Zakat	**3,175,926**	**209,806**	**-**	**3,385,732**
Financial costs	**5,763,948**	**244,748**	**-**	**6,008,696**
Depreciation and amortization	**20,632,332**	**3,652,425**	**-**	**24,284,757**
Results for the three-month period ended 31 March 2022 (Unaudited)				
Revenues	297,180,116	89,213,623	(81,376,601)	305,017,138
External revenues	297,180,116	7,837,022	-	305,017,138
Segment profit before zakat	96,526,607	8,349,147	(7,053,112)	97,822,642
Zakat	4,546,063	254,323	-	4,800,386
Finance costs	3,082,873	388,085	-	3,470,958
Depreciation and amortization	21,029,031	3,515,815	-	24,544,846
As of 31 March 2023 (Unaudited)				
Total assets	**2,064,247,395**	**154,184,509**	**(249,642,921)**	**1,968,788,983**
Total liabilities	**736,117,238**	**81,623,131**	**(24,284,178)**	**793,456,191**
As of 31 December 2022 (Audited)				
Total assets	2,026,832,429	152,294,426	(232,612,482)	1,946,514,373
Total liabilities	706,816,209	82,171,468	(24,759,426)	764,228,251

The Group makes sales in local and foreign markets in Middle East, Africa, Asia and Europe. Export sales during the three-month period ended 31 March 2023 amounted to SR 88 million (three-month period ended 31 March 2022: SR 111.52 million). Local external sales in Kingdom of Saudi Arabia, during the three-month period ended 31 March 2023 amounted to SR 135.8 million (three-month period ended 31 March 2022: SR 193.5 million).

(Expressed in Saudi Riyals unless otherwise stated)

5 PROPERTY, PLANT AND EQUIPMENT

	Land	*Buildings and mobile cabinets*	*Machinery and equipment*	*Furniture and office equipment*	*Motor vehicles*	*Total*
At 1 January 2023						
Cost	137,398,877	190,135,250	1,554,710,347	34,301,153	36,148,736	1,952,694,363
Accumulated depreciation	-	(75,621,429)	(954,797,589)	(21,944,441)	(28,531,232)	(1,080,894,691)
Net book value (Audited)	137,398,877	114,513,821	599,912,758	12,356,712	7,617,504	871,799,672
Three-month period ended 31 March 2023						
Opening net book value	137,398,877	114,513,821	599,912,758	12,356,712	7,617,504	871,799,672
Additions	-	17,650	3,237,092	709,582	283,913	4,248,237
Transfers						
- Cost (refer note 6)	-	-	190,309	-	-	190,309
Depreciation charge	-	(1,692,193)	(19,151,569)	(1,020,342)	(515,794)	(22,379,898)
Net book value as at 31 March 2023	**137,398,877**	**112,839,278**	**584,188,590**	**12,045,952**	**7,385,623**	**853,858,320**
At 31 March 2023						
Cost	137,398,877	190,152,900	1,558,137,748	35,010,735	36,432,649	1,957,132,909
Accumulated depreciation	-	(77,313,622)	(973,949,158)	(22,964,783)	(29,047,026)	(1,103,274,589)
Net book value (Unaudited)	**137,398,877**	**112,839,278**	**584,188,590**	**12,045,952**	**7,385,623**	**853,858,320**

5.1 All land, buildings and mobile cabinets, machinery and equipment, furniture and office equipment relating to the Company are pledged as collateral to Saudi Industrial Development Fund (SIDF) as a first-degree pledge (note 11).

(Expressed in Saudi Riyals unless otherwise stated)

6 CAPITAL WORK-IN-PROGRESS

	Tissue Mill Factory	*Plant and Machinery*	*Total*
Year ended 31 December 2022			
Opening net book value	23,187,564	71,359,295	94,546,859
Additions	132,193,599	16,476,079	148,669,678
Transfers to property, plant and equipment (refer note 5)	-	(9,512,902)	(9,512,902)
31 December 2022 (Audited)	155,381,163	78,322,472	233,703,635
Period ended 31 March 2023			
Opening net book value	155,381,163	78,322,472	233,703,635
Additions	**68,479,591**	**9,869,159**	**78,348,750**
Transfers to property, plant and equipment (refer note 5)	**-**	**(190,309)**	**(190,309)**
31 March 2023 (Unaudited)	**223,860,754**	**88,001,322**	**311,862,076**

Capital work-in-progress as at 31 March 2023 includes costs incurred related to the ongoing projects for plant and machinery, as well as construction of a tissue mill factory in King Abdullah Economic City, Rabigh under the wholly owned subsidiary Juthor Paper Manufacturing Company Limited. The projects are expected to complete during the year 2023 and the tissue mill project is expected to be completed during April 2023. Refer to note 19 for capital commitments.

During the period ended 31 March 2023, finance costs amounting to SR 2.2 million were capitalized as part of capital work-in-progress (year ended 31 December 2022: SR 4.2 million). Average capitalization rate used 5.65% (31 December 2022: 2.33%-3.45%).

7 RIGHT OF USE ASSETS

The Group has leases various employees' accommodation, offices, warehouses buildings which are shown under the category buildings and landfills sites for its subsidiary shown under leased land. Rental contracts are typically made for fixed periods of 1 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leased premises with lease terms of 12 months or less. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

	Leased Land	*Buildings*	*Total*
At 1 January 2023			
Cost	48,028,022	8,207,099	56,235,121
Accumulated depreciation	(22,014,765)	(5,559,711)	(27,574,476)
Net book value (Audited)	26,013,257	2,647,388	28,660,645
Three-month period ended 31 March 2023			
Opening net book value	26,013,257	2,647,388	28,660,645
Additions	783,143	-	783,143
Depreciation charge	(1,284,591)	(408,574)	(1,693,165)
Closing net book value as at 31 March 2023	**25,511,809**	**2,238,814**	**27,750,623**
At 31 March 2023			
Cost	48,811,165	8,207,099	57,018,264
Accumulated depreciation	(23,299,356)	(5,968,285)	(29,267,641)
Net book value (Unaudited)	**25,511,809**	**2,238,814**	**27,750,623**

(Expressed in Saudi Riyals unless otherwise stated)

8 CAPITAL PROJECT ADVANCES

Capital project advances as at 31 March 2023 includes advances related to the ongoing projects for plant and machinery and construction of a tissue mill factory in King Abdullah Economic City, Rabigh under the wholly owned subsidiary Juthor Paper Manufacturing Company Limited. The materials and the services related to the projects are expected to complete during the year 2023.

9 OTHER CURRENT ASSETS

	Note	*31 March 2023 (Unaudited)*	*31 December 2022 (Audited)*
Advances to suppliers		**40,391,192**	40,134,826
Advances to suppliers – related parties		**20,341,934**	20,050,000
Advance against land	(a)	**30,000,000**	30,000,000
Receivable from Higher Institute for Paper and Industrial Technology (HIPIT)		**1,233,497**	-
Advances to employees		**6,503,756**	5,413,250
		98,470,379	95,598,076
Less: allowance for impairment loss on advances		**(3,686,774)**	(3,686,774)
		94,783,605	91,911,302

a) During 2017, the management paid an amount of SR 30 million to acquire a land through public auction and classified it as land under property, plant and equipment account. Accordingly, the Court of appeal ruling of Makkah Region, issued a judgement to transfer this land to the name of Group. However, during 2021, received certain information that the General Prosecution has banned the use and control of the land. During the year ended 31 December 2022, the Board has appointed a consultant to investigate and secure the land's title deed in the name of the Group. The Group's management consulted an external lawyer and is of the view that such a transfer in the name of the Group is a procedural aspect and would be completed in the near future, or otherwise the amount paid would be refunded and is recoverable. Accordingly, the management has decided to reclassify the land from property, plant and equipment to advances paid for acquisition of land till the time the control is transferred to the Group. As a result, the amount of SR 30 million is reclassified to advances paid for acquisition of land within other current assets in the year ended 31 December 2022.

10 CASH AND CASH EQUIVALENTS

	31 March 2023 (Unaudited)	*31 December 2022 (Audited)*
Cash in hand	**1,196,661**	785,771
Cash at bank	**184,764,900**	144,460,310
	185,961,561	145,246,081

(Expressed in Saudi Riyals unless otherwise stated)

11 LONG TERM BORROWINGS

	31 March 2023 (Unaudited)	*31 December 2022 (Audited)*
SIDF loans - Principal	**154,200,000**	114,000,000
Accrued finance charges – SIDF	**1,262,169**	456,169
Less: Deferred financial charges	**(9,921,734)**	(7,024,155)
Saudi Industrial Development Fund (SIDF) (refer note a)	**145,540,435**	107,432,014
Islamic banking facilities (Tawarruq)	**388,496,033**	402,143,846
Accrued finance charges – Banks	**1,459,614**	1,579,570
Islamic banking facilities (Tawarruq) (refer note b)	**389,955,647**	403,723,416
Long-term borrowings	**535,496,082**	511,155,430
Current portion shown under current liabilities		
Borrowings - gross	**111,735,961**	98,649,784
Accrued finance charges	**2,721,783**	2,035,739
Less: Deferred financial charges	**(756,853)**	(857,516)
	113,700,891	99,828,007

	31 March 2023 (Unaudited)	*31 December 2022 (Audited)*
Long term borrowings shown under non-current liabilities		
Borrowings - gross	**430,960,072**	417,494,062
Less: Deferred financial charges	**(9,164,881)**	(6,166,639)
	421,795,191	411,327,423
Long-term borrowings	**535,496,082**	511,155,430

Reconciliation of cash movement of borrowings	***31 March 2023 (Unaudited)***	*31 December 2022 (Audited)*
Balance at beginning of period / year	**511,155,430**	561,760,665
Disbursements	**45,000,000**	258,778,846
Repayment of principal instalments	**(18,447,813)**	(306,324,210)
Movement in accrued financial charges	**686,044**	1,375,045
Movement in deferred financial charges	**(2,897,579)**	(4,434,916)
Balance at end of period / year	**535,496,082**	511,155,430

11 LONG TERM BORROWINGS (continued)

(a) During 2020, the Group had obtained new facility from SIDF amounting Saudi Riyals 55 million (2021: Saudi Riyals 55 million) to finance the construction of manufacturing facilities. The loan is repayable in unequal semi-annual instalments up to August 2025.

During 2021, the Group had obtained new facility from SIDF for the tissue paper factory amounting Saudi Riyals 150 million to finance the construction of manufacturing facilities. The Group has utilized Saudi Riyals 120 million as of 31 March 2023 (2022: Saudi Riyals 75 million).

Upfront fees were deducted at the time of receipt of the loans. These fees are amortised over the periods of respective loans. The loans bear a follow up fee to be paid on periodic basis. Under the terms of the SIDF loan agreement, the Company's property, plant and equipment are pledged as collateral to SIDF.

(b) During 2022, The Company has also obtained long-term credit facilities from commercial banks. These loans bear financial charges based on prevailing market rates in Kingdom of Saudi Arabia ("SIBOR") for the current period ended 31 March 2023 (31 December 2022: SIBOR).

(c) Upfront fees were deducted at the time of receipt of loans from commercial banks, which are amortised over the period of the respective loans. These loans are repayable up to the year 2027. During the year ended 31 December 2022, as part of the Group's plan to optimize its debt-equity structure and consolidate its loan facilities the Group has utilized loan proceeds received on 29 December 2021 to early settle existing long-term loans from other commercial banks.

The above loans and facilities include certain covenants which require the Company to maintain certain levels of current and leverage ratios and certain restriction on dividend distribution and also notify the bank any breach or probable breach immediately. The Company has met compliance requirements of debt covenants for most banks as at 31 March 2023.

All the above long term loans are denominated in Saudi Riyals as at 31 March 2023 and 31 December 2022.

12 LEASE LIABILITIES

Movement in lease liabilities is summarized as follows:

	31 March 2023 (Unaudited)	*31 December 2022 (Audited)*
At the beginning of the period / year	**29,429,840**	33,005,882
Additions	**783,143**	1,137,966
Accretion of interest	**259,437**	1,185,992
Payments	**(3,752,281)**	(5,900,000)
At the end of the period / year	**26,720,139**	29,429,840

The scheduled maturities of the lease liabilities as follows:

As at 31 March 2023	***Principal amount***	***Interest***	***Net lease liabilities***
Current portion	**5,804,861**	**(977,654)**	**4,827,207**
Non-current portion	**23,970,694**	**(2,077,762)**	**21,892,932**
	29,775,555	**(3,055,416)**	**26,720,139**

12 LEASE LIABILITIES (continued)

As at 31 December 2022	*Principal amount*	*Interest*	*Net lease liabilities*
Current portion	**8,404,062**	**(973,652)**	**7,430,410**
Non-current portion	**24,078,993**	**(2,079,563)**	**21,999,430**
	32,483,055	**(3,053,215)**	**29,429,840**

13 SHORT TERM BORROWINGS

	31 March 2023 (Unaudited)	*31 December 2022 (Audited)*
Islamic banking facilities (Tawarruq)	**20,625,000**	20,625,000
Notes payable	**8,802,887**	12,708,618
Accrued financial charges	**583,569**	231,078
	30,011,456	33,564,696

The Group has short-term credit facilities from commercial banks comprising of short-term loans, letters of credit and guarantees. These borrowings bear financing charges at the prevailing market rates. These facilities include certain financial covenants which require the Group to maintain certain levels of ratios. The Company has met compliance requirements of debt covenants for most banks as at 31 March 2023. All The loans are denominated in Saudi Riyals as at 31 March 2023 and 31 December 2022.

The short term borrowings under Islamic banking facilities bears interest rate of 6.84% (2022: 6.84%).

14 ZAKAT

14.1 Components of zakat base

The Company and its subsidiaries file separate zakat declarations which are filed on an unconsolidated basis. The significant components of the zakat base of each Company under zakat and income tax regulations are principally comprised of shareholder's equity, provisions at the beginning of the year, long-term borrowings and adjusted net income, less deductions for the adjusted net book value of property, plant and equipment and certain other items.

14.2 Provision for zakat

	31 March 2023 (Unaudited)	*31 December 2022 (Audited)*
At the beginning of the period/year	**13,386,571**	6,752,605
Provisions		
- Provision for the current period / year	**3,743,417**	13,605,121
- Adjustment related to prior years	**(357,685)**	1,476,346
Refund/ (payments)	**357,685**	(8,447,501)
At the end of the period / year	**17,129,988**	13,386,571

14 ZAKAT (continued)

14.3 Status of assessments

The zakat assessments of the Group are finalized for the years through 31 December 2008. During 2019, the Company received revised assessments for the years 2009 to 2012, where the Zakat, Tax and Customs Authority ("ZATCA") claimed SR 6.83 million. The Company escalated its objection to the General Secretariat for Tax Committees ("GSTC"), where the Tax Violation and Disputes Resolution Committee ("TVDRC") recently issued its decision in favor of the Company, reducing SR 6.3 million from the original amount. During the current year ended 31 December 2022, ZATCA raised an appeal to the Tax Violation & Disputes Appeal Committee ("TVDAC") against the TVDRC's decision. The Company has submitted its reply memo against ZATCA's appeal. Management believes that TVDAC's decision will be in favor of the Company, in-line with the decision issued by the TVDRC.
During July 2020, the ZATCA has issued an assessment for the year 2014, without any additional claim on zakat.

During December 2020, the ZATCA issued an assessment for the years ended 31 December 2015 to 2018 claiming SR 30 million in additional Zakat. The Company objected against these assessments, however it was subsequently rejected by ZATCA. The Company escalated its objection to GSTC. During 2022, TVDRC rejected the Company's objection in Form, however the Company escalated the case to the Tax Violation & Disputes Appeal Committee ("TVDAC"). Subsequently on 1 March 2023, the Company submitted a rejoinder memo to TVDAC, clarifying that a similar case was accepted by the Committee in relation to the formal aspect. Management believes that the ultimate outcome of the case will not result in any material additional liability to the Company.

During 2021, ZATCA issued its assessment for the years 2019 & 2020, claiming additional zakat of SR 3.6 million. The company objected against ZATCA's claim, and subsequently ZATCA revised its claim to be only SR 1.6 for both years. The Company settled the revised claimed amount to clear these years with ZATCA.

The zakat declarations of the Company for the years 2013 to 2022 are filed with the ZATCA and unrestricted zakat certificates have been obtained till 30 April 2024.

During July 2021, WASCO received the assessment for the years 2016 and 2017 where ZATCA claimed additional Zakat of SR 1.39 million and SR 0.169 million respectively. WASCO objected against these assessments, however ZATCA rejected the objection and accordingly WASCO escalated its objection to the GSTC to be heard in-front of the TVDRC. On 18 September 2022, the TVDRC issued their decision in favor of ZATCA. Accordingly, subsequently on 18 October 2022, the Company raised an appeal against TVDRC's decision. The zakat declarations of WASCO for the years 2018 to 2021 are currently under review by ZATCA and unrestricted zakat certificates have been obtained till 30 April 2024.

Juthor and Estidama has filed the zakat declaration first time in 2022 and unrestricted zakat certificates have been obtained till 30 April 2024.

15 EQUITY SETTLED EMPLOYEE SHARE-BASED PAYMENTS PLAN

During 2022, shared based payments of the 300,000 equity shares of Parent are granted to President of the Parent with service for 5 years. The exercise price of the shares is equal to the market price of the underlying shares on the date of grant. The share options vest if and when the conditions mentioned for the President which are service, performance and market based are met. The share based payments granted are subject to the ratification of the Board once the review is performed by them in 2023.

The fair value of the share options is estimated using market rate taking into account the terms and conditions on which the shared based payment were granted. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share. The Group accounts for the share of the Parent as an equity-settled plan.

(Expressed in Saudi Riyals unless otherwise stated)

16 OTHER OPERATING INCOME / (EXPENSES) – NET

	Three-month period ended	
	31 March 2023 (Unaudited)	*31 March 2022 (Unaudited)*
Foreign currency exchange gain / (loss)	**1,825,333**	(1,447,348)
Loss on disposal of property, plant and equipment	**-**	(2,008,375)
Insurance claim recovery	**1,795,102**	-
Other services	**1,000,000**	-
Others, net	**81,702**	103,250
	4,702,137	(3,352,473)

17 EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Three-month period ended	
	31 March 2023 (Unaudited)	*31 March 2022 (Unaudited) (Restated)*
Net (loss)/ profit attributable to equity holders of the Parent Company	**(6,557,685)**	92,385,929
Weighted average number of shares	**66,666,666**	66,652,222
Basic and diluted (loss) / earnings per share (SR per share)	**(0.10)**	1.39

17.1 The weighted average number of ordinary shares issued and outstanding at period ended 31 March 2022 have been adjusted for the bonus shares issued during the year ended 31 December 2022.

18 FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

(Expressed in Saudi Riyals unless otherwise stated)

18 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- 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.

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. The management assessed that the fair value of cash and cash equivalents, trade and other receivables. Short-term borrowings and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Group fair values the derivative financial instruments and investment at fair value through profit or loss. The fair value of derivative financial instruments is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of investment at fair value through profit or loss is based on the net asset value communicated by the fund manager. The fair values under Level 2 were as follows:

	31 March 2023 (Unaudited)	*31 December 2022 (Audited)*
Level 2		
Investment at fair value through profit or loss	**5,633**	5,633

During the three-month period ended 31 March 2023 and year ended 31 December 2022, there were no movements between the levels.

19 CONTINGENCIES AND COMMITMENTS

(a) As at 31 March 2023, the Group had outstanding letters of credit amounting to SR 28.5 million (31 December 2022: SR 28 million) and letters of guarantee amounting to SR 1.5 million (31 December 2022: SR 1.86 million) that were issued in the normal course of the business.

(b) The capital expenditure contracted by the Group but not incurred till 31 March 2023 was approximately SR 120.7 million (31 December 2022: SR 125 million).

(c) Litigation is in process against the Group relating to a matter with General Authority of Competition who alleges that the one of the subsidiary has been involved in fixing the prices and incurs penalty charges of Saudi Riyals 10 million. The information usually required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The directors are of the opinion that the claim can be successfully resisted by the Group.

(Expressed in Saudi Riyals unless otherwise stated)

20 RELATED PARTY TRANSACTIONS AND BALANCES

20.1 Key management compensation

Compensation for key management is as follows:

	Three-month period ended	
	31 March 2023 (Unaudited)	*31 March 2022 (Unaudited)*
Short term benefits	**3,393,004**	6,203,330
Post-employment benefits	**44,213**	71,551
Termination benefits	**166,150**	190,644
	3,603,367	6,465,525

Compensation to key management personnel includes salaries, and contributions to post-employment defined benefit plan.

20.2 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the condensed consolidated interim financial information is summarized below:

			Three-month period ended	
Related party	***Description of transaction***	***Relationship***	***31 March 2023 (Unaudited)***	*31 March 2022 (Unaudited)*
Directors	Directors' remuneration	Directors	**1,573,185**	746,400
Arabian Maize Company for Industry (formerly "Al Masirah International Industrial Investments Company")	Purchase of materials	Company of vice chairman- board of directors	**3,226,440**	6,850,607

20.3 Related party balances

Significant due from/(to) balances with related parties are summarized below:

	31 March 2023 (Unaudited)	*31 December 2022 (Audited)*
Jeddah Development and Urban Regeneration Company	**20,341,934**	20,050,000
Advances to key management personnel	**667,800**	188,488
Accrued directors' remuneration	**(213,167)**	(917,828)
Arabian Maize Company for Industry	**(1,944,053)**	(6,169,941)

21 AUTHORISATION OF FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorised for issue by the Company's Board of Directors on 02 Duh Al-Qi'dah 1444H (corresponding to 22 May 2023G).